



Strengthening of Government
Administration and Assistance to the
Civil Service Reform in the Republic
of Uzbekistan - No. EDUZ 9802

TRANSFER OF FUNCTIONS
Experience of Western Europe

1970-2000

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TRANSFER OF FUNCTIONS – Experience of Western Europe

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ISSUES

Although transition countries face unique problems, the West has recently faced – and responded to - the same problem of over-centralisation

The last 20 years have seen a great variety of different ways of dealing with this

Experience shows that reforming a centralised system follows a fairly typical pattern everywhere. The process begins with exhortations for changed mentality and behaviour; then emphasises the need for training; then gets involved in a lot of organisational change. At the end of it all very little has really changed. Basic to effective change is altering “structures of accountability” – altering the system of rewards, penalties and information flow.

When a function is transferred it means that the responsibility for performing a self-contained area of activities passes from a superior to a subsidiary body

Entire services do not often transfer – more usually it is a the management function

Giving local councils general powers of initiative helps ensure creative responses to new problems – with best practice being enshrined later in legislation

When the responsibility for running public services is transferred it is to a specific group of people – and countries vary immensely in the confidence they have in different groups to run services effectively.

These different groups have different roles – and accountabilities

These different patterns reflect national cultures and conditions – and reform needs to be sensitive to this

There are different reasons for transferring functions – don't transfer just because an existing body seems to be performing poorly. Look at the options

It is unusual to find functions being transferred to small self-government bodies (like Makhallas) The trend, indeed, has been in the opposite direction.

step-by-step transfer of political responsibility has been quite common

Measurement of organisational performance has increased everywhere

Open information and accountability is crucial to the improvement of public services

The establishment of Agencies with managerial and financial autonomy – and public targets - has been one of the most common developments of the past decade

The role of government changes dramatically as it divests itself of direct provision

This requires a very different skill profile in your civil servants – and a new type of skill development and learning

INTRODUCTION

Government statements in Uzbekistan in the past few years have indicated a clear commitment to decentralisation – on the basis of trying initially to identify functions which are currently the responsibility of central government here which should be “transferred” to other bodies – whether public, private or neighbourhood. The Tacis project has already provided some input to these discussions¹

A draft Conceptsia on this was produced by the Cabinet of Ministers in spring 2000 – and led to the timetable of the June 2000 Action programme. This requires –

- a new Conceptsia by end-March 2001
- amendments to the 1993 Law on Local State Administration and the 1999 Law on Makhallas to be available by October 2001

In the meantime functions are apparently being transferred, on an incremental basis, by government resolution or other quasi-legal mechanism².

The June Action Programme required the Academy of State Construction to develop a Conceptsia on this issue and the Academy invited the Tacis project to summarise the experience European countries have had of transferring functions in recent decades.

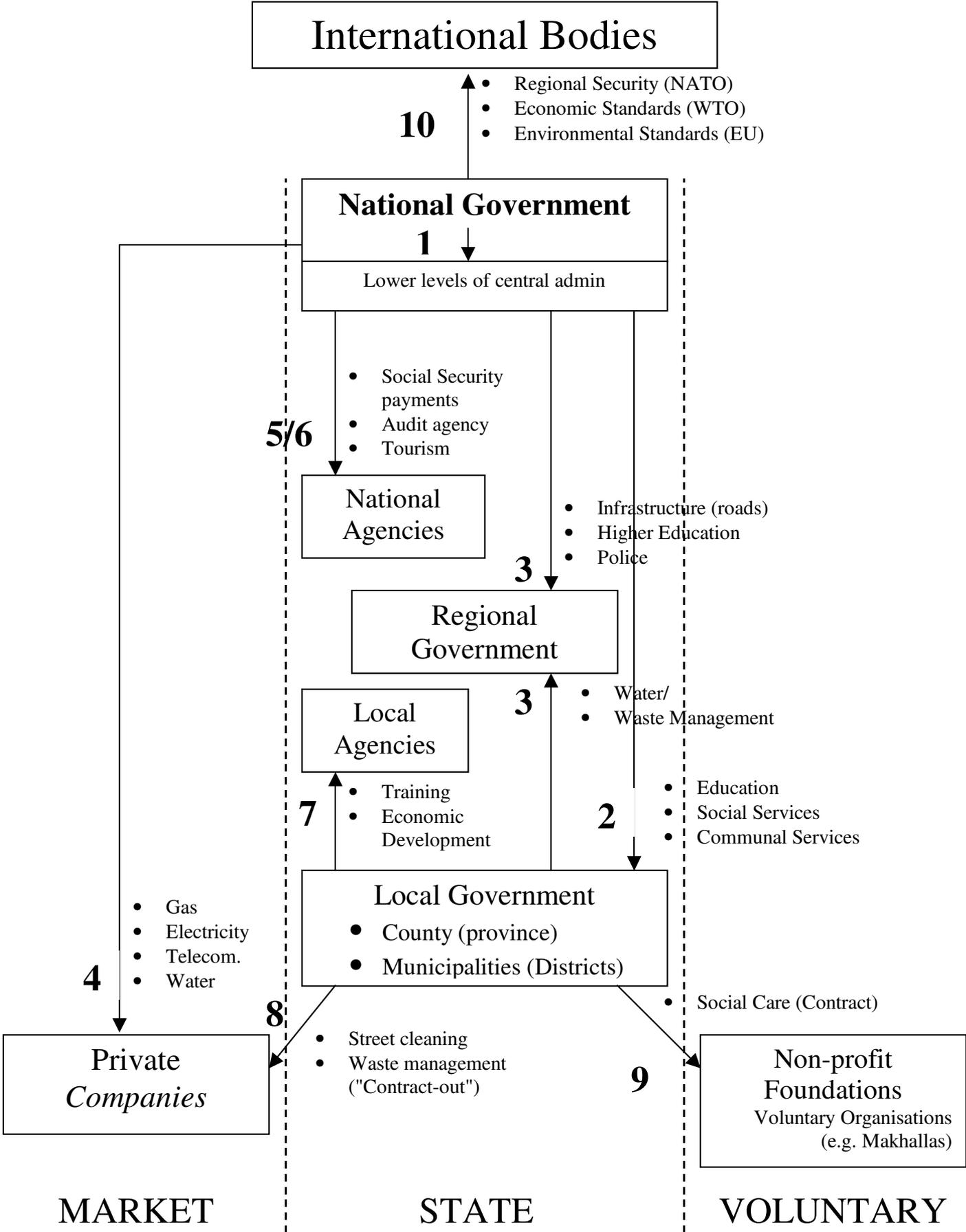
This is a very important question – since the last 20 years has seen a major rethink there of who is best able to manage functions previously managed by central government – and a very wide range of experience. This could assist the Uzbek discussions in at least two ways –

- It can give practical examples – of both positive and negative experience
- It can help develop ways of thinking about these issues

Drafting this paper has made us realise that **functions have been transferred in the past 2 decades in ten “directions”**–

1. to lower levels within central government administration
2. to Local Government (whether by transfer of central functions or allowing local government to develop new functions)
3. (delete) to Regions
4. to the Private Sector (by central government selling assets)
5. to National Agencies
6. new strong independent audit and regulatory functions being developed
7. from municipalities to newly-created local agencies
8. Municipalities transferring the management (only) of services - by “contracting” out services to local companies
9. municipalities transferring/sharing functions with other municipalities, neighbourhood organisations and the voluntary sector
10. to International Bodies

TRANSFER OF FUNCTIONS



Such transfers involve judgements not only about what is **technically appropriate** - but also about the **legitimacy, role and competence** of groups of **people** whose role is extended by the transfer.

Relevant groups are -

- **managers** – both in the public and private sector
- **local politicians**
- **consumers/clients** - who experience specific services and whose views about his are so rarely sought
- **citizens** - who are also the **taxpayers** who pay for the services – and have views about how well they are being run (which can find expression in pressure groups).

In the 1970s, for example, the assumption was that local politicians and middle managers were the groups with the legitimacy and competence to achieve the goals of decentralisation.

Subsequent decades saw more emphasis being given to the contribution of private management experience and of consumer feedback – and a redefinition in the role of local politicians.

The most centralised countries of Europe are recognised to have been France and Britain and it is therefore instructive to look at how they have in the past twenty years tried to deal with this.

1. DECONCENTRATION – transferring functions and responsibilities to LOWER LEVELS OF CENTRAL ADMINISTRATION

insert diagram

1.1 The **French** experience of the past twenty years is perhaps the most immediately relevant for Uzbekistan – given how centralised the French system has been and the role and status in both countries of central government in modernisation.

After a slow start to decentralisation in the early 1980s³, the Rocard modernisation programme of 1989 enunciated four targets *for transferring more decision-making from the centre to local state structures*

- Human resource strategy (emphasising staff appraisal and communications)
- Deconcentration (to encourage civil servants to take more initiatives, “responsibility centres” were established)
- Performance evaluation
- Quality and accessibility of services

An Inter-Ministerial Evaluation Committee was established to oversee the reform; Prefects (Khokims) were given the responsibility to draft “service plans” to improve staff performance; each Ministry was required to draft a “modernisation” plan for deconcentration; and training programmes were introduced.⁴

In 1992 two measures brought this phase to an end – a **Law (and Charter) on Deconcentration** which incorporated the lessons of the previous three years – and which gave the Prefects new coordinating powers over the field services of the state. And a **Charter on Public Services** – with the aim of simplifying procedures and ensuring more transparency.

The Chirac government published in 1995 (under Juppe) a new strategy which was more top-down –

1. Redefining the role of the state – design, regulation and evaluation rather than direct management
2. emphasising citizen need
3. move a significant number of national departments and agencies to other Regions as part of its effort to spread economic and administrative power.

4. renew public management – through performance management and pay; increased budget autonomy.

1.2 **Britain** is also a highly centralised country. Until very recently English counties and municipalities have had to deal with a large range of Ministries – eg Environment; Education; Social Services; Home Office etc. In 1994 Regional Offices of Government were established⁵ to attempt the administrative integration of central Ministries which Scotland has had for a long time. The government set 6 key objectives for the Government Offices (GOs)

- to achieve the operational requirements of each government department in the GO
- to promote a coherent approach to competitiveness, regeneration and sustainable economic development, using public and private sources
- to develop the skills and methods of working of staff to achieve these objectives
- to develop local partnerships, particularly with business
- to provide a single point of access and deliver high quality services on Citizen Charter principles⁶
- to contribute local views and experience to the formation of government policy
- An additional important activity has been the effective organisation of European funding.

1.3 Implications for Uzbekistan

Clearly the Khokimyats are already very powerful Regional offices who coordinate the field offices of Ministries and have the responsibility for ensuring government Decrees are implemented. Some consideration might now be given to the French and British experience – which places more emphasis on

- the coordination of local departments to achieve local strategic goals
- encouraging staff to take initiatives in special structures
- the development of appropriate skills through training
- feedback for the formation of government policy

2. From Central Government TO LOCAL GOVERNMENT

The **1970s** heard much talk in Europe of increasing the powers of local government⁷ - which, of course, were already considerable.

The 1968 student revolutions had reflected a wider unease about centralisation of public and private power – and the lack of involvement of ordinary people. Too many decisions, it was felt, were taken in the Ministries in the capital city – which lacked the understanding of local problems. The existing municipalities were perceived however to be generally too small to take on increased responsibilities. In northern European countries therefore one of the preconditions for an increased role for local government was seen to be restructuring (amalgamations) of municipalities. In France, Spain and Italy, however, the existing pattern of municipalities was largely maintained – with, however, a new regional level often introduced or further developed. In the West European discussions of the **1960s and 1970s** the increased power for municipalities was considered to come from various mechanisms -

- functions being **transferred to them from central government** bodies
- **reduced administrative controls** from the centre
- greater freedom over how the municipalities spent their money
- municipalities being encouraged to **raise more of their own resources**
- **more competent managers** (and politicians) being attracting through the economies of scale of larger councils
- **new functions** being allocated to - or taken by - municipalities (eg social policy; local economic development)
- **more streamlined structures of decision-making** – to remove duplication and unnecessary layers⁸
- **more citizen involvement** – so that there could be no doubt about the decisions of the municipalities reflecting local wishes⁹.

It should be noted that the transfer of functions is only one of a number of ways to develop local democracy. It is necessary – but not sufficient.

By **the mid-1980s**, countries such as UK, Denmark and Netherlands were moving away from the focus on administrative structures – and emphasising instead the need for functions to be subject to the influence of competition.

Germany and France were slower to follow this trend – France because of the strength of its statist tradition; Germany partly because provision was already more pluralist¹⁰ than, for example, Britain; partly because Germany was in the 1980s giving more emphasis to citizen involvement and initiatives¹¹

2.1 The Scandinavian experience

In Scandinavia significant additional functions were transferred to municipalities in the 1970s – eg hospitals to County Councils. In countries such as Sweden, Finland and Denmark almost 80% of public employees now work in (two tiers of) local government¹².

Since then the emphasis has been on loosening central controls – and the municipalities being freer to make their own decisions.

The Scandinavian model is a very distinctive one – both in the scale of local municipal power and in the participative way it has changed its structures. As annex ? shows the share of GNP taken by local government spending is some three times the level of the average European country.

The **Free Commune Experiment**¹³ of the late 1980s and early 1990s in Scandinavia invited certain pilot municipalities to indicate where central controls and regulations might be lifted on an experimental basis

- Areas of autonomy were thus negotiated in those municipalities
- Subsequent experience was monitored by independent research bodies

- A consensus then emerged about the shape of wider reform.
- Which was then enacted

In **Sweden** the Government Modernisation programme of 1985 emphasised the central importance of decentralisation and, between 1980 and 1994, more than a dozen groups of activities were transferred from the central state to regional and local authorities¹⁴.

2.2 the French approach

Over the past 20 years **France** has taken an incremental, "step-by-step", approach¹⁵ to its centralised system which has recognised that

- The functions being carried out by state civil servants in the 100 Departments (Oblasts) on behalf of the centre should be managed in future by locally elected politicians at that level.
- The powers of the centrally-appointed Prefects should be redefined¹⁶
- heavily-urbanised areas need a different structure than the rest of the country.
- There can be no blue-print; lessons from initial change should be built into later changes
- Functions such as training, higher education and infrastructure were best dealt with at a Regional level – which should be managed by a strong elected body. Direct elections were introduced in 1986 to 26 Regions (21 in mainland France).
- There could be no major reform of the traditional communes (over 30,000) – although voluntary amalgamations would be encouraged (10,000 of them covering 13 million people were merged into 1000 between 1992 and 1997)¹⁷.

2.3 The UK Approach

Britain tried a very systematic and technical approach in the late 1960s and early 1970s. An independent Royal Commission established by the Government in 1966 looked at each function in turn and tried to identify the most level at which it could operate most effectively¹⁸. In this effort the role of “economies of scale” were given a significance which later events were to falsify¹⁹. And questions about the role of the private sector which Margaret Thatcher was to bring on to the agenda in the 1980s were not then seen as significant.

The approach taken was adopt completely new legislation which swept away the old rather complex system and replace it with a two-tier system –

Counties (regions in Scotland) with responsibility for

- infrastructure (roads; water; sewage; fire police)
- strategic planning
- education (primary; secondary and tertiary)
- social services (care of the elderly; handicapped etc)

Districts with responsibility for

- housing
- local planning and environmental control
- leisure activities (libraries and community centres)
- communal services

Before the reorganisation Scotland had more than 600 units of local government (for a population of 5 million). In 1975 there were 65 – the average unit therefore covering almost 100,00 people. Section seven of this paper describes what has happened since then²⁰.

What central government gives it can take away – if, as in Britain, there is not adequate constitutional provision for local democracy. In 1995 the two-tier system in Scotland was replaced with a single-tier system of 32 Districts – whose legal framework is now set by a Scottish Parliament established in 1999. The average self-government unit is therefore now responsible for 170,000 people. The cost of all these changes²¹ (and also dramatic changes in the

1980s and 1990s in the system of local government finance²²) demonstrates the dangers of central government enacting changes without proper consultation.

BASIC STRUCTURE OF LOCAL SELF-GOVERNMENT IN THE THREE COUNTRIES

	FRANCE	UK	SWEDEN
Population	58 million	58 million	9 million
Regions	21 regions	3 Scotland; Wales; N Ireland	
Provinces/Counties	100 Departements	47 English Counties	24 Counties
Districts	329	333 in England and 32 in Scotland	
Joint Authorities	19,000		30
Municipalities/Communes	About 20,000	33 London Boroughs 10,000 parishes	286 municipalities

2.4 The German experience

The German structure after the second world war was a very decentralised one – as is evident from annex ?. And non-governmental agencies (such as churches and insurance companies) have always been important players. The country has not therefore felt it necessary to embark on the major reforms experienced by other European countries – at least not until the 1990s²³.

The 1970s did see some reorganisation – to form larger municipal bodies which could operate more economically – the number of municipalities was reduced from 24,000 to 8,400 (Counties from 425 to 237).

The focus of German administrative reform efforts in the 1980s was rather to increase the influence of the individual citizen. This very much reflected the radicalisation of German politics in the 1960s and 1970s when, for example, the ecological movement grew into a political power. Under what was called “die Erneuerung der Politik von Unten” various types of participative structures were developed in the 1980s by the local municipalities themselves eg neighbourhood management; advocacy planning; community enterprise and local forums.

The financial pressures of the 1990s, however, led to a new interest by the municipalities in a more business-like approach to their services. This is known as “Die Neue Steuerungsmodell” based on initiatives first undertaken in the city of Duisberg in 1990 – and then disseminated to other cities by a national association of municipalities. This structures services as “products” and requires great emphasis on targets and incentives. There has been some backlash to this in recent years.

2.5 The experience of transition countries

The likely reaction of most Uzbeks is to say “this is all very interesting – but of little relevance to us. The countries which became independent of the Moscow in the 1989/91 period have more in common with us – what’s happened there?”

It is not easy at this stage to get a truly up-to-date and comprehensive picture of present patterns and issues in Central Europe local self-government. Books²⁴ tend to date fairly quickly. The following table tries to give a bird’s eye view of structures

	Bulgaria	Czech R	Hungary	Poland	Romania	Slovakia
Provinces						
- number	-	In 2000 14 elected Regions (750,000)	19 admin regions (266,000)	In 1999 16 elected Regions	41	-
- av pop					500,000	
Districts						
- number	-	453	-	In 1999 373	-	40
- av pop		23,000		100,000		133,000
Communes and municipalities 1994						
- Number	4,217	6,196	3,149	2468	2,955	2,851
- av pop	11,490		3,290	15,566	7,720	1,846
Communes in 1989						
- number	Na	4,092	1,610	2375	2,942	2,725
- Av size	na	2,540	6,460	16,000	7,753	1,940
% increase in communes 1989-1993						
	100%	34%	50%	4%	-	-

Descriptions of the structures are useful but reveal nothing about the process of change – why, for example, change was sequenced in the way it was, with what sort of resistance, timetable and difficulties. Certain websites²⁵ can, however, give access to up-to-date papers on that and I have used these and the paper produced by Professor R Bennett in 1995²⁶ (which remains the best – if brief – overview of the first stage of local government developments in Central Europe) to structure this final section.

Bennett identifies four challenges faced in transition countries in building up local self-government in the 1990s –

- Reviving (or discovering) the concept of local self-government
- Developing the necessary political and technical expertise at the local level
- Gathering political and popular support
- Overcoming the Soviet legacy built into local structures and staff

One point I would strongly emphasise is the cultural aspect – despite certain common historical events (Russian and/or Austro-Hungarian domination) each country clearly has its own “response pattern”²⁷. Since the early 1980s Poland and Hungary had been developing a strong civil society – which meant, for example, that Hungary had been working on the preparation of a concept and legislation for local self-government for a decade²⁸. Romania and Slovakia, on the other hand, were frozen with strong totalitarianism.

Bennett drew attention to four common features noticeable in the first part of the decade as people struggled with these challenges in Central Europe –

- *Re-emergence of the Basic level*
- *Dealing with the Democratic Deficit at the second level*

- *The slow development of working relationships between the local Executive and Council*
- *Large Responsibilities and Few Resources*

a. Re-emergence of the Basic level

In all the countries concerned, new constitutions framed the principle of local self-government at the most basic level – leading to very small units. And their number increased in the early 1990s. One of the reasons is that the Counties (Oblasts) were viewed after 1989 with great suspicion (particularly in Hungary) as the power base of the communist party. The table shows that, in three of the countries, the average size of these units is just over 2,000 population – and more than half of them have a population of less than 1,000. This had a number of consequences

- Functions could not be seriously transferred to that level
- It has often allowed the central state to maintain significant administrative power in its old regional structures
- And thus added to other arguments to establish an upper tier of local self-government
- It has slowed down the development of cooperative associations that might otherwise have overcome some of the difficulties of their small scale

b. Dealing with the Democratic Deficit at the second level

Districts (or Oblasts) are the organs of local State administration and have, with the exception of Hungary and Poland, remained the basic mechanism for delivering the services we would normally expect to be delivered by local self-government – that is education, health, planning, fire and culture. In the Czech Republic, despite the creation in 2000 of 14 Regions²⁹ and a new Act on municipalities, there remain 77 such Districts – headed in all but four cases by a central government appointment. The exceptions are the (elected) mayors of the four largest cities. It is generally accepted that most of the powers of the Districts need now to be transferred to local self-government – the debate is whether it is to the municipalities, the cities or the regions. Diagram Three indicates that most countries have been reducing the power of the centrally nominated Prefect (or Khokim) figure.

Poland³⁰ has also very recently set up elected Regions (as part of the European integration strategy to more easily to gain access to the very significant European Regional Development Funds) – but, unlike the Czech reform, the exact powers of the various tiers of local self-government have been very clearly defined in the 3 new legislation. The 16 Regions are responsible for

- the promotion of economic development
- public services of a regional nature
- environmental protection
- regional infrastructure (Roads and communications networks)

The new elected Districts created in 1999 are responsible for such things as

- Management of secondary schools and schools for handicapped children
- Management of hospitals and sanitary protection
- Public order and safety
- District roads
- Development control
- Water management and environmental protection
- Flood and fire precautions; civil emergencies
- Consumer rights
- District utilities

c. The slow development of working relationships between the local Executive and Council

The Mayor is often the Chief Executive Officer – which has sometimes given rise to conflict with administrative officials. In Romania, for example, the Secretary to the Council was appointed by the local Khokim – and inadequate legal advice given by that official to the mayors in the mid 1990s allowed central government to undermine their credibility and, ultimately, to sack more than 100 of them.

d. Large Responsibilities and Few Resources

Significant functions (generally primary education and primary social and health care) and assets (land and property) was passed to the councils – although the assets were often on a temporary basis, prior to privatisation. The financial resources to run public services have, however, rarely been transferred. Genuine local taxes (really within the control of the council) have amounted to more than 10% of expenditure – and total resources (including charges) to an average of only 16% of total spending³¹.

	New financial powers to municipalities	Creation of administrative regions	Creation of elected regions	Elected mayors	Prefects (hokims)
Hungary		c1997/98	No	No	Reduced powers
Poland			1999	No	?
Romania	1999	1999	No	Yes	Yes
Slovakia		1996	No	Yes	Reduced powers
Czech Republic	In draft form	No	2000	No	Minor Role

DIAGRAM THREE

2.6 What are the lessons of this *Central European* experience?

Considerable time is needed to deal with the four challenges Bennett defined in his 1995 paper. The countries which have made most progress were working on these issues in the 1980s.

Central European countries have found it useful to use the Council of Europe’s Charter on Local Self-Government as a benchmark for their debate and reform.

The two-tier system (with an upper County or Oblast level and a lower municipal level) is a standard structure in most countries in the world and recognises that lower levels have limits of capacity. **The functions which are currently at the Oblast and Rayon level are usually part of the system of local self-government.** They do, however need to be democratically accountable to locally elected politicians. Of course this cannot happen overnight – but should be recognised as a medium-term objective.

The emphasis on the commune led to local governments that are too small to provide many of their own services; too small to finance those services on any significant tax base; and small to attract and pay high-quality personnel

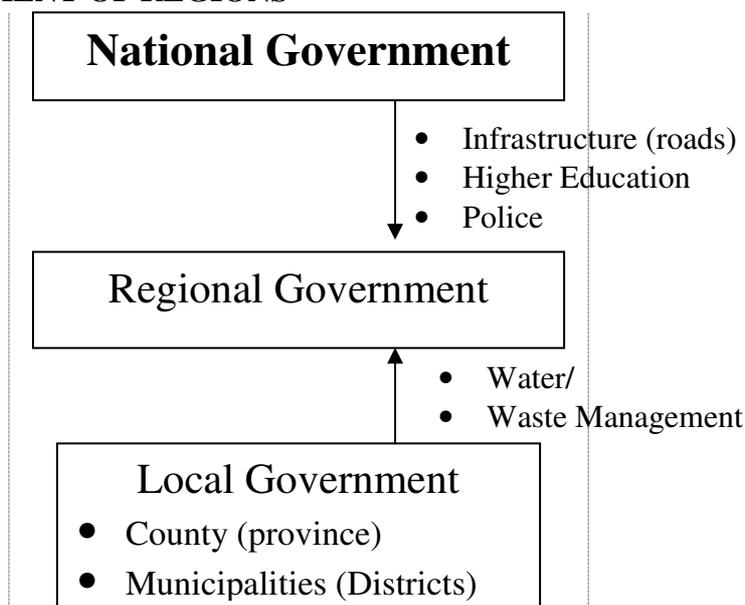
The resolution of these tensions in the West has been through some or all of the following mechanisms –

- Grant distribution formulae
- Pressures to amalgamate
- Development of powerful top tier
- Promoting cooperation between communes (associations)
- Contracting out of services to private sector

The creation of effective local self-government is not a luxury for "economies in transition"! If properly handled by politicians at both central and local level, local government can indeed be one of the most powerful methods for achieving the economic and political objectives of reform. Local government allows the wider **development of the necessary skills of negotiation, leadership and initiative** - which are needed for societies to be able to cope with the social and economic challenges of the modern world. Mature behaviour involves choice - realising that one cannot have everything and that one has to choose between priorities.

Shortage is a fact of life - not something to blame on central government! That's one of the reasons for having local councils with real financial responsibilities - to develop that sense of realism, of compromise and acceptance of responsibility.

3. THE DEVELOPMENT OF REGIONS



3.1 “Regionalisation” has been a trend in the past 30 years in Europe³² – although the definition of a Region has been the subject of considerable confusion. There is a major distinction between “Regions” or “Provinces” which are part of a Federal System – and those which are effectively the upper level of a two-tier system of local government.

3.2 The Belgian Regions and German Laender fall into the first category – the Netherlands Provinces, the French and Italian Regions and the nine Scottish Regions (abolished in 1995) into the second (which might be called “functional” Regions, responsible normally for -

- the promotion of economic development
- public services of a regional nature
- environmental protection

- regional infrastructure (Roads and communications networks)

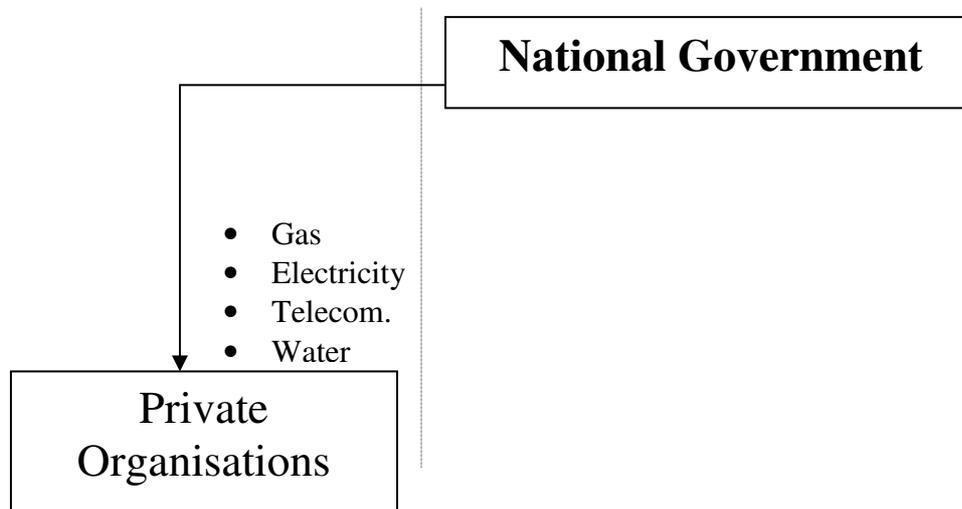
Although Spain is not technically a Federal system, the Autonomous Spanish Provinces belong effectively to the first category – since (as in the German and Belgian cases) they were created not as administrative devices but as part of a crucial historical political settlement to hold the country together.

3.3 The German BundesRat – the upper House of Parliament - is formed by the Laender and ensures that legislation and the budget reflects the interests of the country as a whole. It was the absence of such a mechanism which fuelled Scottish sentiments and nationalism – with an eventual amicable settlement in 1999 through the creation of a Scottish Parliament. Basically this transferred the political responsibility for almost all domestic functions from the Scottish Minister within the British Cabinet to the politicians elected to the new Parliament. These functions had been delegated to a “Scottish Office” for almost a century – so the transfer was one of political power rather than functional.

3.4 The European Commission has had its own reason to encourage the development of Regions – particularly since the late 1970s with the very significant growth of European Regional Funds. Both local and regional authorities have been useful allies in the concession of national legislative powers to the EU.

3.5 A recent decision has been made to create a second chamber in Uzbekistan whose representatives will be drawn from the Oblasts. This is consistent with European practice.

4. Transferring (selling) OWNERSHIP TO THE PRIVATE SECTOR



4.1 In the 1970s people were increasingly critical of the performance of the State enterprises which ran such services as gas, electricity, telecommunications and railways³³. The critique ran as follows -

Organisations capable of political interference find it difficult to introduce a price regime which ensures that users recognise (through payment) the actual costs of use and that they therefore cut out unnecessary use.

- Privatisation requires activities to be broken up into more focussed structures – those left with the state will equally have more manageable tasks.
- removal of capital constraints always experienced by state enterprises means that much needed investment takes place in the service

- if the technology allows several suppliers to compete, this ensures that prices and services are more acceptable to the consumer (and a franchise system can be developed to deal with the problems of “natural monopoly”)
- managers with experience of working in the competitive private sector have the experience of striving for better services
- sale of state assets normally gives the government receipts which can be invested in state development

4.2 In the 1980s Britain set the trend – which continues globally - of privatising the **energy** and **telecommunications** sectors – with the positive effects listed above³⁴. It has also extended the model to **water** and **railways** with more contentious results³⁵.

4.3 Lessons

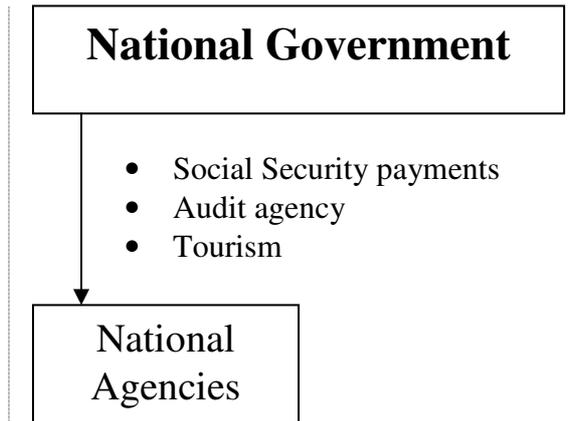
Privatisation will produce positive results only if certain pre-conditions exist. Their absence could seriously undermine the success of the operation- and many of these pre-conditions are in fact currently missing in transition countries

- the value of the assets needs to be positive – to attract a buyer!
- Buyers can be attracted to take over assets with negative value only if a range of key financial preconditions are fully in place (eg banking loans; pricing regime; ownership titles)
- whether the particular service can be provided by multiple suppliers or is a “natural monopoly” (if the service falls into the latter category, franchise arrangements could work – with strong independent regulator)
- whether companies and private sector managers with experience of working in competitive conditions actually exist
- careful and proper conducting of the valuation and sale
- what system of regulation is then put in place to protect the “public interest” eg environment and security

One of the unforeseen consequences of the privatisation of natural monopolies is the need for independent regulators who set standards and control tariffs. These functions then effectively transfer from government to independent state agencies.

Insert CS diagrams ????

5. Transferring functions to NATIONAL AGENCIES



5.1 **In the 1960s** a strong critique started in Britain about the management ability of senior civil servants. They were responsible for huge Ministries but had, it was argued³⁶, neither the experience nor the inclination to manage the staff and resources (not just finance but property) involved. Their traditional role was policy advice to Ministers - not management.

5.2 Management training of civil servants therefore became the priority **in the 1970s** – and also the introduction of management practices and structures from the private sector (eg management information systems and financial controls). In the early 1980s a senior business-man was brought in as an adviser to produce efficiency savings³⁷.

5.3 **By the late 1980s** the business men were actually beginning to run some of the functions. This because, by the mid-1980s, the politicians were not satisfied with the results of all the changes – and realised that they had not posed the **basic question - does government actually need to be managing the things it currently is trying to?** Of course governments have a responsibility for education – which should be funded from taxation. But do governments (ie civil servants) actually have to run everything? Can they not “delegate” the management to other groups of people – who are given the budget and work within clear policy guidelines but with real managerial freedom?

5.4 The table below³⁸ tries to express 7 key elements of the new public management approach which has now spread throughout the world –

	Assumption	Meaning	Typical Justification
1	Hands-on professional management of Public Organisations	free to manage	Accountability requires clear assignment of responsibility
2.	Explicit standards and measures of performance (organisational and personal)	Goals and targets are defined and measured as indicators of success	Accountability means clearly stated aims
3.	Greater emphasis on output controls	Budgets and rewards linked to performance	Need to stress results rather than procedures
4.	Break large units into smaller ones	Create units organised by products with devolved budgets	Make units manageable; split provision and production; use contracts
5.	Greater competition	Move to contracts (3-5 years' duration) and tendering procedures	Rivalry as the key to lower costs and better standards
6	Stress on private	Move away from	Need to apply "proven"

	sector styles of management practice	military- style ethic to more flexible hiring, pay rules, etc	private sector management tools
7.	Stress on greater discipline and parsimony	Cut direct costs; raise labour discipline	Need to check resource demands; do more with less

5.5 This is the background to the astonishing development in Britain in the past two decades of more than 100 specialised Agencies which now employ at least 75% of civil servants – with great flexibility on budgetary, procedural and personnel matters³⁹ and transparent targets for improving client satisfaction⁴⁰. This development has been a step-by-step one – there was no blueprint for this when the Conservative Government took power in 1979. It just happened.

Agencies which employ more than 20,000 staff include the following -

Employment Service (30,000)

Prison Service (40,000)

Social Security Benefits Agency (68,000)

Customs and Excise (22,000)

Taxation (57,000)

Examples of smaller Agencies are

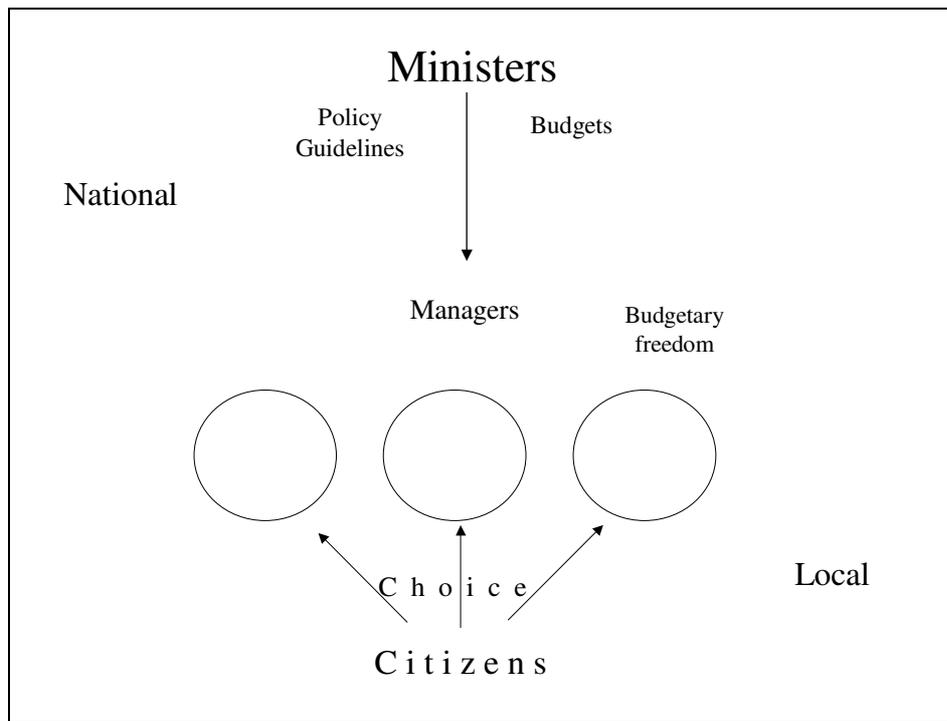
- Driver Licensing Agency (4,000)
- Office for National Statistics (3000)
- Highways Agency (1500)
- Passport Agency (1275)
- Veterinary Laboratories Agency (1000)
- Meat Hygiene Service (1000)

Sweden has had Agencies for several Centuries – and the most extreme example of the Agency approach is the heavily centralised country of New Zealand⁴¹

5.6 The **UK Government** has been subjecting all its activities to searching scrutiny by addressing a series of questions about all its activities

- **does the work need to be done at all?** If not, the work should be abolished
- if the work is necessary, **does the government need to be responsible for it?** If not, privatisation should be considered
- if the government does need to be responsible, **does the work have to be performed by civil servants** – or could it be delivered more efficiently and effectively by the private sector (through a competition being held to award a contract)?
- Where the job must be carried out within government, **is the organisation properly structured and focussed on the task?** This will generally require the establishment of an Agency⁴². Civil service regulations are relaxed or abolished for these agencies – to ensure that they can respond flexibly to customer preferences and to market conditions (eg of pay). The Chief Executives are appointed by open advertisement – and a significant number are from the private sector.

The following diagram tries to give a sense of the new environment in which public servants and citizens now operate -



5.6 Conclusion

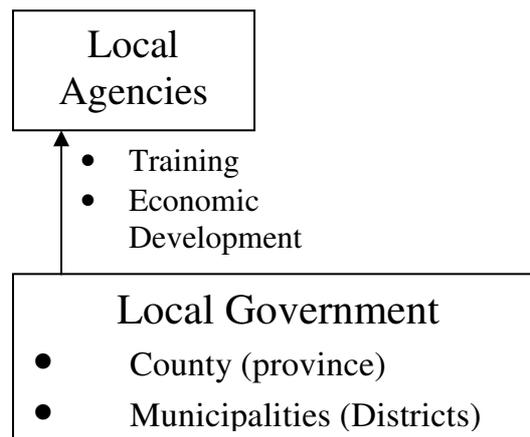
The creation of such agencies (along with privatisation) could be said to be at the heart of the revolution which has swept over the public sector globally in the past two decades. Discussion of this option seems strangely missing in Uzbekistan. There are, it seems, about four Agencies at the moment – the latest being announced in December for Communal Services.

6. Transferring EXPANDED FUNCTIONS OF AUDIT AND REGULATION TO INDEPENDENT BODIES

As central government has privatised what are sometimes natural monopolies, it has had to set up a **regulatory** function to control potential abuse of that power. Although these are state agencies –they are given independent decision-making powers. If the function is given to a Ministry experience has shown that it can be too easily “captured” by special interests – or subject to political influence. An independent status gives it the status and transparency which makes it less subject to illegitimate influence. The scale of these regulatory bodies has grown considerably in the past decade – there are now more than 100 such bodies in Britain employing a total of 15,000 staff⁴³.

And as more managerial freedom is given to **Agencies** the need for a framework of evaluation, scrutiny and audit increases. In Britain one of the most important development has been the work of the **National Audit Office**⁴⁴. This reports to the Public Accounts Committee of Parliament – not to Government. It now employs 700 staff and not only audits the work of all public agencies; it also carries out 50 special studies each year on “Value for money” in the public sector. Its reports exert increasing influence.

7. REMOVING FUNCTIONS FROM MUNICIPALITIES BACK TO CENTRAL GOVERNMENT OR to LOCAL AGENCIES



This is mainly a British phenomenon and has arisen for two concerns of the national Conservative politicians – (a) inability to accept the legitimacy of the initiatives - and spending levels - of local Labour politicians and (b) a wish to give citizens more choice in public services – ie in the school they send their children to or the doctor and hospital they use. The budgets of these operational units (and Agencies) depend on their success in attracting customers.

Local councils in Britain had much larger powers 25 years ago than they do now. Then they were the major source of housing; and they ran the primary and secondary school systems. Their powers were considerably reduced during the 1980s and 1990s by a Conservative Government which had several concerns -

- council spending was not properly controlled or accountable
- local council workers and professionals⁴⁵ had too much power
- some local opposition politicians were accused of abusing their position to encourage "socialist" values particularly promotion of the rights of "minorities"
- the citizen did not have enough say over the quality of the services being offered
- the legitimacy of councils were questioned because (a) of the low percentage of the electorate who voted (about 30%) and (b) of the electoral system tending to return dominant party majorities which gave no voice to alternative views.

The following major measures have been brought in over the past 15 years to deal with these concerns -

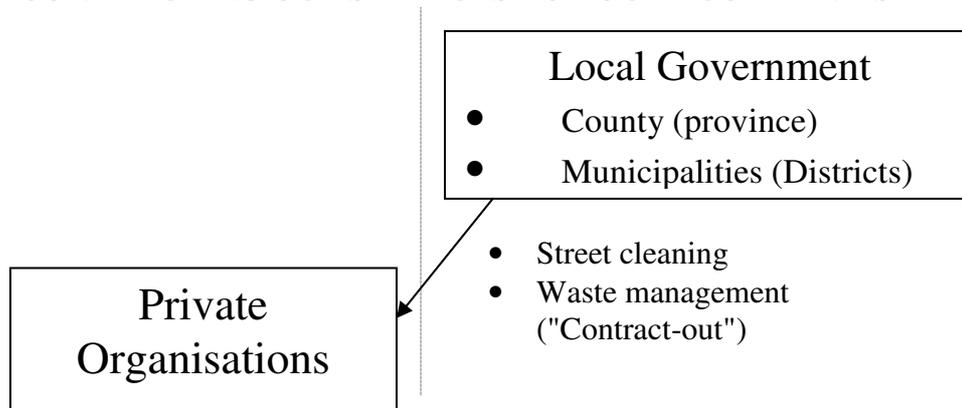
- Successive Legislation forced Councils to sell off their housing stock - initially to tenants, more recently to housing associations
- Laws were introduced fixing individual limits to council expenditure - and enforcing financial penalties if these were passed (basically transferring back to the centre this function)
- Legislation was introduced and Codes of conduct elaborated governing political activity of senior local officials and other matters⁴⁶
- The responsibility for **urban regeneration** and for **training** was given in the 1980s to special local agencies appointed by government ministers (urban development corporations; and training councils) with considerable business representation and token presence only of local politicians⁴⁷
- the responsibilities of local councils over **education** has been considerably reduced. Successive Conservative governments encouraged individual schools to "opt-out" of local council control and to receive their grants directly from central government – although very few schools have actually done so. A National Curriculum has been imposed by the Ministry on professional staff. Headmasters and School Boards (of

parents and staff) have been given real budgetary and management powers. The new Labour Government has broadly agreed with this agenda - and has been even tougher on poor-performing teachers.

- **Housing:**— where associations own and manage social housing. This has been the case for a long time in Germany – and is now the case in England where recent legislation has transferred the housing stock which still remained with municipalities to housing associations.

The transfer of so many of the functions of British local councils has basically been an attack on alternative sources of political authority. Most other European countries are not troubled by the sight of government having to negotiate its policies – indeed that is how they define democracy. It is indeed paradoxical that a country celebrated for its liberty should have such an authoritarian approach to politics!

8. CONTRACTING OUT SERVICES TO LOCAL COMPANIES



Local councils and public bodies in Europe have been encouraged in the past two decades to organise competitive tenders for such activities as

- roads maintenance
- provision of school meals
- communal services (cleansing and refuse collection etc)

The public body draws up detailed specification - and pays only if these are met. The contracts are usually 1 – 3 years. What it means is that a company does the work according to detailed instructions which cannot be altered without approval by the public organisation. The service is still paid for from taxation. Bids can be made by council department – and many such “internal” bids have in fact been successful.

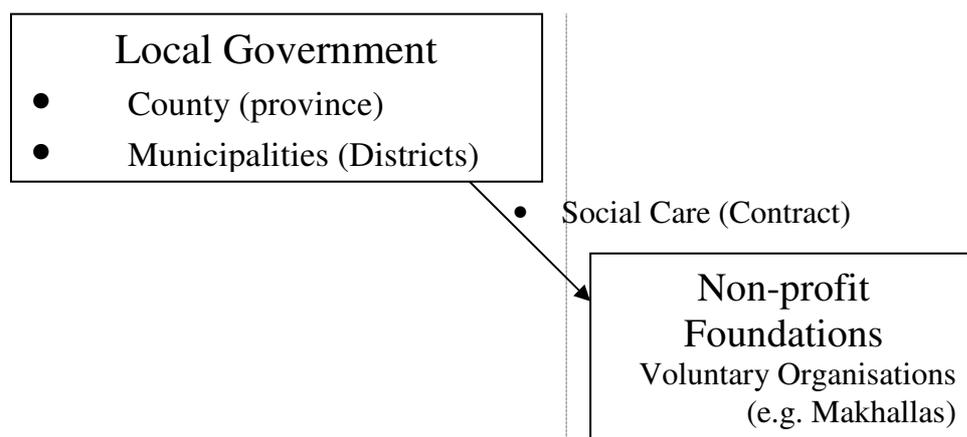
Experience⁴⁸ has shown that costs come down by 20% or so – at the expense of the labour force. More flexible practices are also seen. There is however a cost – in the staff needed to draw up and monitor contracts.

At a local level an increasing number of social services are also being provided by private or non-governmental agencies – eg care of the elderly (homes and home-helps; child-care). In some countries (eg Germany) religious bodies have traditionally always played an important role here. The job of the municipality is to set the standards; carry out inspections and award licenses.

The Communal Services Example

Following a strategy document in 1998, Uzbekistan is currently restructuring its communal services – and has been looking at the lessons of foreign experience. The Ministry of Communal Services was abolished in December 2000 and an Agency was established. The abolition has effectively ended the subjection of the Oblast Kokhimyat to the “dual subordination” principle. Now the role of local administration is clear. *The following diagrams ??* were drafted to assist the discussions and try to indicate how the pattern of communal services has changed in Western Europe in the past 2 decades.

9. TRANSFERRING/SHARING FUNCTIONS with THE THIRD SECTOR (consumer groups, neighbourhood organisations and the voluntary sector)



As already indicated there has been a trend to create structures more responsive to the consumers of individual services. Boards of consumers and providers (of **schools** for example) have been set up in several countries and given the power to control the budget and staffing - and compete for clients. The purpose of such structures is to give managers more autonomy from both politicians and bureaucrats.

In the post-war period services became highly professionalised and often marginalised the user (patient, tenant, parent or pupil). The 1970s and 1980s have seen increasingly strong attempts to give these groups a stronger role in a variety of key social functions eg

- **Juvenile justice:** The Scottish system of Children’s Hearings was introduced in 1968 for three reasons – (a) to decriminalise the treatment of very young offenders; (b) put the behaviour of minors in the context of the (mal)functioning of the family and (c) involve the wider community in dealing with these problems. Ordinary members of the community are selected to serve on children’s panels (for which they receive training). Anyone in authority (police; teachers) may report cases and specially qualified officials (“reporters”) do the background survey work before bringing the child with the family to a “hearing” of a panel composed of three of the community representatives.
- **Health:** here it has been the local councils who have recognised that improvements in the general health of the population rarely come from medical developments – rather from the wider urban services such as water purification; good housing and education; and healthy lifestyles. The World Health Organisation has played an important role in raising the profile of health promotion and in encouraging municipalities to develop local partnerships of agencies and community groups and to network globally and learn from one another’s initiatives⁴⁹
- **Community employment and enterprise;** as traditional industries died in the 1970s and 1980s in Western Europe unemployment tended to be concentrated in housing estates on the edges of towns and cities. Government was generally slow to respond to this phenomenon⁵⁰ and initiatives came from local community groups and community workers paid often by national Foundations⁵¹. In Ireland and Scotland the work was strongly supported by national and Regional government⁵².
- **Community security** It took considerable argument (and riots) before the British and French police, for example, accepted that law and order was not something they could achieve on their own – and that they needed strong community support for their activities. Partnership between police and residents is the key feature of the Neighbourhood watch schemes which can be found now throughout Britain.

Implications for Uzbekistan

Many of these functions are already performed here in Uzbekistan by the Makhallas. This seems to offer support to those who wish to see their role increased even more. An important point to notice, however, is that these functions are not performed in Europe by a single body – but by a variety of structures designed to minimise the bureaucracy which is inevitably involved in a representative body which carries out administrative functions on behalf of the state.

The emphasis given to the uniqueness of Makhallas is in danger of blinding policy-makers to important lessons in foreign experience. The uniqueness lies in two fairly limited aspects – their age and the requirement to have meetings of all residents. French communes for example perform not dissimilar functions – and have existed for more than 200 years. Their responsibilities include –

- Pre-school and aspects of primary education
- Local Roads
- Housing
- Town planning
- Police
- Cemeteries
- Water and sewage
- Waste management
- Fairs and markets

There are **two dangers facing Makhallas in the present discussion about transferring more administrative functions to them**

- That they lose the confidence of the population because they begin to represent the needs of the state rather than the interests of the local population. Of course there should not be a divergence between the two – but it is a question of balance. And many of the functions which the draft Conceptsia suggests be given to the Makhallas fall into this first category. At the moment it is the **social welfare functions** which give the Makhallas their distinctive value – and we recommend that this remains their focus
- Makhallas are not currently resourced (in terms of money or trained staff) to allow them to perform effectively their existing functions. A period of consolidation is needed to ensure that they perform their existing functions before they are given additional tasks. Otherwise they will surely lose the confidence of the citizens.

There is then a choice which can be made in the precise role of the Makhalla in performing in future its social welfare functions. The Makhallas could continue to perform these tasks themselves or, on the other hand, assist local organisation to perform the tasks.

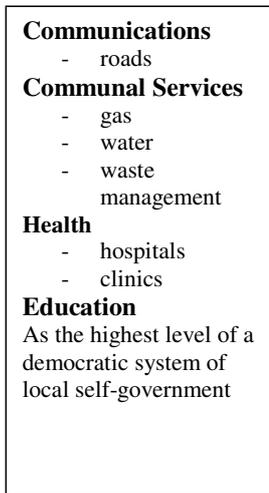
There are two advantages in the latter option

- It allows specialisation
- it minimises the bureaucracy which is inevitably involved in a representative body.

There are suggestions that many of the functions currently carried out by the Khokimyat should, in the medium to long-term, be transferred to Makhallas.

We think this rests upon a misunderstanding of the functioning of self-government elsewhere and have developed the diagram below in an effort to clarify the real options for development. In so doing we suggest that the fundamental function of the Makhalla is social and economic development – and that there is considerable scope for building this up.

Oblast Khokim functions



Other possible functions for the future

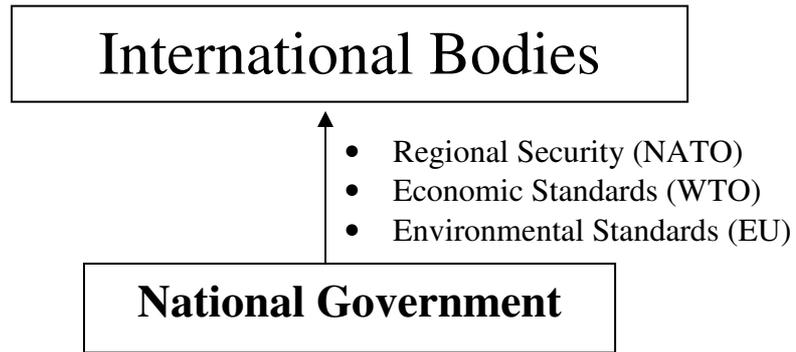


Possible future functions compatible with the role of Mahalla

Makhalla Functions



10. FROM GOVERNMENT TO INTERNATIONAL BODIES



As countries have recognised their interdependence the world various functions have been ceded or shared with international agencies – particularly in the fields of

- Environment
- Security
- Economic standards
- Human rights

11. Some Pointers for Uzbekistan

a. Although transition countries face unique problems, the West has recently faced – and responded to - the same problem of over-centralisation

This is caught in the book written by one of America's management gurus, Rosabeth Kanter - a book⁵³ which should give encouragement to all those struggling with bureaucracy. It describes the efforts made in the early 1980s in some large companies to make them more relevant and effective and contains the ironic "Ten Rules for Stifling Innovation" -

1. regard any new idea from below with suspicion - because it's new, and it's from below
2. insist that people who need your approval to act first go through several other layers of management to get their signatures
3. Ask departments or individuals to challenge and criticise each other's proposals (That saves you the job of deciding : you just pick the survivor)
4. Express your criticisms freely - and withhold your praise (that keeps people on their toes). Let them know they can be fired at any time
5. Treat identification of problems as signs of failure, to discourage people from letting you know when something in their area is not working
6. Control everything carefully. Make sure people count anything that can be counted, frequently.
7. Make decisions to reorganise or change policies in secret, and spring them on people unexpectedly (that also keeps them on their toes)
8. Make sure that requests for information are fully justified, and make sure that it is not given to managers freely
9. Assign to lower-level managers, in the name of delegation and participation, responsibility for figuring out how to cut back, lay off, move around, or otherwise implement threatening decisions you have made. And get them to do it quickly.
10. And above all, never forget that you, the higher-ups, already know everything important about this business.

It was behaviour like this in such companies as General Motors and IBM which brought such household name companies to their knees only twenty years ago – and, since then, there has been an intensive search in both the public and private sector for the most effective way to decentralise. There is a tendency to say that the organisational experience of only transition countries is of relevance to Uzbekistan. This is simply not true.

b. Experience shows that reforming a centralised system follows a fairly typical pattern everywhere. The process begins with exhortations for changed mentality and behaviour; then emphasises the need for training; then gets involved in a lot of organisational change. At the end of it all very little has really changed. Basic to effective change is altering “structures of accountability” – altering the system of rewards, penalties and information flow.

c. When a function is transferred it means that the responsibility for performing a self-contained area of activities passes from a superior to a subsidiary body;

A “function” is not a “task” – the Cabinet of Ministers is constantly sending to the Khokhimyats lists of detailed tasks which have to be carried out. This is an indication of centralisation – not decentralisation. “Function” implies responsibility. When a function is transferred it means that the **responsibility** for performing a self-contained area of activities passes from a superior to a subsidiary body; and that, within that area, the subsidiary body is free to act without undue interference of the superior body in the implementation of that function.

A second point is that “function” can refer to an entire service – or one of the stages involved in running that service. There are normally at least 5 stages

- Law-making

- Setting standards
- Allocating resources – not only financial but personnel
- Implementing/managing
- Monitoring/evaluating

d. Entire services do not often transfer – more usually it is a the management function

The last thirty years have seen major changes in how west European countries organise functions which were previously run by central government Ministries. In a few cases (only) has an entire service been transferred to another organisation. Denmark transferred the **political responsibility** for hospitals to the top tier of its local government system – and several countries have **transferred (sold) the ownership of the assets** of industries such as gas and electricity to private companies. In **most cases**, however, it is the **management function which has been transferred** – to local government, private companies or NGOs (on contract). Above all this has meant the transfer of responsibility for **financial** and **personnel** matters – to Ministries; within Ministries; to local authorities; to Agencies⁵⁴.

Central government retains the responsibility for **standards** but sometimes transfers the responsibility for **evaluation** (audit) to quasi-independent public bodies.

e. Giving local councils general powers of initiative helps ensure creative responses to new problems – with best practice being enshrined later in legislation

f. Different groups have different roles – and accountabilities

Behind these abstract terms lie people – and it has been increasingly realised that public services cannot be effectively delivered in a hierarchical system. Effectiveness requires a pluralist system – meaning that **certain key groups of people** perform **clear but different roles** with **ultimate accountability to different groups of people**.

Group	Role	Accountability
National politicians	<ul style="list-style-type: none"> • law-making • Budget allocation 	National Voters
National expert advisers	<ul style="list-style-type: none"> • technical standards • auditing 	<ul style="list-style-type: none"> • Executive • Parliament
Local professionals	legal and technical advice	Senior management of local state bodies
Local politicians	<ul style="list-style-type: none"> • consulting • setting priorities • Allocating resources 	Local voters
Local public managers	delivering services	The Local Executive (normally politicians)
Private managers (of contracted services)	delivering certain services on contract	Senior managers of the contracting agency
Citizens	<ul style="list-style-type: none"> • receive services • pay taxes • complain and lobby • suggest ideas • volunteer their time 	

g. Different countries show confidence in different groups in the transfer of responsibility for running public services

The groups which have benefited from transfer of functions have been different in the different countries of Europe. In some cases (Scandinavia) it has been the **local professionals** and **local**

politicians whose responsibilities have been increased. In others it has been **local public managers**. In others it has been **managers in the private sector** - generally gas and electricity although in England also water, transport, health and social policy (see section 2). In a few countries (Germany and Netherlands) active **citizen groups** have seen their role and influence increase (see section 9). In some countries (eg Britain) the attempt to strengthen the role of local managers and consumers (in areas such as education) has paradoxically led to a **new centralisation** - through an expansion of central standards, regulation and audit (section 6 above). Generally it is a (changing) mixture of such groups who are considered best able to run public services effectively – and time and energy is needed to work out the precise nature of the relationships between them.

h. These different patterns reflect national cultures and conditions.

Each society has different social values – and awards trust and respect to different groups⁵⁵. The **English** culture, for example, is a centralised, individualist and conflictual one which places value on performance through legal contracts. Most European societies are more pluralist and consensual – although the extended family has been a central mechanism in **Italy**; and **Japan** prefers to manage its business by the development of trusting relationships rather than contracts.⁵⁶

Clearly “one-man management” and the Makhallas are two important aspects of the **Uzbek** culture. It is important, however, that the strengths and weaknesses of both are realistically assessed when the next steps in liberalisation are taken. The sense of responsibility implicit in the one-man management principle is a very valuable feature – but the principle does make it very difficult to develop the delegation and team management which is a key part of modern management.

Conditions can also limit the choices available for transferring functional responsibility. Section Four of this paper, for example, indicates the preconditions necessary to ensure that private companies will actually provide more effective services. These include forces such as competition or regulation and the existence of managers experienced in working in competitive conditions to satisfy the customer - rather than a bureaucratic superior. In the absence of this privatisation could simply replace a public monopoly with a private one – which is potentially worse for the consumer.

i. There are different reasons for transferring functions

One motive is to save money – to reduce the bureaucracy involved in running things from the centre. A linked motive is more political – when it is clear a service is too expensive or unnecessary, to pass the responsibility for making difficult decisions to someone else. A more positive motive is one which recognises that it is important to develop feelings of responsibility at a local level – and that local politicians and public servants usually have a better sense of needs and priorities than those at the centre. In many cases they can be more creative in producing solutions to new problems.

j. It is unusual to find functions being transferred to small self-government bodies (like Makhallas)

The trend, indeed, has been in the opposite direction.

k. Step-by-step transfer of political responsibility has been quite common

Municipal power is generally based on history (eg the freedom of mediieval burghs and Hanseatic towns). Where such traditions are lacking, local democracy is often developed in a phased way – with centrally-appointed officials in local administration (eg Khokimyats) creating first a working organisational base, the responsibility for which is eventually transferred to locally-elected politicians. This was the case in Spain (towns); France (Departments and Regions); and Scotland (Assembly)

l. Measurement of organisational performance has increased everywhere

There is also a common trend toward increased performance measurement – although some countries have perhaps gone too far in that direction. Germany and Netherlands have had a certain backlash to their recent attempts to run local government like a business – and there is a growing feeling in Britain that detailed measurement of the performance of professionals by government has undermined both morale of local professionals and local democracy itself. More simpler measures are now being developed in Britain for schools and hospitals which focus on basic citizen – rather than bureaucratic – concerns. Schools and hospitals are now under considerable public pressure to improve their performance in Britain and this has come less from complex government intervention than from the simple decision to publish detailed comparisons of the performance of schools and hospitals and to allow people to choose their schools and hospitals⁵⁷. This puts the professionals and managers under great pressure to improve performance.

m. Open information and accountability is crucial to the improvement of public services

Complacency is probably the biggest danger confronting centralised governments – the leaders know the efforts they are making; and officials lower down will tend to report the information they assume their superiors want to hear. So, in the absence of good performance measures, failure comes as a surprise. Centralised systems don't like making information public – and hence miss out on one of the keys to improving public services – pressure from the general public!

n. The establishment of Agencies with managerial and financial autonomy – and public targets - has been one of the most common developments of the past decade

The organisation to which many functions have been transferred in the past decade or so is that of the “agency” – national or local. One of the reasons for this (and privatisation) has been to escape from the power of the trade unions who made major restructuring very difficult (witness the British coal strike of the mid 1980s and the behaviour of the French public service unions). Clearly that is not an issue in Uzbekistan – but agencies have been an important means of escaping from unnecessary bureaucratic restrictions⁵⁸ and allowing the development of performance management and of citizen charters which make public the quality of service the public can expect from their services. The experience of the three Agencies so far established in Uzbekistan should now be assessed against experience elsewhere – and a framework for future development drawn up.

o. The role of government changes dramatically as it divests itself of direct provision⁵⁹ and pursues such alternatives as -

- Decentralising to local administration
- franchising or “contracting out”
- joint-stock companies with public shares
- full privatisation

The state then becomes responsible for such things as -

- overseeing an effective process of valuation and sell-off for privatisation
- **drawing up rules for developing and managing** “contracting-out” arrangements
- ensuring that contract law is understood and is applied
- ensuring that the new agencies and companies **are properly regulated.**
- Developing **standards of performance** – and ensuring these are **enforced**
- Ensuring that the necessary **financial mechanisms** are in place and operational
- Developing the legislation to ensure that the relevant institutions do in fact behave in the intended manner
- Developing strategies to **help lower income people**

p This requires a very different skill profile in your civil servants – and a new type of skill development and learning⁶⁰

These tasks require high managerial skills – which are not easily imparted in traditional courses. Skills can be developed in real-life situations – or in role-playing. Both require strong feedback on one's performance.

12. REFLECTION AND RECOMMENDATIONS

For some time the government has been talking of the importance of “step-by-step” transfer of functions. A previous paper from the project¹ has described the various steps which developed countries normally take in reform. The first step is a Document (called a Green Paper in some countries) which gives -

- a clear statement of the need for change – ie an explanation of what it is in the present situation which is unsatisfactory
- the different options which exist for improvement
- the criteria for selecting a preferred option
- an indication of the option currently favoured by government – and why
- the consequences and preconditions for success

and then invites comments. This gives the government an opportunity to assess possible problems which might arise from the proposals – and also to pick up other ideas.

The second step is a document which sets out the results of that consultation – and confirms or otherwise the original broad proposals for change.

The third step is an official statement of the new programme (called a White Paper in Britain) which allows Parliament to test in debate whether government has identified the problem correctly and seems to be going in the right direction.

These steps help engage public interest which cannot be expected to be aroused by technicalities. In parallel with this third step a fourth step is taken – the preparation and submission of a detailed legal text (Bill).

The question of what type of organisations are best suited to run specific functions is a very complex one which countries cannot have a blueprint for. They generally learn from experience – and the key question is how systematically they can do that. The papers we have submitted on this subject indicate the range of choices available - functions can in fact be transferred in eight or nine directions - eg

- to regional offices of Ministries (deconcentration)
- to agencies (including Regulatory Agencies)
- to top or lower levels of self-government
- to the private sector
- to community organisations

The project has also demonstrated that most Western European countries have been engaged in debate and reform on this question for the past twenty five years. Some of them have tried to produce definitive Conceptsia on the function and structure of specific sectors eg local self-government or community organisations – but never the entire range. The 1998 Conceptsia on the Reform of Communal Services is a very good example of a systematic approach to change. And our work in the current reform of Communal Services gives very concrete examples of the conditions in which some of these options could contribute to increased effectiveness². Selling state assets to the private sector, for example, needs to be done very carefully – in a sequenced way – if the benefits of competition are in fact to be achieved. And all changes have to be very carefully prepared.

¹ “Framework for a Conceptsia Paper” (December 2000)

² eg “Communal Services - International Experience” (November 2000)

The discussions on transfer of functions, however, have so far not demonstrated such a systematic approach. Discussions have focussed on specific issues (such as Communal Services). This is not in itself a bad thing – indeed it could be taken as one example of the step-by-step approach. More worryingly, however, we see a tendency, for example, to assume that, if an aspect of local authority (or ministry) functions is not operating effectively, it can be transferred to the Makhallas because functions have been transferred to makhallas in the past

RECOMMENDATIONS

1. The Conceptsia on “transfer of functions” is so fundamental to the future development of Uzbekistan and so complex that those responsible for its production should be established as a Standing Committee with at least a three-year term. It should be given a full-time research staff – with the project available to play this role until May 2002 (when an Interim Report might be issued).

The organisations which are given the responsibility for Conceptsias delegate the work to existing staff - who have little time for the task and come together for joint discussions only when the deadline is very close. This contrasts with the usual approach of having dedicated research staff who work under a Steering Committee of senior people.

2. Two things can and should be done within the April 2001 timetable required by the June 2000 Action programme

2.1 develop **some pilot projects which could test new approaches** (eg measures of performance measurement and accountability - see recommendation eight below)

2.2 map out the chapter headings and **key questions which the Standing Committee** should produce in (say) March 2002 (as a quasi-Green Paper) eg

- what the experience of such transfer has so far been here in Uzbekistan-
- the contribution which Agencies might make (They can in some cases be treated as a staging post to privatisation)
- the sequencing needed for privatisation
- the implications of the Council of Europe’s Charter of Local Self-Government
- principles and good practice in local government finance systems

3. The amendments required by October 2001 to the 1993 Law on Local State Administration should be recognised as the first stage of a more definitive revision which will take several years as the Standing Commission develops its work. The key dates for that revision are

- the Oblast elections of late 2004
- the Constitutional amendments (necessary to alter the role of the Khokim) slated also for 2004

4. **The present system of Local state administration in Uzbekistan could and should gradually be transformed into the upper tier of a local self-government system.**

Discussions about local self-government in Uzbekistan seem to confine the term to Makhallas – but should also cover the structures at Oblast and rayon level which have important functions which are normally those of the top tier of local government in Western Europe (covering roads, education; infrastructure and environmental issues). **Present discussions envisage these functions being transferred to Makhallas. This would be most unusual in global terms.** It is rather the **political responsibility** for such Oblast functions as health, public education, communal Services and major infrastructure which needs at some stage in the future to be transferred – to the locally elected Deputies of the Oblast and rayon councils.

The step-by-step transformation of the Oblast (and rayon) to the upper tier of a local self-government system would involve such developments as

- The development by the People’s deputies of systems of accountability

- The development of a system of local government finance which would allow the Oblasts to operate with more autonomy.

5. The role of the Khokim should be redefined to that of Chief Executive – and Presidential Representative

The project has recommended elsewhere³ that his role is redefined as that of Chief Executive. At the moment the Khokim has immense power over these functions and the government is clearly committed to ensuring that they are exercised in a more transparent and accountable way – and that there is a proper separation of the multiple roles he presently plays. This should not be seen as undermining the Khokim’s role – but rather of increasing his effectiveness. No individual person can effectively carry out the range of executive, administrative and political functions and tasks expected of a Khokim.

6. Management practices in the Oblasts should be analysed

The principle of “one-man management” makes difficult the practice of delegation which is a fundamental principle of good management

- A proper management team should be created - composed of the Heads of the key Oblast services to manage the important services which are currently their responsibility
- managerial initiative should be encouraged⁴. The project has been asked to look at the way staff in the Khokimyats and regional Offices in Jizzak and Samarkand of those services which are part of a normal local government system might be managed in a more unified way. This is a good example of a pilot activity which should be the focus of the next reform package.

7. A clear statement should be made about the precise role of the Makhalla – the lowest level of self-government (like the French communes) or an umbrella community organisation?

The role of Makhallas needs to be more clearly defined. In European terms they could be defined in three different ways –

- as the lower level of a two-tier system of local self-government
- as a community organisation with no administrative functions
- as a mixed organisation with aspects of both

The traditional aspect of the Makhallas - which gives them their present status and public respect - is the second (with the addition of the social welfare function for which they receive some resources from the state). Current suggestions for increased functions would push the Makhallas into the first category – to become very similar to French communes. We have suggested that it is not realistic for Makhallas to take on those functions currently the responsibility of the Oblast Khokimyat which require larger organisations than one covering 5,000 population – but it is certainly feasible for Makhallas to take on many of the functions currently performed by French communes eg responsibility for fairs and markets, health promotion, aspects of local planning. Whether this is desirable is a different matter – it could be at the cost of the crucial social function performed by the Makhallas; and in future there would almost certainly need to be the sort of amalgamations which have taken place in the 1990s in the French communes.

One of the principles being suggested for the transfer of functions is that change occurs only when organisations are clearly ready for it – eg are performing effectively their existing

³ *Discussion Paper One*

⁴ see, for example, the French experience of “centres de responsabilites”

functions. It is clear that Makhallas currently have neither the resources nor the freedom (from Khokim control) to play a self-government role. We feel that these issues should first be dealt with – and that an open debate then takes place about the most appropriate model for the Makhalla – before any further (administrative) functions are transferred to the Makhallas.

8. Pilot measures to increase accountability – and develop and publish simple indices of organisational performance

Any changes in Uzbekistan clearly need to be sensitive to the prevailing values here. It is clear that Uzbekistan values the principle of one-man management – Khokims and Ministers, for example, are held personally responsible for the implementation of many Decrees. And there is a system of performance measurement – but becomes public only when, for example, a senior official is publicly sacked⁵. Present discussions in Uzbekistan are emphasising the need for more accountability – and it is therefore suggested that one element in the new package of reform should be to pilot new and open measures of organisational performance in some Oblasts. The project is already involved with an exercise to explore the scope for more autonomy in matters of staffing and structure in the Oblasts

9. Develop a Specialist study of decentralisation

Transition countries are strong in legal disciplines – but have inherited a very weak base in the study of political science and management which have supplied some of the key concepts and mechanisms for the decentralisation which has taken place in the last thirty years. Central European countries have moved quickly to restore the powers many of their local governments had in the pre-war period – and academics have played an important part in that process. The new Public Management Training Centre in the Uzbek Academy of State Construction has now successfully run five two-week courses for senior management in the Ministries and Khokimiyats and a natural development would be for the Centre to develop a research focus on decentralisation and on financial and managerial aspects of local self-government.

10. Start to identify the structural and data requirements for a system of local government finance

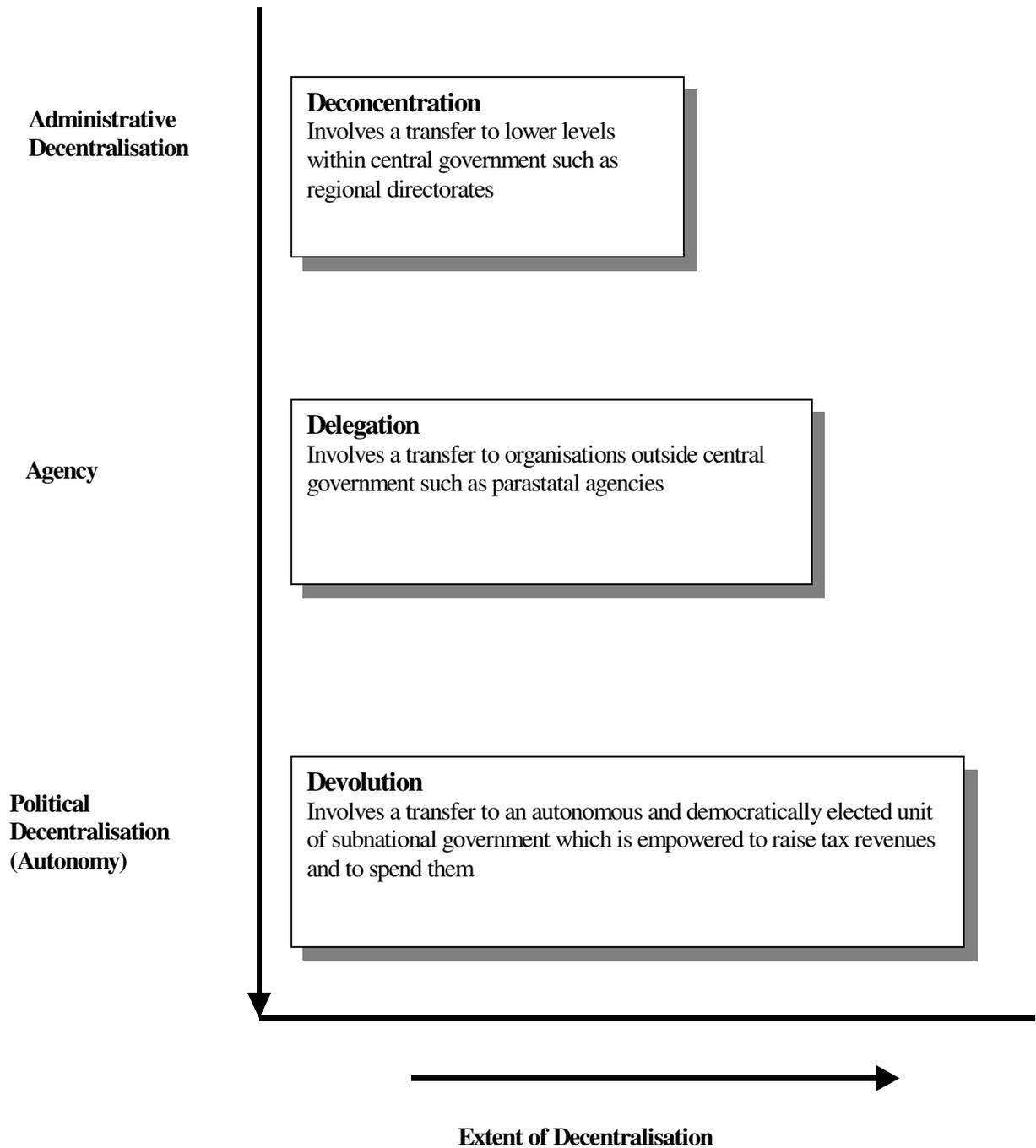
One of the most important lessons from other transition countries is that, before functions are transferred, proper calculations should be made of the State resources which should reasonably accompany the transfer. Complete privatisation involves the sale of the state asset – and therefore normally generates revenue to the State. Local self-governments should, of course, generate some local incomes (from taxation and charges) but cannot run the key public services without significant State support – and those areas with weak resources and heavy need will require special financial support. How exactly all of this is calculated to ensure both budgetary efficiency and equity is the focus of the complex subject of local government finance⁶. It is urgent that work should now be started to introduce Uzbek specialists to this field of experience – and an opportunity presents itself in the Fiscal Decentralisation Initiative of UNDP and the World Bank which is now being extended to Central Asia. We would recommend that Uzbekistan accepts the invitation to join this network.

⁵ see *press cuttings*

⁶

Glossary

Scale of decentralisation



Privatisation concepts

Western European term	Description
Contracting out	<p>Selected public sector operational activities, usually of a day to day kind (cleaning, transport, maintenance) are delivered by commercial companies, following competitive tender. The local authority draws up detailed specification - and pays only if these are met. These are not normally contracts associated with delivering a frontline service such as healthcare. The contracts are usually 1 – 3 years.</p> <p>The term means that an outside company does the work according to detailed instructions that it cannot alter without approval by the public organisation. The service is still paid for from taxation</p>
Outsourcing	<p>Selected public sector processes (financial accounting, computing, typing services) are transferred to commercial companies which then employ existing public sector staff under their own managers to carry out the work. Healthcare services can be delivered in this way, notably routine programmes – health screening, vaccinations, etc. The contracts may be 1 – 3 years, or for a shorter project of 3 – 6 months.</p> <p>The term means that an outside company does the work according to its agreement with the public organisation, but within a framework contract so that it can change processes to achieve better results or costs. The costs are borne from taxation.</p>
Commercialisation	<p>Selected public sector services are restructured to create more stand-alone organisational arrangements of an autonomous or semi-autonomous kind that continue to deliver the service but in more commercial manner. There are no contracts involved, but formal service agreements may be used to imitate private sector style contracts.</p> <p>The term means that a public department or body remains truly responsible for doing the work, but it adopts a different style and structure to behave more like a private company. No profits are made. Surplus money can be re-invested, or paid to the state.</p>
Privatisation	<p>Selected public sector services or functions are wholly transferred to existing or new commercial bodies who thereafter provide the service on a profit making basis within a suitable regulatory framework, but without day to day state intervention or managerial involvement by the state at any level. Privatisation is permanent unless the state re-nationalises the service.</p> <p>The term means that a genuinely private company takes over a state function completely and it ceases to be publicly accountable. The state may impose a framework of performance standards where public interests are involved and decide to monitor these, year by year, as appropriate.</p>

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- ¹ The Concept of decentralisation in Uzbekistan; a possible framework for development (in Appendix to first Progress report); Commentary on Uzbek Local Government (Discussion Paper One) and Notes on Decentralisation (Nov 1999)
- ² The details have not been easy for the project to establish
- ³ see Schmidt Vivien Democratising France - the Political and Administrative History of Decentralisation (Cambridge University Press 1990)
- ⁴ “Public Service, public management and the modernisation of French public administration” A. Guyomarch Public Administration 1999 (page 171)
- ⁵ See “Whitehall and the Reorganisation of Regional Offices in England” Briefing Note 10 from ESRC Research Programme on the changes in British Government structures obtainable from www.ncl.ac.uk/politics/whitehall
- ⁶ see website www.cabinet.office.gov.uk/servicesfirst/index/htm for details
- ⁷ *we have defined the two key terms of “local state administration” and local government in Discussion Paper One*
- ⁸ a government report on this was published in 1974 (the Bain Report) which had a strong influence on the structures chosen by the new councils formed then
- ⁹ an important government report (the Skeffington report) was published on this in 1968
- ¹⁰ see the role of the voluntary sector in that country in housing and health insurance
- ¹¹ “Between democracy and efficiency; trends in local government reforms in Netherlands and Germany” by F Hendriks and P Tops Public Administration spring 1999
- ¹² the Council of Europe publish individual descriptions of the system of each country
- ¹³ Toward the Self-Regulating Municipality Baldersheim (Dartmouth 1994)
- ¹⁴ see “Trajectories of Reform; Public Management Change in Four Countries” by Pollitt and Summa in Public Money and Management Jan/March 1997
- ¹⁵ see the “report on local and regional democracy in France” (2000) available on the website of the Congress of Local and regional Authorities of Europe (CLRAE) www.coe.fr/cplre/session7
- Loughlin J and Mazzei S. The End of the French Unitary State? Ten Years of Regionalisation in France (Cass)
- ¹⁶ “The Prefect and State Reform” by N. de Montrieler Public Administration number 3 2000
- ¹⁷ “The changing role of French local government” by E. Negrier in West European Politics October 1999
- ¹⁸ The Redcliffe-Maud Report of 1968 for England and Wales; The Wheatley Report for Scotland
- ¹⁹ One of the few critiques at the time was well voiced in John Dearlove’s book - Reorganisation of English Local Government
- ²⁰ Stewart J and Stoker G (eds) Local Government in the 1990s (Macmillan 1995); also The new management of British Governance (Macmillan 1999)
- ²¹ The cost of the 1995 changes is put at 1 billion dollars see Chisholm in Public Money and Management (July/Sept 2000)
- ²² Tables in the annex show that British local government used only a property tax. This was suddenly abolished in the late 1980s by Margaret Thatcher and replaced by an inequitable per capita or “poll tax”. The resulting fiasco was one of the key factors which ended the Prime Minister’s 11 year reign. The cost of the change is put at 30 billion dollars by Simon Jenkins in his Unaccountable to None – the Tory Nationalisation of Britain (Hamish Hamilton 1995)
- ²³ “Between democracy and efficiency; trends in local government reforms in Netherlands and Germany” by F Hendriks and P Tops Public Administration spring 1999
- ²⁴ see Coulsen (ed) Local Government in Eastern Europe : establishing democracy at the grassroots (Elgar 1995) Gibson J
- ²⁵ For interesting reports on countries such as Bulgaria, the Czech republic, Estonia, Georgia, Moldova, Poland and Ukraine see also the website of the Congress for Local and regional Authorities of Europe (CLRAE) www.coe.fr/cplre. There is also a useful website on a Fiscal decentralisation Programme
- ²⁶ Post-Socialist Cities Local Government and PSRI paper Busapest
- ²⁷ The effects of this are well demonstrated in Institutional Design in Post-communist Societies – rebuilding the ship at sea by J Elster, C Offe and U Preuss (Cambridge 1998)
- ²⁸ See Building Democracy in Poland – the State Reform of 1998 Discussion Paper No. 2 by J Regulski published by the Local Government and Public Service Reform Initiative, Open Society Institute, Budapest (1999)
- ²⁹ see the CLLRAE paper Local and regional Democracy in the Czech republic (2000)
- ³⁰ see the Congress of Local Authorities of Europe paper on Regionalisation in Poland (2000)
- ³¹ excellent detail on this can be found on the Fiscal Decentralisation website
- ³² See Burton A - A Revolution in Progress - west europe since 1989 (Little Brown) Also B. Jones and M. Keating’s European Union and the Regions (Clarendon 1995); Le Gales P and Lequesne C (eds) Regions in Europe (Routledge 1998)

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- ³³ The book which puts this in a gripping historical context is The Commanding Heights – the battle between government and the market by D Yeltsin and J Stanislaw (Schuster 1999)
- ³⁴ the most systematic description and assessment of the revolutionary changes enacted by the British Government in the past decade is Peter Jackson's Privatisation and Deregulation : the Issues (1993).
- ³⁵ The highly critical coverage of the privatised railway system by British newspaper of November and December 2000 indicates the strong public dissatisfaction with the "logic" of rail privatisation.
- ³⁶ in the definitive Royal Commission report of 1968 – The Fulton report. See Hennessy P Whitehall (Fontana)
- ³⁷ the Raynor studies
- ³⁸ From C. Hood "Explaining Variations in Public Management Reform of the 1980s" in Civil Service Systems in Comparative Perspective ed H Bekke et al (Indiana 1996)
- ³⁹ see the Hogwood paper in Transforming British Government - changing institutions by Rod Rhodes (Macmillan 2000)
- ⁴⁰ through the development of Citizen Charters – see website www.cabinetoffice
- ⁴¹ see Boston et al Public Management : the New Zealand Model (Oxford 1996)
- ⁴² Tools of Reinvention by Osborne (2000)
- ⁴³ "Regulation of government; has it increased, is it increasing, should it be diminished?" by C Hood et al in Public Administration number two 2000
- ⁴⁴ The Audi Explosion (Demos)
- ⁴⁵ this had been the focus of an earlier critique from a more leftist perspective – see, for example, the writings of Ivan Illich (Deschooling Society (1970); Medical Nemesis (1980)) and of Paulo Freire (The Pedagogy of the Oppressed)
- ⁴⁶ The Conduct of Local Authority Business (Cmnd 9797 HMSO 1986. 300 page analysis and recommendations of an independent Inquiry into the operation of the local self-governments in Britain which were causing Central Government some concern.
- ⁴⁷ for a detailed account see Simon Jenkins' Unaccountable to None – the Tory Nationalisation of Britain (Hamish Hamilton 1995)
- ⁴⁸ Lorraine and Stoker Privatisation of Urban Services in Europe (Pinter 1997)
- ⁴⁹ eg The Healthy City network – described in a book by John Ashford
- ⁵⁰ an exception was the British Government Community development Programme of 1968 which inspired a lot of the subsequent community development work in the 1970s and 1980s – see David Henderson's
- ⁵¹ particularly the Joseph Rowntree Foundation. Their work is reflected in a series of publication in 1993-95 eg Unleashing the Potential - bringing residents to the centre of regeneration Marilyn Taylor (Rowntree 1995)
- ⁵² see After the Crash by Guy Dauncey (Marshall Morgan and Scott Pubs 1988)
- ⁵³ The Change Masters – corporate entrepreneurs at work by Rosabeth Kanter (Unwin 1983)
- ⁵⁴ In Search of Results (PUMA) and Budgeting for Results (1995 PUMA)
- ⁵⁵ *The Centre for Policy Studies conducts regular surveys of such attitudes in all CIS countries. See website*
- ⁵⁶ *this is best spelled out by Ronald Dore's book on Understanding Japan and set out comparatively in Trompenaars and Hampden-Turner's The Seven Cultures of Capitalism (1997)*
- ⁵⁷ see the "Good Hospital Guide" produced by the Dr Foster foundation (on www.drfooster.co.uk)
- ⁵⁸ Banishing Bureaucracy – the five strategies for reinventing government by David Osborne and Peter Plastrik (Addison Wesley 1997)
- ⁵⁹ The State in a Changing World (World Development report 1997 OUP)
- ⁶⁰ *See the PUMA paper on this aspect - The Shape of the Senior Civil Service After Reform*

ANNEXES

BASIC INFORMATION ABOUT SUB-NATIONAL TIERS OF DEVELOPED GOVERNMENTS

Austria

Tier of government	Number of units	Population range
Federation (Bund)	1	7,795,786
States (Lander)	9	273,541-1,533,176
Cities Municipalities	15 2,333	1,696-237,810 71-28,897

Belgium

Tier of government	Number of units	Population range
Federation (<i>Bund</i>)	1	10,213,752
Regions Cultural Communities	33	954,460-5,926,838 70,472-6,000,000 (estimate)
Provinces	10	245,140-1,640,966
Municipalities	589	85-447,632

Denmark

Denmark is a unitary country, with a two-tier system of local government, consisting of counties and municipalities. There are 14 counties and 275 municipalities. Counties and municipalities have equal status and different responsibilities. In addition, the cities of Copenhagen and Fredericksberg are unitary authorities.

Finland

Tier of government	Number of units	Population range	Area range
National Government	1	5,159,646	338,144,53 sq. km
Municipalities	452	131-539,363 (average: 11,362)	5.9-15,172.8 sq. km (average: 662.15 sq. km)

France

Tier of government	Number of units	Population range
Republic	1	56,614 ,493
Regions	22	249,737-10,660,554
Departments	96 (+4 overseas)	72,825-2,152,423
Communes	36,763	49 -300,000 (841 with a population more than 10,000 – and 18 over 100,000)

Germany

Tier of government	Number of units	Population range
Federal government	1	82,037,011
Länder (states and city-states)	16	667,965 - 17,975,566
Landkreise (rural districts)	323	51,800-662,300
Stadtkreise, kreisfreie Städte (urban districts and cities)	112	36,015-1,216,467
Gemeinden (municipalities)	14,987	1,000-500,000

Greece

Tier of government	Number of units	Area per unit (km ²)		Population per unit	
		Smallest	Largest	Smallest	Largest
National government	1	132,000		10,264,000	
Regions	13	2,300	18,800	191,000	3,523,000
Prefectures	54	-	-	-	-
Municipalities/Communities	5,828	-	-	-	-

Ireland

Tier of government	Number of units	Area per unit (km ²)		Population per unit	
		Smallest	Largest	Smallest	Largest
National government	1	70,300		3,621,035	
County/City authorities	34	19	7,422	25,032	480,996
Sub-County/Town authorities	80	0.24	24	474	25,774

Italy

Tier of government	Number of units	Area per unit (km ²)		Population per unit	
		Smallest	Largest	Smallest	Largest
National government	1	301,263		57,563,354	
Regions	20	3,262	25,708	115,996	5,853,902
Provinces	103	212	7,520	94,146	3,986,838
Municipalities	8,099	0.10	1,508	30	2,791,354

Japan

Tier of government	Number of units	Area per unit (km ²)		Population per unit	
		Smallest	Largest	Smallest	Largest
National government	1	377,800		124,960,000	
Prefectures	47	1,875	83,451	619,238	11,542,468
Municipalities	3,232	1.27	1,408	197	3,281,280

Netherlands

Tier of government	Number of units	Population range
National Government	1	15,494,000
Provinces	12	225,00-3,300,000
Municipalities	538	933 - 590,000

New Zealand

New Zealand has a unitary system of government. The powers and duties of local government are contained within a range of specific and consolidating statutes.

The current structure of local government was established under the Local Government Act 1989 which transformed and amalgamated approximately 650 local government into two tiers of 74 Territorial Local Authorities (TLAs) and 12 Regional Councils. There is substantial variation in the size of Regional Councils (populations of between circa 50,000 and 1,000,000) and in TLAs (populations of between circa 1,000 and 300,000) and this is also reflected in significant expenditure variations between different local governments. There are a small number of unitary TLAs which effectively combine Regional and Territorial Council responsibilities and powers.

Norway

Norway is a unitary country with a constitutional monarchy and parliamentary democracy. It operates a two- tier system of local government consisting of 19 counties and 435 municipalities, including the municipality of Oslo which also has county status. Norway has recently reformed its local taxation system which has, in turn, impacted on the operation of central grant distribution systems.

Portugal

Tier of government	Number of units	Population range
National Government	1	9,935,000
Regions (including Azores & Madeira islands)	7	<500,000 - >3,000,000
Municipalities	305	393 - 665,000
Parishes	4,208	>800-40,000

Spain

Tier of government	Number of units	Population range
Central government	1	39,270,000
Autonomous communities and regions	17	267,900 - 7,040,600
Provinces	52	94,100-5,081,000
Cities and municipalities	8,050	200 - 2,984,576

Sweden

Tier of government	Number of units	Population range
National Government	1	8,692,013
Counties	21	135,910-1,669,84
Municipalities	289	2,900-684,576

Tables of local government finance

Revenues received by local governments and by the States (in Federal States of Austria, Germany and USA)

	Tax from own revenue		Non-tax revenue		Central Grants		Total		
	As percent of total revenues								As % of GDP
Country	1980	1990	1980	1990	1980	1990	1980	1990	
Austria – States	47.3	48.5	13.1	14.3	39.6	37.2	8.8	9.1	
Austria – Local	53.2	52.2	30.6	31.2	16.1	16.6	8.6	8.9	
Belgium	27.8	35.6	7.9	8.9	64.4	55.5	6.6	5.6	
Denmark	38.8	47.1	9.3	10.1	51.8	42.9	35.5	31.8	
France	40.9	44.6	17.8	20.6	41.2	34.8	7.2	9.2	
Germany – States	70.2	70.8	11.7	13.0	18.1	16.3	12.3	11.2	
Germany – Local	36.0	36.0	33.9	37.0	30.1	27.0	9.7	8.6	
Ireland	7.9	7.3	17.5	22.8	74.6	70.0	14.8	12.7	
Italy									
Netherlands	5.5	7.0	13.5	14.5	81.1	78.6	15.8	15.1	
New Zealand									
Norway	54.0	47.4	8.0	12.4	38.0	40.2	16.4	20.2	
Portugal									
Spain	52.4	57.1	37.8	15.1	9.8	27.8	2.2	7.6	
Sweden	57.0	66.1	17.7	14.1	25.3	19.7	27.5	24.8	
UK	29.6	20.2	23.6	20.9	46.7	58.9	12.5	12.4	
USA – States	55.2	52.8	19.4	27.0	25.4	20.2	9.4	10.5	
USA – Local	37.9	40.7	18.0	22.6	44.1	36.7	8.6	9.1	

Source: OECD Revenue Statistics, 1965 –1992

Percentage of sub-national taxation coming from different types of taxation.

Country	Year	Income & profits taxes	Social security contribs	Payroll & workforce taxes	Property taxes	Goods & services taxes	Other
Austria	1980	39%	2%	12%	11%	34%	2%
	1991	42%	3%	11%	9%	33%	3%
Belgium	1980	74%	8%	0%	0%	17%	0%
	1991	77%	7%	0%	0%	16%	0%
Denmark	1980	89%	0%	0%	10%	0%	0%
	1991	93%	0%	0%	7%	0%	0%
France	1980	18%	0%	6%	29%	8%	38%
	1991	13%	0%	4%	35%	13%	35%
Germany - Laader	1980	62%	0%	0%	6%	32%	0%
	1991	59%	0%	0%	6%	35%	0%
Oennany- Local	1980	78%	0%	2%	20%	1%	0%
	1991	81%	0%	0%	18%	1%	0%
Ireland	1980	0%	0%	0%	100%	0%	0%
	1991	0%	0%	0%	100%	0%	0%
Italy	1980	72%	0%	0%	0%	28%	0%
	1991	48%	0%	0%	0%	52%	0%
Netherlands	1980	0%	0%	0%	75%	25%	0%
	1991	0%	0%	0%	70%	30%	0%
New Zealand	1980	0%	0%	0%	93%	7%	0%
	1991	0%	0%	0%	92%	8%	0%
Norway	1980	93%	0%	0%	5%	0%	3%
	1991	88%	0%	0%	9%	1%	3%
Portugal	1980	60%	0%	0%	2%	36%	2%
	1991	27%	0%	0%	38%	35%	0%
Spain	1980	55%	0%	0%	4%	42%	0%
	1991	19%	0%	0%	38%	43%	0%
Sweden	1980	100%	0%	0%	0%	0%	0%
	1991	100%	0%	0%	0%	0%	0%
UK	1980	0%	0%	0%	100%	0%	0%
	1991	0%	0%	0%	1%	0%	99%
USA-State	1980	37%	0%	0%	4%	59%	0%
	1991	38%	0%	0%	4%	58%	0%
USA-Local	1980	6%	0%	0%	76%	18%	0%
	1991	6%	0%	0%	75%	19%	0%

Revenue distribution systems in 20 OECD countries: key characteristics

Country	Population (millions)	Area (1000 sq. km.)	Federal (F) or Unitary (U)	Number of local government tiers	Grants as % of total local government revenues	Use of general grants	Use of specific grants	Needs equalisation	Resource equalisation
Australia	18.4	7,682	F	2	40	M	M	M	M
Austria	7.8	84	F	2	21	M	M	H	H
Belgium	10.2	31	F	3	42	H	L	M	M
Canada	29.8	9,922	F	2	24	M	M	L	H
Denmark	5.2	43	U	2	18	H	L	H	H
Finland	5.2	338	U	1	15	L	H	H	H
France	56.6	544	U	3	30	H	L	M	M
Germany	82.0	357	F	3	46	M	M	M	H
Greece	10.3	132	U	3	68	H	M	M	M
Ireland	3.6	70	U	1	26-54	M	M	M	M
Italy	57.6	301	U	3	45-95	M	M	M	M
Japan	125.0	378	U	2	32	M	M	H	H
Netherlands	15.5	41	U	2	71-83	M	M	H	M
New Zealand	3.6	265	U	2	20	L	M	L	L
Norway	4.4	324	U	2	33-52	M	H	H	H
Portugal	9.9	92	U	3	39-95	H	L	M	M
Spain	39.3	506	U	3	30-70	M	M	M	M
Sweden	8.7	411	U	2	19	H	L	H	H
United Kingdom	58.6	241	U	2-3	73	H	L	H	H
United States of America	264.3	9,363	F	3	40	L	H	M	M

The quantitative data are drawn from a variety of sources and relate to different years in the last decade. They therefore present a broad picture for comparative purposes. In some countries such as Spain, the extent to which grants account for local government's total revenues varies significantly between tiers of local government. In these cases, we provide a range of figures to reflect the different positions at different tiers. Our ranking of High, Medium and Low is based on the results of our profiles.

SELECTING APPROPRIATE GOVERNMENT STRUCTURES: RATIONALE, METHOD AND PROCESS

Attached is one useful approach for the appropriate level of government for different functions. An example is attached in the following pages and a step by step guide to its creation is given below:

- 1) Produce a **position statement** of all government functions to produce a comprehensive list of what government does. This may be undertaken ‘bottom up’ (as in the pilot ministries), ‘top down’ (by surveying activities from above) or ‘sideways’ (by engaging external consultants, academics or other practitioners).
- 2) Create a **matrix** that groups those functions according to their sector. An illustrative draft table is attached as Diagram C.
- 3) Analyse the **different aspects** of each function into, for example,
 - Policy: setting strategy, determining standards, specifying targets
 - Co-ordination: agreeing plans with service agencies, and regulating their activities
 - Funding: meeting the cost of a service and managing its finances
 - Delivery: determining the method, management and detail of supply of public services
- 4) Select an appropriate **method for initial allocation** of each aspect of each function to its appropriate tier of government, such as:
 - allocation according to best international practice (the most common method)
 - subjective allocation by policy-makers with vision (likely to lead to prejudicial judgements)
 - allocation according to current practice random allocation. (not useful for a new allocation)
 - random allocation (may provide interesting insights).

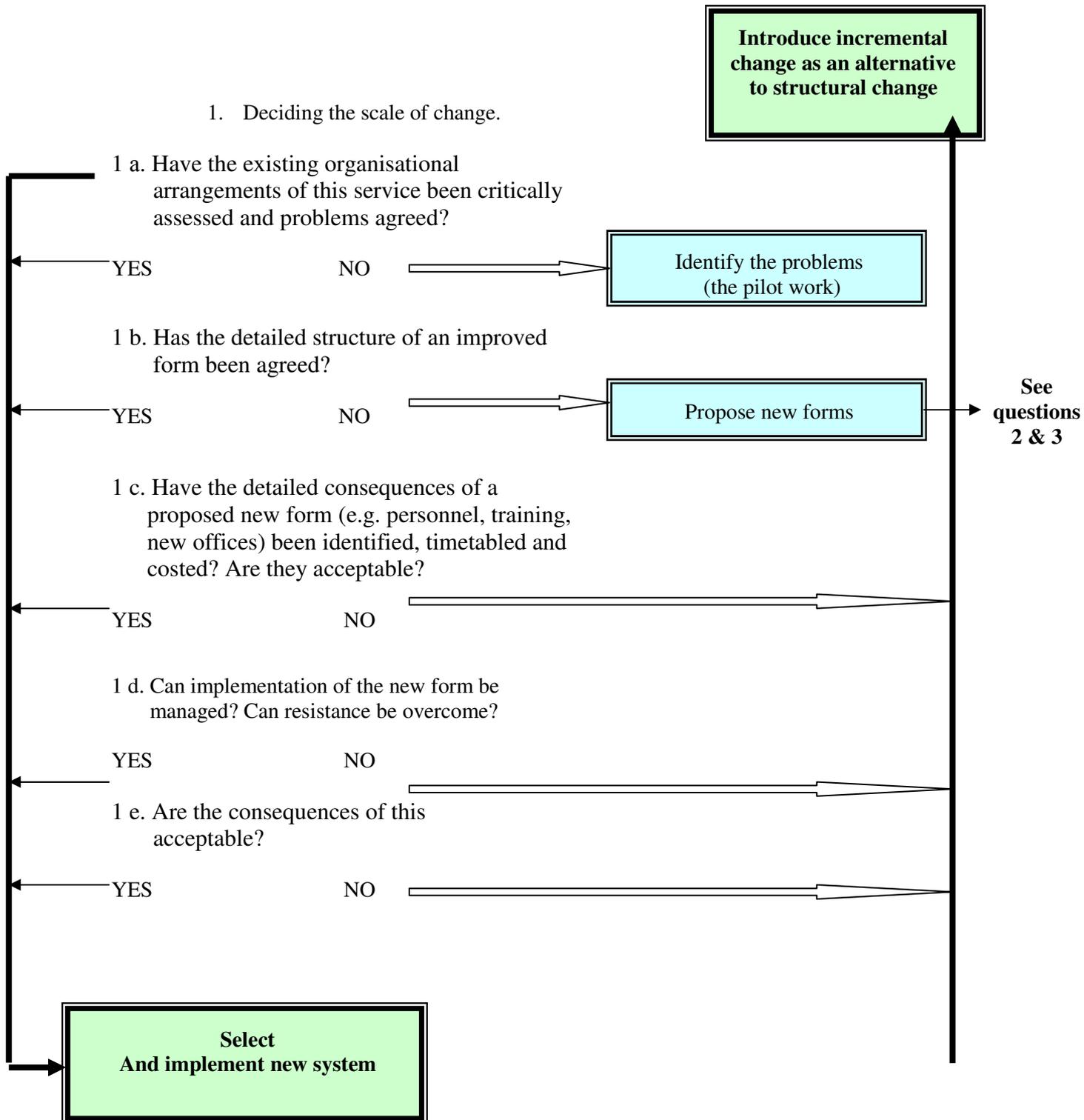
In the example provided, we have used best practice in Western Europe to allocate functions to different tiers.

- 5) Check the allocation of responsibility for each function (and each aspect of each function) against a set of **objective criteria**. Three important objective criteria will be:
 - democracy: is the function placed as close to the citizens as is possible?
 - economy: is the cost of managing the function at this level affordable?
 - accountability: can the unit responsible for the function be held accountable by the public, by higher tiers of government and/or by auditors and inspectorates?(see also the concepts of “subsidiarity” and “local self-government” described in the paper on decentralisation in Appendix A.1). The Government of Uzbekistan will no doubt develop additional objective criteria of its own. The testing of functions against objective criteria may necessitate changes to the table.
- 6) In order to be effective, the resultant allocation of functions should represent a realistic grouping of services for a corporate body. Therefore, the placement of responsibility for groups of functions (or functional activities) will need to be checked against a set of **limiting factors**. Three important limiting factors will be:
 - standards: can minimum national standards be maintained at the level
 - capability: in order to complement responsibility, can sufficient resources (including skilled staff) be allocated to or developed at the level?
 - communications: can all the information required to make necessary management decisions be gathered at the level allocated?

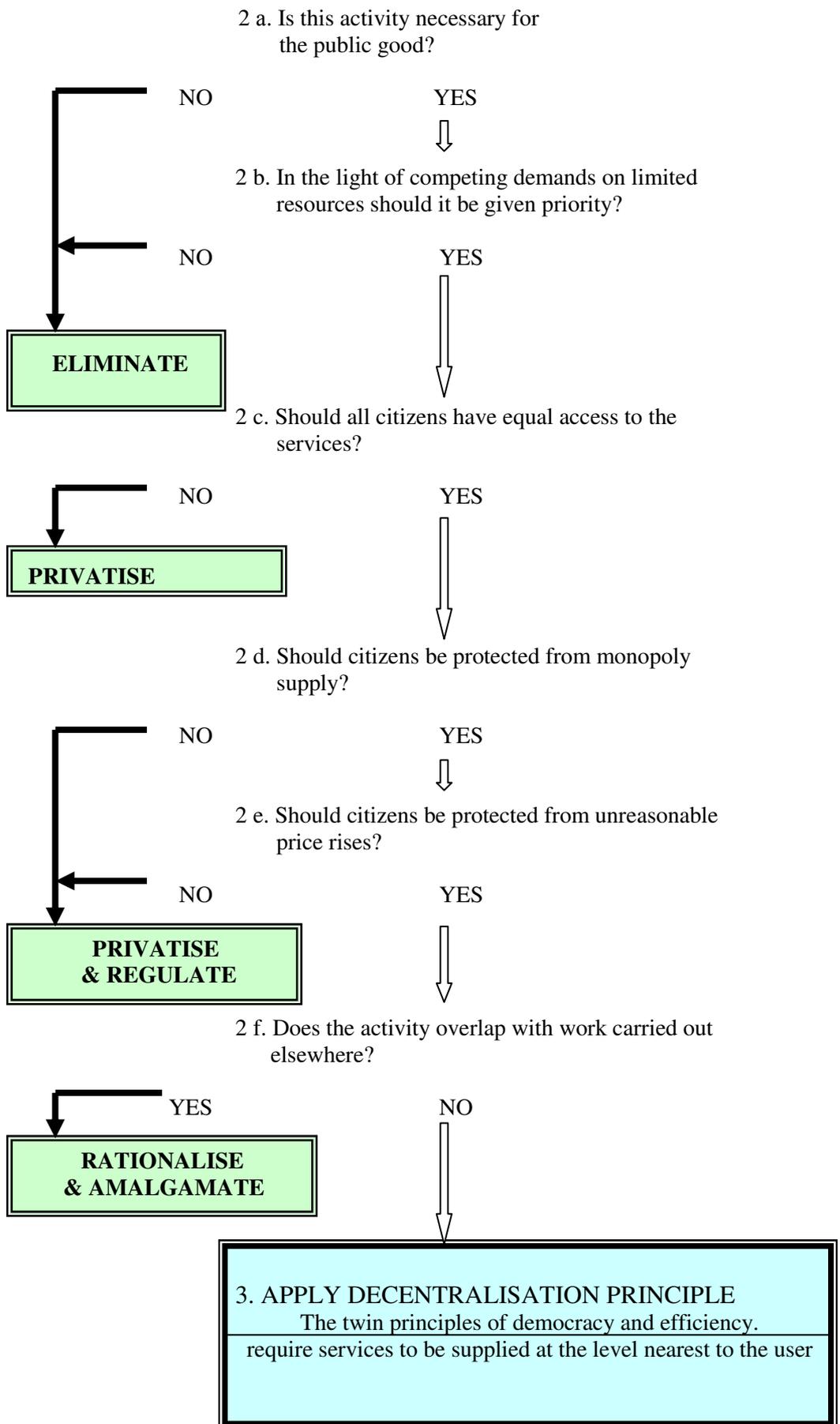
The Government of Uzbekistan will also consider its own limiting factors for appropriate allocation (such as effects on national stability). Having checked the placement of services against limiting factors it may be necessary to rearrange the table once again.

7) Having checked the initial allocation of functions against objective criteria and limiting factors, the improved allocation of functions will represent an articulated **vision for decentralisation**.

Annex: Decision Tree to test public sector services for elimination, privatisation or decentralisation



2. Should the state be running the service?



3 a. Should the standards of service and the method of their delivery in principle be retained by the centre?

YES

NO

Ministry to decide standards and method of delivery

3 b. Would it cost more than is acceptable for the standard of service and method of delivery to be determined at the level of Rayon or Makhallya?

NO

YES

Local authority to decide standards and method of delivery

3 c. Would it cost more than is acceptable for the standard of service and method of delivery to be regionally (Oblast) determined?

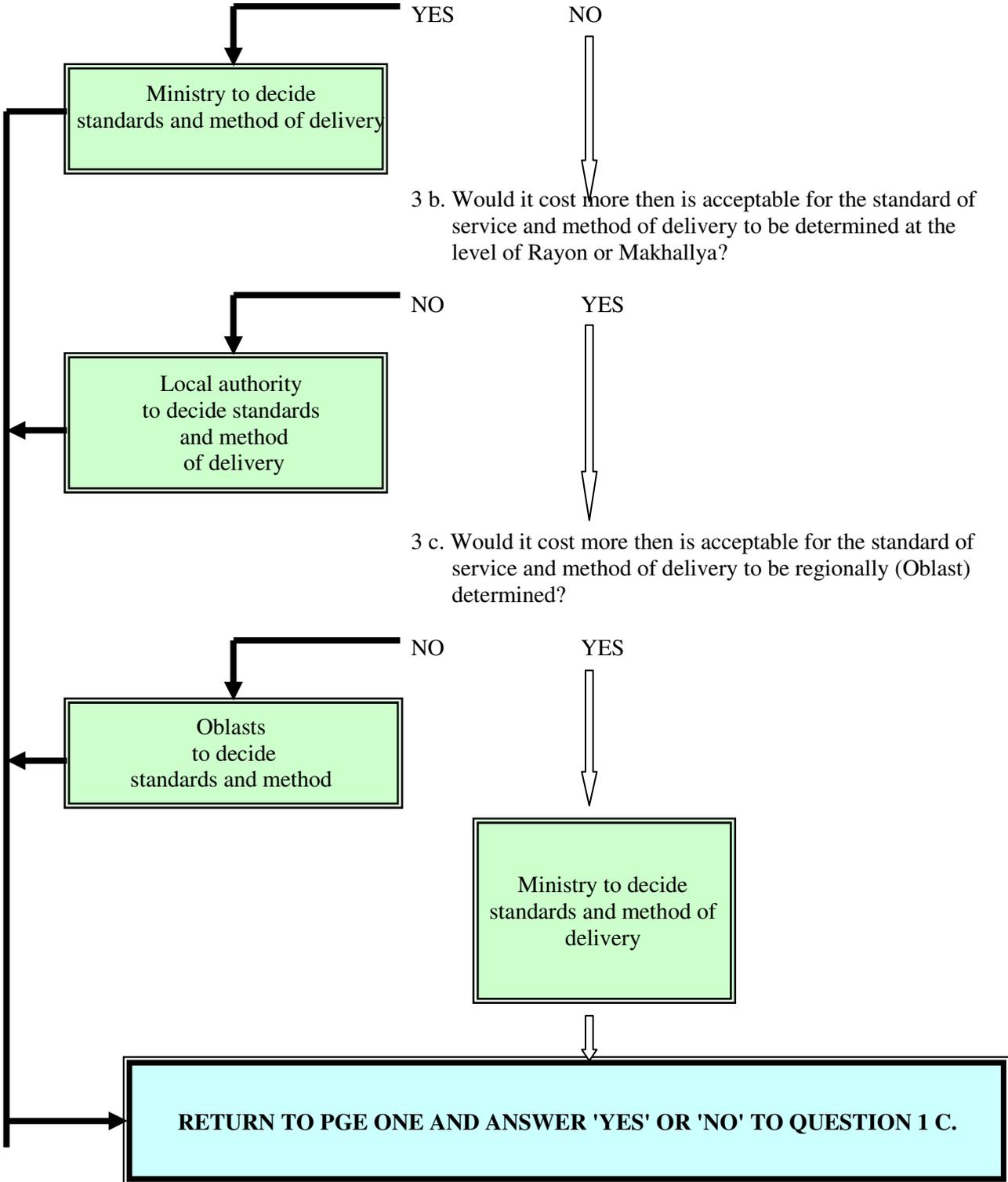
NO

YES

Oblasts to decide standards and method

Ministry to decide standards and method of delivery

RETURN TO PGE ONE AND ANSWER 'YES' OR 'NO' TO QUESTION 1 C.



Annex: Illustrative Broad Framework

Sector/ Complex	Function	Role	Responsibility
Natural Resources	Agriculture	Policy	Central
		Co-ordination	Regional
		Funding	Supernational
		Delivery	-
	Minerals	Policy	Central
		Co-ordination	Central
		Funding	-
		Delivery	-
	Water	Policy	Central
		Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
	Energy	Policy	Central
		Co-ordination	Central
		Funding	-
		Delivery	-
	Environmental Protection	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Local
Sanitation	Policy	Central	
	Co-ordination	Regional	
	Funding	Regional	
	Delivery	Regional	
Social Protection	Labour Market Regulation	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Welfare Payments	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Local
	Safety at Work	Policy	Central
		Co-ordination	Local
		Funding	Local
		Delivery	Local
	Consumers Protection	Policy	Central
		Co-ordination	Local
		Funding	Local
		Delivery	Local
	Personal Services	Policy	Central
		Co-ordination	Local
		Funding	Local
		Delivery	Local

Sector/ Complex	Function	Role	Responsibility
Education	Pre-School	Policy	Central
		Co-ordination	Local
		Funding	Local
	Primary	Delivery	Local
		Policy	Central
		Co-ordination	Local
		Funding	Local
		Delivery	Local
		Policy	Central
	Secondary	Co-ordination	Local
		Funding	Local
		Delivery	Local
		Policy	Central
	Further	Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
		Policy	Central
	Higher	Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
		Policy	Central
	Teacher Training	Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
Policy		Central	
Culture	Co-ordination	Regional	
	Funding	Local	
	Delivery	Local	
	Policy	Central	
	Co-ordination	Regional	
Health	Primary Care (Surgeries)	Policy	Central
		Co-ordination	Local
		Funding	Local
		Delivery	Local
	Secondary Care (Hospitals)	Policy	Central
		Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
	Tertiary Care (Hospitals of National Specialist Significance)	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Medical Teaching	Policy	Central
		Co-ordination	Central
		Funding	Regional
		Delivery	Regional
	Health Promotion	Policy	Central
		Co-ordination	Regional
		Funding	Local

Sector/ Complex	Function	Role	Responsibility
Economics and Finance	Economic Policy	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Regulation of Market (Financial)	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Tax Setting	Policy	Central
		Co-ordination	All Levels
		Funding	All Levels
		Delivery	All Levels
	Tax Collection	Policy	Central
		Co-ordination	All Levels
		Funding	All Levels
		Delivery	All Levels
	Anti Monopoly	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Privatisation	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	State Investments	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Regional Economy Development	Policy	Regional
		Co-ordination	Central
		Funding	Regional
		Delivery	Local
National Budget	Policy	Central (Parliament)	
	Co-ordination	Central (Min Fin)	
	Funding	Central	
	Delivery	Central	

Sector/ Complex	Function	Role	Responsibility
Trade and Industry	Trade Development	Policy	Central
		Co-ordination	Regional
		Funding	Central
	Trading Standards	Delivery	Central
		Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Local
	Tourism	Policy	Regional
		Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
	Research and Development	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
Sensitive Industry (e.g. Armaments, Nuclear Power)	Policy	Central	
	Co-ordination	Central	
	Funding	Central	
	Delivery	Central	
Law	Justice	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central and Regional
	National Legislation	Policy	Central
		Co-ordination	Central
		Funding Delivery	Central Central
	Delegated Local Legislation (Federal System)	Policy	Regional
		Co-ordination	Regional
		Funding	Regional
		Delivery	Regional

Sector/ Complex	Function	Role	Responsibility
Infrastructure	Highways	Policy	Central
		Co-ordination	Regional
		Funding	Regional
		Delivery	Regional
	Roads	Policy	Regional
		Co-ordination	Local
		Funding	Local
		Delivery	Local
	Air Traffic	Policy	Central
		Co-ordination	Central
		Funding	Regional
		Delivery	Regional
	Railways	Policy	Central
		Co-ordination	Central
		Funding	Regional
		Delivery	Regional
	Telecommunications	Policy	Central
		Co-ordination	Central
		Funding	-
		Delivery	-
Housing	Policy	Central	
	Co-ordination	Regional	
	Funding	Local	
	Delivery	Local	
Land Use	Policy	Central	
	Co-ordination	Regional	
	Funding	Local	
	Delivery	Local	
Defence	All Aspects	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central

Sector/ Complex	Function	Role	Responsibility
Internal Affairs	Internal Security	Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central
	Police	Policy	Central
		Co-ordination	Central
		Funding	Regional
		Delivery	Regional
	Emergency Service (Fire, Disaster)	Policy	Central
		Co-ordination	Central
		Funding	Central or Local
		Delivery	Local
	Immigration, Refugees and Foreign Residents	Policy	Central
		Co-ordination	Central
Funding		Central	
Delivery		Local	
Foreign Policy		Policy	Central
		Co-ordination	Central
		Funding	Central
		Delivery	Central

European Charter of Local Self-Government Strasbourg, 15.X.1985

Preamble

The member States of the Council of Europe, signatory hereto,
Considering that the aim of the Council of Europe is to achieve a greater unity between its members for the purpose of safeguarding and realising the ideals and principles which are their common heritage;
Considering that one of the methods by which this aim is to be achieved is through agreements in the administrative field;
Considering that the local authorities are one of the main foundations of any democratic regime;
Considering that the right of citizens to participate in the conduct of public affairs is one of the democratic principles that are shared by all member States of the Council of Europe;
Considering that it is at local level that this right can be most directly exercised;
Convinced that the existence of local authorities with real responsibilities can provide an administration which is both effective and close to the citizen;
Aware that the safeguarding and reinforcement of local self-government in the different European countries is an important contribution to the construction of a Europe based on the principles of democracy and the decentralisation of power;
Asserting that this entails the existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment,
Have agreed as follows:

Article 1

The Parties undertake to consider themselves bound by the following articles in the manner and to the extent prescribed in Article 12 of this Charter.

Part I

Article 2 – Constitutional and legal foundation for local self-government

The principle of local self-government shall be recognised in domestic legislation, and where practicable in the constitution.

Article 3 – Concept of local self-government

1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.
2. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage, and which may possess executive organs responsible to them. This provision shall in no way affect recourse to assemblies of citizens, referendums or any other form of direct citizen participation where it is permitted by statute.

Article 4 – Scope of local self-government

1. The basic powers and responsibilities of local authorities shall be prescribed by the constitution or by statute. However, this provision shall not prevent the attribution to local authorities of powers and responsibilities for specific purposes in accordance with the law.
2. Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority.
3. Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.
4. Powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law.
5. Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions.
6. Local authorities shall be consulted, insofar as possible, in due time and in an appropriate way in the planning and decision-making processes for all matters which concern them directly.

Article 5 – Protection of local authority boundaries

Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.

Article 6 – Appropriate administrative structures and resources for the tasks of local authorities

1. Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures in order to adapt them to local needs and ensure effective management.
2. The conditions of service of local government employees shall be such as to permit the recruitment of high-quality staff on the basis of merit and competence; to this end adequate training opportunities, remuneration and career prospects shall be provided.

Article 7 – Conditions under which responsibilities at local level are exercised

1. The conditions of office of local elected representatives shall provide for free exercise of their functions.
2. They shall allow for appropriate financial compensation for expenses incurred in the exercise of the office in question as well as, where appropriate, compensation for loss of earnings or remuneration for work done and corresponding social welfare protection.
3. Any functions and activities which are deemed incompatible with the holding of local elective office shall be determined by statute or fundamental legal principles.

Article 8 – Administrative supervision of local authorities' activities

1. Any administrative supervision of local authorities may only be exercised according to such procedures and in such cases as are provided for by the constitution or by statute.

2. Any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities.
3. Administrative supervision of local authorities shall be exercised in such a way as to ensure that the intervention of the controlling authority is kept in proportion to the importance of the interests which it is intended to protect.

Article 9 – Financial resources of local authorities

1. Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers.
2. Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law.
3. Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate.
4. The financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks.
5. The protection of financially weaker local authorities calls for the institution of financial equalisation procedures or equivalent measures which are designed to correct the effects of the unequal distribution of potential sources of finance and of the financial burden they must support. Such procedures or measures shall not diminish the discretion local authorities may exercise within their own sphere of responsibility.
6. Local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them.
7. As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction.
8. For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law.

Article 10 – Local authorities' right to associate

1. Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.
2. The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognised in each State.
3. Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States.

Article 11 – Legal protection of local self-government

Local authorities shall have the right of recourse to a judicial remedy in order to secure free exercise of their powers and respect for such principles of local self-government as are enshrined in the constitution or domestic legislation.

Part II – Miscellaneous provisions

Article 12 – Undertakings

1. Each Party undertakes to consider itself bound by at least twenty paragraphs of Part I of the Charter, at least ten of which shall be selected from among the following paragraphs:
 - Article 2,
 - Article 3, paragraphs 1 and 2,
 - Article 4, paragraphs 1, 2 and 4,
 - Article 5,
 - Article 7, paragraph 1,
 - Article 8, paragraph 2,
 - Article 9, paragraphs 1, 2 and 3,
 - Article 10, paragraph 1,
 - Article 11.
2. Each Contracting State, when depositing its instrument of ratification, acceptance or approval, shall notify to the Secretary General of the Council of Europe of the paragraphs selected in accordance with the provisions of paragraph 1 of this article.
3. Any Party may, at any later time, notify the Secretary General that it considers itself bound by any paragraphs of this Charter which it has not already accepted under the terms of paragraph 1 of this article. Such undertakings subsequently given shall be deemed to be an integral part of the ratification, acceptance or approval of the Party so notifying, and shall have the same effect as from the first day of the month following the expiration of a period of three months after the date of the receipt of the notification by the Secretary General.

Article 13 – Authorities to which the Charter applies

The principles of local self-government contained in the present Charter apply to all the categories of local authorities existing within the territory of the Party. However, each Party may, when depositing its instrument of ratification, acceptance or approval, specify the categories of local or regional authorities to which it intends to confine the scope of the Charter or which it intends to exclude from its scope. It may also include further categories of local or regional authorities within the scope of the Charter by subsequent notification to the Secretary General of the Council of Europe.

Article 14 – Provision of information

Each Party shall forward to the Secretary General of the Council of Europe all relevant information concerning legislative provisions and other measures taken by it for the purposes of complying with the terms of this Charter.

Part III

Article 15 – Signature, ratification and entry into force

1. This Charter shall be open for signature by the member States of the Council of Europe. It is subject to ratification, acceptance or approval. Instruments of ratification, acceptance or approval shall be deposited with the Secretary General of the Council of Europe.
2. This Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date on which four member States of the Council of Europe have expressed their consent to be bound by the Charter in accordance with the provisions of the preceding paragraph.

3. In respect of any member State which subsequently expresses its consent to be bound by it, the Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date of the deposit of the instrument of ratification, acceptance or approval.

Article 16 – Territorial clause

1. Any State may, at the time of signature or when depositing its instrument of ratification, acceptance, approval or accession, specify the territory or territories to which this Charter shall apply.
2. Any State may at any later date, by a declaration addressed to the Secretary General of the Council of Europe, extend the application of this Charter to any other territory specified in the declaration. In respect of such territory the Charter shall enter into force on the first day of the month following the expiration of a period of three months after the date of receipt of such declaration by the Secretary General.
3. Any declaration made under the two preceding paragraphs may, in respect of any territory specified in such declaration, be withdrawn by a notification addressed to the Secretary General. The withdrawal shall become effective on the first day of the month following the expiration of a period of six months after the date of receipt of such notification by the Secretary General.

Article 17 – Denunciation

1. Any Party may denounce this Charter at any time after the expiration of a period of five years from the date on which the Charter entered into force for it. Six months' notice shall be given to the Secretary General of the Council of Europe. Such denunciation shall not affect the validity of the Charter in respect of the other Parties provided that at all times there are not less than four such Parties.
2. Any Party may, in accordance with the provisions set out in the preceding paragraph, denounce any paragraph of Part I of the Charter accepted by it provided that the Party remains bound by the number and type of paragraphs stipulated in Article 12, paragraph 1. Any Party which, upon denouncing a paragraph, no longer meets the requirements of Article 12, paragraph 1, shall be considered as also having denounced the Charter itself.

Article 18 – Notifications

The Secretary General of the Council of Europe shall notify the member States of the Council of Europe of:

- a. any signature;
- b. the deposit of any instrument of ratification, acceptance or approval;
- c. any date of entry into force of this Charter in accordance with Article 15;
- d. any notification received in application of the provisions of Article 12, paragraphs 2 and 3;
- e. any notification received in application of the provisions of Article 13;
- f. any other act, notification or communication relating to this Charter.

In witness whereof the undersigned, being duly authorised thereto, have signed this Charter. Done at Strasbourg, this 15th day of October 1985, in English and French, both texts being equally authentic, in a single copy which shall be deposited in the archives of the Council of Europe. The Secretary General of the Council of Europe shall transmit certified copies to each member State of the Council of Europe.