

# Public administration reform and regional development in the Czech Republic after twenty years of corrections

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DOI: 10.32725/978-80-7394-976-1.08

**Abstract:** This paper focuses on public administration reform in the Czech Republic in terms of supporting regional development. The whole system was legislated two decades ago, in 2000. The paper focuses on three issues: (1) territorial public administration and its corrections, (2) institutionalisation of regional development support, and (3) cohesion regions and changes in their institutional set-up. Territorial public administration and regional development in the Czech Republic are closely related to the so-called combined model of public administration, in which the tasks of state administration are taken over at the regional and local level by self-government bodies, which perform them in a delegated capacity. The paper asks to what extent the combined model has been successful in the Czech Republic for over two decades.

**Keywords:** public administration reform, combined model, regional development, strategic documents, cohesion regions, regions with concentrated state support

**JEL Classification:** H10, H75, H79, R58

## 1 Introduction

Public administration reform was part of the significant political, economic, and social changes in the 1990s. The Czech Republic became an independent unitary state in January 1993. However, it had legally existed since 1969, when the Czechoslovak state became a federation. The extensive changes in the central administration, which began immediately after the November 1989 events, were mainly related to the restoration of pluralist democracy and the transition from directive economic planning to a market economy. Amendments to the so-called Competence Act (Act No. 2/1969 Coll.), which provides for horizontal coordination of the central state administration, led to the abolition of some ministries and other state bodies and established offices according to new needs.

Another problem was the legal status of civil servants, which until the end of the 1980s was practically no different from that of any other employees. In addition to the civil service, it was also essential to reform the training of civil servants, which until the late 1980s had been rather ideological. An integral part of the civil service reform was the preparation for accession to the European Union, which became one of the priority objectives of Czech society after 1989.

A specific problem was territorial public administration and local politics (Balík 2009; Čmejrek 2008). From the end of the 1940s until 1990, the territorial public administration represented a three-tier system of regional, district, and local (or municipal) national committees.<sup>2</sup> Although these were formally elected bodies, there was no plurality in elections; voters could elect only National Front candidate lists. The subordination of lower-level national committees to higher-level national committees also contradicted the principles of self-government. In practice, the national committees functioned not as self-governing bodies but as organs of state administration. Like other bodies and authorities, they were subject to the leadership mechanism of the Communist Party enshrined in the Constitution.

In 1990 the system of national committees ceased to exist. Self-government was restored at the municipal level (Act No. 367/1990 Coll.). Citizens elected their municipal councils to replace the former national committees. As for the other administrative levels, disputes over the higher territorial self-governing units (VÚSCs) delayed the reform for several years. Whether the Czech Republic would switch to a provincial or regional system became a subject of political disputes and remained undecided for a long time.

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<sup>2</sup> The three-tier system of administrative bodies consisted of local, district and regional committees, which were called national committees. This may lead to misunderstanding, as the term *national* here does not refer to the administration level. The term *regional* causes similar problems later in the text, as the Czech Republic has created self-governing regions at the NUTS III level and cohesion regions at the NUTS II level. In addition, the text refers to regions with concentrated state support, which are defined at different levels, e. g., at the district or municipal level.

Moreover, although the decision was already in favour of establishing self-governing regions, it was unclear how many self-governing regions would be established and what specific form they would take. Creating 14 NUTS 3 units (13 regions and the capital Prague) was a compromise. However, some experts criticised it for its potential weakness and the considerable size differences between them. In addition, the new regional demarcation did not respect the historical borders of Bohemia and Moravia.

Due to the dispute over the VÚSCs, district offices were provisionally created at the district level in 1990 as state administration bodies (Act No. 425/1990 Coll.), which were to operate only until the creation of the VÚSCs. The period extended over a decade - until the end of 2002. Decision-making mechanisms in territorial public administration in the 1990s suffered from an incomplete territorial hierarchy of state and local government, unclear competence relations between the various institutions and actors, and an inefficient system of local government whose competencies overlapped with those of the state administration. After the abolition of the regional national committees, regional planning was highly problematic, as the government could not sufficiently coordinate and control development at the district level due to the excessive number of districts. On the other hand, municipalities had virtually no lobbying power at the national decision-making level, which was too high for their needs.

From the view of the functioning of territorial public administration and regional development, the relationship between the state administration and local government was essential. Although in the 1990s, a separate model was initially envisaged in which both state and local self-government would operate in the territory, the concept of a combined model in which the tasks of state administration in the territory are performed by local self-government bodies in a delegated capacity eventually prevailed. The so-called combined model's introduction has a significant impact on the functioning of public administration and the institutional set-up of regional development.

## **2 Methods**

The paper is methodologically based on the study of documents. The initial source of information is the laws related to the reform of the territorial public administration and the support of regional development. It is not only the large package of laws from 2000, when the first phase of the territorial public administration reform ended, but also later amendments and other legislation that corrected the setting of territorial public administration. The paper also compares the medium-term regional development strategies of the Czech Republic over the past two decades. Two aspects are mainly at stake here: the definition of the regions with concentrated state support and the functioning of the cohesion regions.

## **Research results**

### **3.1 Reform of territorial public administration**

The reform of territorial public administration began to take a more concrete form only in the late 1990s. Its first phase started with the approval of Constitutional Act No. 347/1997 Coll., on creating higher territorial self-government units (VÚSCs). This law established 13 self-governing regions (excluding the capital city of Prague). These were smaller regions compared to the regions that had existed since 1960. After the decision on the VÚSCs, it was also possible to establish NUTS II regions, the so-called cohesion regions necessary for compatibility with EU regional policy. Acts 129 and 130/2000 Coll. gave institutional form to the regional level of territorial public administration. At the same time, Act No 128/2000 Coll. amended the municipal structure. In addition, Act No 248/2000 Coll. was approved, which regulated the involvement of the state administration and local authorities in supporting regional development.

The second phase of the reform of the territorial public administration started after 2000 and culminated in late 2002 and early 2003. Its main objective was to develop the decentralisation process. The state administration previously exercised many competencies that could be transferred to local governments, either in their autonomous or delegated competencies. As of 31 December 2002, the district offices were terminated, and their tasks were mainly transferred to self-governing authorities - both to regions and municipalities with extended competence.

The reform of the territorial public administration had its critics. Most of them pointed to the unsystematic nature of the reform. As M. Hampl (2005: 99) wrote: "Instead of a comprehensive and integrated solution, time-separated partial changes were implemented, which became the subject of competition between political parties." On the other hand, we must not overlook the efforts to address the system's shortcomings over the last two decades. This concerns, in particular, the supervision and control of territorial public administration. The 2006 amendment (No 234/2006 Coll.) fundamentally overhauled the entire management and control system.

Small rural municipalities represent a significant problem for territorial public administration. The traditional fragmentation of the Czech settlement structure deepened after 1989. The number of municipalities increased by almost 50% in a short time. Some of the municipalities that became independent had only a few hundred, sometimes only a few dozen inhabitants. Small municipalities had considerable problems in providing local administration and public services.

Therefore, in 1994, the conditions for a local referendum on separating a part of a municipality were tightened. According to Act No 152/1994 Coll., a municipality with less than 300 inhabitants could no longer be formed by separating a part of a municipality. In 2000, Act No 128/2000 Coll. on Municipalities raised this limit to 1 000 inhabitants. At that time, however, municipalities with fewer than 1 000 inhabitants already accounted for almost 80 % of all municipalities. Financing rural municipalities was a significant difficulty. Smaller rural municipalities were so underfunded that they could not exercise their right to self-government. Two amendments to the law in 2007 and 2012 (Act No. 377/2007 Coll., Act No. 295/2012 Coll.) brought some remedy (Provazníková 2015, Čmejrek and Čopík 2015, Kameníčková 2015, Kopřiva, Čopík and Čmejrek 2017).

The problems of territorial public administration relate mainly to the so-called combined model, in which local government performs state administration tasks at the local and regional levels. The division of municipalities according to the exercise of delegated competencies is unclear and incomprehensible for citizens, and the separation of autonomous and delegated competencies is indefinite in several areas. Over the past two decades, there have been efforts to address the lack of administrative capacity of small municipalities by creating associations of municipalities along the French model. However, it is essential to point out the differences in the local government systems in the two countries and the limits of the Czech combined model.

### **3.2 Institutionalising regional development**

Regional development received its institutional form two decades ago in Act No. 248/2000 Coll. on Support for Regional Development. The Act regulates the competencies of administrative authorities, regions and municipalities. It creates conditions for the coordination and implementation of economic and social cohesion. The fundamental basis for state support for regional development is the Regional Development Strategy. The law defines it as a medium-term government document that formulates the state's approach to supporting regional development, provides the necessary background, and sets development objectives and principles for elaborating regional development programmes. The medium-term horizon of the document is defined by law as a period of 3-7 years; in practice, it has always been seven years in the two decades since 2000.

A fundamental prerequisite for state support for regional development has become the definition of state-aided regions. According to the law, the Ministry primarily proposed regions with concentrated state support. Three types of regions created this category: (1) structurally affected regions, (2) economically weak regions, and (3) rural regions. In addition, the Regional Development Strategy should have defined the category of other regions. These are, for example, border regions, former military areas, regions affected by natural disasters, regions with a higher average unemployment rate than the average level in the Czech Republic, and the like.

In practice, however, the definition of regions with concentrated state support has encountered difficulties from the beginning. The first problem arose in rural regions. Already in 2000, immediately after the adoption of Act No 248/2000 Coll., a detailed analysis showed that rural regions essentially overlapped with economically weak regions. For this reason, the 2000 Regional Development Strategy defined only two types of fully supported regions - structurally affected and economically weak regions (RDS 2000). The 2006 Regional Development Strategy for 2007-2013 included regions with above-average unemployment among the fully supported regions (i.e., instead of rural regions) (RDS 2006: 106).

The regional development strategies defined regions with concentrated state support at the district level. The Regional Development Strategy approved by the government in 2000 identified ten districts as structurally affected regions and ten as economically weak regions. However, district-level administration was no longer supposed to exist after 2002. The Regional Development Strategy of the Czech Republic for the period 2007-2013 from 2006 defined structurally affected and economically weak regions at the level of districts. However, it also defined regions with above-average unemployment at the level of municipalities with extended competence (RDS 2013: 140n). The Regional Development Strategy of the Czech Republic for the 2014-2020 period already defined regions with concentrated state support consistently at the level of municipalities with extended competence and designated them as economically distressed (RDS 2013: 140n).

The Regional Development Strategy of the Czech Republic 2021+ (RDS 21+) came up with a completely new approach. Its distinctive feature became the territorial dimension, which distinguishes five categories of territories: (1) metropolitan areas, (2) agglomerations, (3) regional centres and their rural hinterland, (4) structurally affected regions, and (5) economically and socially vulnerable territories. The three metropolitan areas consist of the areas of the largest cities - Prague, Brno and Ostrava. The agglomerations are the ten remaining regional cities and their hinterland. The regional centres are cities with a population of over 15 000 and their catchment areas. There are three structurally affected regions: Karlovy Vary, Ústí nad Labem and Moravia-Silesia. The economically and socially vulnerable areas have worse living conditions, demographic problems, higher unemployment, and other factors that require special efforts to strengthen development potential (RDS 21+).

### 3.3 Cohesion regions - the Achilles heel of regional development

The functioning of the cohesion regions has proved to be the most severe problem in the area of regional development support as envisaged by Act No. 248/2000 Coll. In four cases, two NUTS III regions formed a NUTS II cohesion region and three NUTS III regions in one occurrence. In all these cohesion regions, regional councils were established. The NUTS III regional councils elected their members from among themselves. Each region was represented on the Council by ten members. The Council also set up a Regional Development Committee to monitor and evaluate the implementation of the support provided by the Funds. However, the form of the Committee was very vague. As regards the three cohesion regions, which are identical to the self-governing regions, all tasks were to be performed by the regional Council in delegated competence.

This system was corrected by Act No. 138/2006 Coll. on Public Procurement. The changes consisted primarily of a new form of regional councils. Each Regional Cohesion Council (except Prague) now had a statutory seat and consisted of three bodies: a committee, a chairman and an office. The self-governing regions were represented on the Committee by only eight representatives instead of ten, but the decision-making mechanism was retained. In the three cohesion regions, which were identical to NUTS III regions, the NUTS III regional council set up a committee of 15 representatives. Another body of the Regional Cohesion Council was its chairman, whose position was defined much more precisely than in the original law. The third body was the Regional Council Office. The amendment also sought to fill in other gaps in the system, such as the revenue and expenditure of the Regional Council's budget, conflicts of interest, and the status of the office director and officials (Act No. 138/2006 Coll.).

However, even this corrected institutional form of the cohesion regions was unsuccessful. Act No. 251/2021 Coll. abolished the Regional Councils of Cohesion Regions and their bodies. The newly established Centre for Regional Development of the Czech Republic took over the agenda of the regional councils of cohesion regions. The Centre is a state-funded organisation with the right to manage state property, and special laws govern its activities. The Director General heads this service office and is the service authority. The superior service authority of the Centre is the Ministry of Regional Development, which performs the function of the founder. The Statute approved by the Minister for Regional Development regulates the detailed conditions of the Centre's activities and its organisational structure. Based on Act 251/2000 Coll., a monitoring system was established, and the Council for EU Funds was created as an advisory body to the government. All these changes are a clear departure from the combined model of public administration in regional development. State administration is taking the place of bodies made up of regional self-governments.

## 4 Conclusions

Two decades ago, the Czech Republic saw the culmination of a territorial public administration reform, which included regional development institutionalisation. A study of legislation and other documents shows that the mechanisms set up were insufficient and have been gradually corrected over two decades. As far as local self-government is concerned, the corrections concern mainly to control and financing. In regional development, the definition of state-aided regions and the mechanisms for using EU funds have changed significantly. Cohesion regions (NUTS II), initially under regional self-government control, have yet to prove institutionally viable. After several modifications, the state administration had to take control of their functioning.

Over the last two decades, developments have exposed the weaknesses of the so-called combined model of territorial public administration in the Czech Republic. As regards the NUTS II cohesion regions, the practice has forced a retreat from the combined model of public administration. In territorial self-government, the combined model can fulfil its function. Legislative amendments have improved the situation as regards financing, supervision, and control. However, small rural municipalities with low administrative capacity and low levels of public services are a significant problem. It is questionable whether a satisfactory solution can be found for small rural municipalities under the combined public administration model.

## Acknowledgements

This study has been carried out in connection with the research project Sustainable Development on Regional Level - Combination of Theory and Practice - ETA 2 (STA02018TL020). It was also supported by the Internal Grant Agency (IGA) Faculty of Economics and Management Czech University of Life Sciences Prague under Grant number 20171030, Mechanisms of Local Government Decision-making in Municipalities of the Czech Republic.

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