

# **Functioning of the Local Production Systems in Central and Eastern European Countries and Siberia**

**Case Studies and Comparative Studies**

Edited by  
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*Magdalena Kalisiak-Mędeńska\**

## **SELF-GOVERNMENT IN POLAND AND RUSSIAN FEDERATION – INTRODUCTORY REMARKS**

### **1. Introduction**

Within last two decades, after a long period dominated by non-democratic, centralised state structures, the countries of Central and Eastern Europe<sup>1</sup> experienced significant political and economic transformations.

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<sup>1</sup> There are specific difficulties with unambiguous identification of the area referred to as Central and Eastern Europe. Usually it includes the Visegrad Group countries: Poland, Czech Republic, Slovakia and Hungary; Baltic States: Lithuania, Latvia, Estonia; states that emerged after the breakup of Yugoslavia: Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia, other Balkan countries: Albania, Bulgaria, Romania and Ukraine and Belarus. Sometimes Russia is also included in the area. There is also a more narrow catalogue of countries which belong to Central and Eastern Europe, i.e.: Bulgaria, Czech Republic, Estonia, Lithuania, Latvia, Poland, Romania, Slovakia, Slovenia and Hungary. According to the classification used in the UN statistics, Poland and Russia are considered countries of Eastern Europe, together with Belarus, Bulgaria, Czech Republic, Moldova, Romania, Slovakia, Ukraine and Hungary. See Kłoczowski J., *Europa Środkowo-Wschodnia w przestrzeni europejskiej*, <http://jazon.hist.uj.edu.pl/zjazd/materialy/kloczowski.pdf>, *Composition of macro geographical (continental) regions, geographical subregions and selected economic and other groupings, UN*, <http://unstats.un.org/unsd/methods/m49/m49regin.htm#europe> (accessed 11.02.2014).

Systemic transformation, which in the countries of Central Europe started in 1989, provided an impulse for reassessment of the existence and role of the former structures of the Eastern bloc.<sup>2</sup> That permitted countries in this part of Europe launch a series of far-reaching institutional reforms in all aspects of social life, mostly, however, in the political system and economy. In politics they strived to provide foundations of democratic state structures respecting the rule of law and the ideas of civil society. As a result, deep transformations in governance and economic management took place. Previous rigid and bureaucratic administration systems of the countries of Central and Eastern Europe were broken up and replaced with independent self-government structures, which was accompanied by the adoption of new regulations, procedures and tasks.

Undoubtedly, restructuring of administrative structures in these countries has become a permanent and irreversible process and, with the benefit of hindsight, we can say the direction of changes was absolutely correct. Local self-government provides evidence of truly democratic governance. However, we must bear in mind that self-government reforms in individual countries took place at a various rate and scope. They were the end result of many, often complex, problems resulting from political, economic and social reality, lack of trust in the government or intensifying national antagonisms. Unfortunately, despite visible changes and modernisation in this respect, in some Central and East European countries, in particular in those, which in the past suffered from democratic deficit (e.g. Russia), not all democratic values and principles have been completely observed. Nevertheless, they experienced a radical reconstruction of their political and administrative systems, which was the starting point for further reforms.

Although systemic transformation in countries of Central and Eastern Europe, including Russia, are multifaceted and rather specific, our considerations will be limited to issues relating to the emergence of self-government structures in Poland and in the Russian Federation. Both countries have rich and diverse experience in self-government building.

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<sup>2</sup> S. Miklaszewski, E. Malendowski (eds.), *Gospodarka światowa w warunkach globalizacji i regionalizacji rynków*, Warsaw 2009, p. 4.

The paper draws attention to circumstances and mechanisms which shaped Polish and Russian local self-government. However, it is not an exhaustive presentation of the entire spectrum of the policy as issues connected with self-government bodies in Poland and Russia or finances have been purposefully omitted. These are wide, complex and very interesting matters that need a separate discussion. Aspects we have touched let us draw a general picture of local self-government in Poland and in Russia.

As analysed areas are hard to compare (take at least the form of the state: Poland is a unitary state,<sup>3</sup> Russia – federal;<sup>4</sup> reforms, experiences of both countries in self-government formation), considerations were conducted in parallel and the construction of self-government in Russia was highlighted more strongly. It seems to be less evidenced in literature, contrary to the restitution of local self-government in Poland.

## 2. Building up local self-government in Poland and in Russia

Local self-government is one of fundamental institutions of modern society. It is a level of public authority, an element of market economy, as a supplier of public services, but also, which is fundamental in the light of the currently promoted concept of the *governance*, one of forms of citizens' participation in public life, an element of civil society.

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<sup>3</sup> In a unitary state there are no parts, which are substantially independent. Unitary states are internally homogenous (there is a homogenous system of state bodies). All administrative units within the state (local self-government) are identical when it comes to their organisation and are all subordinated to the central level (they are not autonomous like Landen or states), which decides on their system and competence. In Poland administration is decentralised, i.e. local self-government is well developed (structure independent of government administration). This form of state is the most common in Europe and in the world.

<sup>4</sup> Federal state (federation) is composed of smaller, autonomous component states (e.g. states, Landen, provinces, cantons), with a common (federal) government. Component states usually enjoy wide internal autonomy and, in some countries, have their own legislation in some areas, what is joint is usually foreign and military policy. Federations have a common currency.

Restitution of local self-government in Poland became feasible as a result of changes initiated in 1989. They enabled democratisation of political, social and economic life, doing away with the centralised system of power and empowering local communities. First modest attempts of restitution of the local self-government were undertaken already in 1980-81 when works started on the plan of its reconstruction.<sup>5</sup> However, a realistic opportunity came in 1989. „Round Table” negotiations, which also covered the organisation and functionalities of local authorities<sup>6</sup> helped the process, together with democratic Parliamentary elections on 4 June 1989 and the appointment of T. Mazowiecki’s government.<sup>7</sup> The first self-government reform in 1990 was based on pre-war solutions and was temporary as it restored the self-government only at the commune level. It started with the adoption on 8 March 1990 of three key laws, i.e.: Act on amending the Constitution of the Republic,<sup>8</sup> Act on local self-government<sup>9</sup> and electoral ordinance for commune councils.<sup>10</sup>

In the light of acts quoted above, on 27 May 1990, after 40 years, Poland restituted local self-government in communes and overcame the monopoly of: uniform state power (self-government administration emerged on the side of central government administration), state ownership (communal ownership was recognised), finance and state administration (a separate system of administration for local self-government

<sup>5</sup> *Wybrane zagadnienia z dwudziestoletniej ewolucji samorządu terytorialnego*, Thematic study OT-584, Analyses and Documentation Office, Polish Parliament, Higher Chamber, Warsaw 2010, p. 3.

<sup>6</sup> At the beginning the issue of local self-government was not included on the list of subjects to be discussed at the „Round Table”. Finally, the participants declared readiness to work on the area. Major discussions took place in the team dealing with associations and local self-government, which was later divided into two separate sub-teams, one for associations and one for local self-government. See P. Olszewski, *Problem samorządu terytorialnego w obradach „Okrągłego Stołu”*, „Polityka i Społeczeństwo” 2007, No. 4, p. 94.

<sup>7</sup> See G. Dutkiewicz, *Dzieje samorządu terytorialnego w Polsce po II wojnie światowej*, Colloquium Faculty of Humanities and Social Sciences of Akademii Marynarki Wojennej w Gdyni, Yearbook II, Gdynia 2010, p. 200.

<sup>8</sup> Dz. U. (OJ) of 1990, No. 16, item 94.

<sup>9</sup> Dz. U. of 1990, No. 16, item 95 (the present title is: *Act on the commune self-government*).

<sup>10</sup> Dz. U. of 1990, No. 16, item 96.

was set up).<sup>11</sup> The system of local governance was based on independent commune self-government units with legal personality, separate budget, specific public assets and clearly specified powers. In the years to come, decentralisation of public administration continued to be crowned in 1999 with the restitution of the three-level territorial division of the state into: communes as the fundamental element of local self-government<sup>12</sup>, counties and self-government provinces (voivodeships) by virtue of the Act of 5 June 1998 on county self-government<sup>13</sup> and province self-government.<sup>14</sup> Independent units of self-government set up a structure independent of government administration with no hierarchical subordination, which performs public tasks.

We should also highlight the fact that as a result of reforms of 1998 at the level of a province we introduced one of fundamental principles of a democratic state, i.e. dualism of the system of public administration. Administration as a function is performed by both government administration bodies (voivode and non-consolidated administration) and independent bodies of the self-government of the province, which administer all public matters connected with this level of local self-government on their own behalf and responsibility (independence in performing tasks and accountability is also true of counties and communes).

Three-level territorial structure was, first and foremost, the response to numerous weaknesses of the previous two-level system (there were communes and government provinces with two intermediary links, i.e. regional offices and the so called special administrations) full of conflict-generating divisions of tasks and competence between central government and self-government administration, lack of social control over public administration or still highly centralised budget system. The three-level structure forced out harmonisation and unification of the structures of Polish

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<sup>11</sup> J. Wojnicki, *Samorząd lokalny w Polsce i w Europie*, Publishing House of the Academy of Humanities in Pultusk, Pultusk 2008, p. 56.

<sup>12</sup> Act of 8 March 1990 on the commune self-government, Dz. U. of 2001, No. 142, item 1591 with further amendments.

<sup>13</sup> Dz. U. of 1998, No. 91, item 578 with further amendments.

<sup>14</sup> Dz. U. of 1998, No. 91, item 576 with further amendments.

public administration with European Union standards, which backed up regional development and inter-regional cooperation and made a self-governed province equivalent to a region in European countries.

Principal objective of these reforms was the strengthening of the state by introducing a clear-cut division of competence and responsibilities between central, regional and local tiers of public authorities. In this system, central government created formal, legal, regulatory and political conditions and self-government, together with central administration, became an important link of decentralised public administration whose task was to meet public needs of local and regional communities (table 1). Reforms were also fostered by an increasing need to separate administration from politics, to make public finances transparent and to make public authorities at all levels accountable vis-a-vis the citizens.

Table 1. Public authorities in Poland – structure

Public administration	
Government administration	Self-government administration
Central (central government and offices) In provinces (non-consolidated, consolidated – reporting to the Voivode)	Commune – 2479 County – 65 townships, 314 country districts Province – 16

Source: own studies.

The Constitution of the Republic of Poland of 1997 is the building block of Polish self-government administration. It changed the principle of self-governance and the principle of public authorities decentralisation into fundamental systemic principles.<sup>15</sup> The Constitution states that local self-government is a basic organisation form of public life and the state is just playing an auxiliary role here (principle of subsidiarity). Other equally relevant principles concerning the self-government are the principle of independence and the principle of implicit competence. The first highlights the right of self-government bodies to deliver public tasks

<sup>15</sup> B. Dolnicki, *Samorząd terytorialny*, LEX a Wolters Kluwer business Publishing House, Warsaw 2012, p. 53.

entrusted to them on their own behalf and responsibility. Independence in question is protected by law. Implicit competence means local self-government has the right to deliver public tasks which have not been reserved by the Constitution or laws for other public authorities.<sup>16</sup>

European Charter of Local Self-Government played a substantial role in the development of the self-government in Poland and other countries of Central and Eastern Europe, including Russia.<sup>17</sup> It regulates the status of local self-government and places it at the core of democracy and the expression of citizens' involvement in managing the major part of public affairs.

We may assume that in Russia the building of foundations of local self-government also started at the beginning of the 1990s, i.e. with the collapse of the Soviet Union. At that time Russia, like Poland, was at the brink of radical systemic transformation. The starting points for the transformation of the previous systemic model were the reforms of M. Gorbachev, who initiated the policy of reconstruction (*perestroika*), acceleration (*uskorienia*) and openness (*glasnost*). They were aimed at democratisation of the state, the building up of civil society, market economy, and political liberalisation.

Reforms of public administration in post-Soviet republics took different courses. After the collapse of the Soviet Union some of them almost immediately declared their orientation consistent with West European standards, other tried to work out own solutions based on old traditions of national statehood or to retain the previous system. In Russia, similarly to Poland, reforms advanced in the spirit of far-reaching constitutional changes. They implied systemic transformations, changes in electoral law, development of the rule of law and its institutional guarantees, such as administrative and constitutional courts, and reconstruction of administration.<sup>18</sup>

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<sup>16</sup> Art. 163 of the Constitution of the Republic of Poland of 2 April 1997, Dz. U. of 1997, No. 78, item 483 with further amendments.

<sup>17</sup> Poland ratified the Charter in 1994.

<sup>18</sup> W. Hołubko, *Transformacja administracji państw postradzieckich: od totalitaryzmu ku standardom europejskim*, „Rocznik Administracji i Prawa. Teoria i Praktyka”, Year X, p. 9–11.

The turning point in systemic transformation in Russia was the amendment of the Constitution of Russian Soviet Federative Socialist Republic (RSFSR) in 1990, which introduced political pluralism and abolished the ruling role of the communist party.<sup>19</sup> Deep transformations were still not feasible as attempts were made to adjust the inherited rigid and centralised Soviet administration to new needs. However, the amendment to the Constitution inspired a broad discussion on the new systemic model of the Russian Federation (amended Constitution introduced the notion of local self-government). Moreover, the Act on local self-government of the RSFSR of July 1991 recognised local self-government as an autonomous subject and universal elections of authorities for the term of 5 years. Nevertheless, vertical subordination was retained and until 1993 local executive committees continued to exist (*ispolkom*).<sup>20</sup>

The adoption of the new Constitution of Russian Federation (RF) in 1993, which subscribed to political ideas and values of democratic states, initiated real development of self-government in Russia. The catalogue of fundamental systemic principles was expanded with the principle of local self-governance, which enabled local community solving local problems independently within the area of competence given to the self-government.<sup>21</sup> As stressed by M. Bałaj, the identification of responsibilities of the Russian self-government is one of the most difficult issue. Its independence is limited with the scope of responsibilities common to the Federation and its subjects.<sup>22</sup> They were generally outlined in Art. 132 of the Constitution of the Russian Federation, pursuant to which self-government, acting within its powers, may independently administer municipal property, draft,

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<sup>19</sup> J. Matwiejuk, *Rosja*, [in:] S. Bożyk, M. Grzybowski (eds.), *Systemy ustrojowe państw współczesnych [Political systems in contemporary states]*, Temida 2 Publishing House, Białystok 2012, p. 279.

<sup>20</sup> S. Mizobata, *Softness and Hardness of the Institutions of Russian local Self-government*, [in:] A. Campbell, Mizobata S., Yokogawa K., Denezhkina E., *Institutional Transition and Local Self Government in Russia*, Kier Discussion Paper Series Kyoto University, Discussion Paper 2007, No. 640, p. 25.

<sup>21</sup> Constitution of the Russian Federation of 12 December 1993, Publishing House of the Parliament, Warsaw 2000.

<sup>22</sup> W. Bałaj, *Konstytucjonnoje prawo Rossijskoj Federacii. Uczebnik dla wuzow*, Mocow 2006, p. 324.

adopt and execute local budget, decide on local taxes and charges, take care of public order and solve other issues at the local level. Self-government bodies may be entrusted with new responsibilities together with material and financial resources necessary to deliver them.

In 1995 another act was adopted concerning general principles that govern the organisation of the local government in the Russian Federation, which reinforced Russian self-government in institutional aspect. Due to large regional disparities, each region developed its own self-government model with different solutions, such as, e.g.: (1) universal elections of authorities, (2) main territorial units without the status of administrative unit (Kursk, Novosibirsk, Tumen), (3) indirect elections of local self-government units (Briansk, Orel, Saratov), (4) vertical relations between controlling authorities at regional level (Bashkortostan, Tatarstan), (5) setting up just one type of units – rural districts (Tatarstan).<sup>23</sup> It was due to the fact that self-government reforms in Russia at the beginning of the 1990s were highly imperfect. Firstly, they were concurrent with economic recession and changes in public finances did not support the emergence of local self-government. Secondly, breaking up of centralised state structures strengthened political forces at federal and regional rather than at the local level of authorities. Thirdly, self-government reform was not the main priority among changes that took place at that time in Russia (political problems were much more important).<sup>24</sup>

Deep reforms of local self-government were brought with the new federal Act of 6 October 2003 on general principles underlying the organisation of the local government in the Russian Federation (the so called *act 131*), which reflected the new shape of local self-government, its powers and responsibilities. In accordance with its letter, any district with more than 1000 inhabitants (population in districts is very much differentiated and ranges from 100 to even 35K inhabitants) has become a formal territorial self-government unit with its own elected authorities, own budget and responsibilities. Other results of the entry into force of *Act 131* were amendments to many federal acts on, e.g. taxes or the labour market.

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<sup>23</sup> S. Mizobata, *Softness and Hardness of the Institutions...*, p. 26.

<sup>24</sup> I. D. Turgel, *New Local Self-Government Reform in Russia: a Step to Decentralization or Consolidation of Vertical Authority?*, <http://unpan1.un.org/intradoc/groups/public/documents/nispace/unpan045243.pdf> (accessed 1.02.2014).

Some references to local self-government were also made in the Russian Federation Development Strategy until 2010, e.g.: delegation of some functionalities of public administration to self-government structures, federal protection of self-government rights and interests or the extension of local autonomy.<sup>25</sup> We should also mention the European Charter of Self-Government (which Russia ratified in 1998), the building block of self-government, taking account of Russian reality and meeting global standards. It is particularly important in the case of Russia, which had no previous experience with respect to self-government. The system of self-government results from reforms undertaken in the 1990s, which abolished rigid and strongly centralised state structures typical of the Soviet period. Later outcomes of the process included, e.g., adoption of the above-mentioned Act on local self-government in 2003, which, in the opinion of M. Mokeev, seems to be a reasonable combination of experiences from the 10-year period of self-government development in modern Russia and best practices from Western countries (Russian model of local self-government applied German solutions).<sup>26</sup> All the above legal acts embody the main objectives of Russian self-government reforms (which seem to be convergent with the objectives of Polish reforms), that is: reinforcing local structures of the state, promoting inhabitants' involvement, identification of tasks and responsibilities of local self-government, and ensuring financing for them.

The system of public authorities in the Russian Federation was organised at three levels: federal covering all of the country; regional covering republics, countries, districts, direct-controlled municipalities, autonomous districts and autonomous areas; and – the one which we analyse – the local level (local self-government) playing a dual role: an administrative unit and an element of state structure. The structure of local self-government in Russia, i.e. the authority the closest to the citizens, is quite complex

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<sup>25</sup> G. Kurlyandskaya, Y. Nikolayenko, N. Golovanova, *Local Governments in the Russian Federation*, [in:] *Local Government and Public Service Reform Initiative*, <http://english.fpcenter.ru/common/data/pub/files/articles/1895/Local%20Governments%20in%20the%20Russian%20Federation.pdf> (accessed 10.02.2014).

<sup>26</sup> M. Mokeev, *Development of Local Self-Government in Russia: Municipal Reform Outcomes*, International Expert Meeting on local self-government and citizens participation in decision making processes and local democracy, Odessa 2011.

as responsibilities of various units overlap. Already quoted *act 131* introduces a two-tier structure of local self-government consisting of three types of units:<sup>27</sup>

– in tier one: (1) municipal regions (*municipal raions*), divided into smaller administrative units (districts composed of a city and its neighbouring towns and villages) and (2) urban areas (*gorodskoy okrug*), which are not included in municipal regions, where executive bodies are responsible for all local affairs important for districts and municipal regions,

– in tier two: urban (cities) and rural settlements (*gorodskiye and selskiye poseleniye*), where self-government powers are executed directly by inhabitants (direct democracy) or/and through elected self-government authorities.

The structure also includes smaller units, the so called intra-city territories of federal importance, where self-government powers are executed directly by inhabitants (direct democracy) or/and by elected self-government authorities<sup>28</sup> (table 2). All of these units, besides performing a specific scope of public tasks, may decide on local taxes and charges (deciding on local budget), and are protected by the judiciary<sup>29</sup>.

Table 2. Local self-government units in Russia (as at January 2013)

Number of local self-government units – 23001
Municipal region (municipal districts) – 1817
Urban areas (city okrugs) – 518
Urban settlements – 1687
Rural settlements – 18722
Intra-city territory of cities of federal importance – 257

Source: *Russia in Figures – 2013*, Federal State Statistics Service Russian Federation, [http://www.gks.ru/bgd/regl/b13\\_12/IssWWW.exe/Stg/d01/2-02.htm](http://www.gks.ru/bgd/regl/b13_12/IssWWW.exe/Stg/d01/2-02.htm) (accessed 03.02.2014).

<sup>27</sup> See D. W. Beuermann, *The Role of Local Governments' Efficiency in Decentralized Public Service Delivery: Evidence from a Randomized Intervention in Rural Russia*, [http://econweb.umd.edu/~beuermann/Research/Beuermann\\_Russia\\_V1.pdf](http://econweb.umd.edu/~beuermann/Research/Beuermann_Russia_V1.pdf) (accessed 12.02.2014); *Russia in Figures – 2013*, Federal State Statistics Service Russian Federation, [http://www.gks.ru/bgd/regl/b13\\_12/IssWWW.exe/Stg/d01/2-00.htm](http://www.gks.ru/bgd/regl/b13_12/IssWWW.exe/Stg/d01/2-00.htm) (accessed 03.02.2014).

<sup>28</sup> E. Zieliński, *System konstytucyjny Federacji Rosyjskiej [Constitutional system of the Russian Federation]*, Warsaw 2005, p. 90.

<sup>29</sup> A. Kandzia, *Samorząd terytorialny Federacji Rosyjskiej*, „Pisma Humanistyczne” 2010, Vol. VII, p. 64.

Both in Poland and in Russia self-government structures are perceived as those, which give local communities the best possibility to fully decide about local matters. To this end, there are universal elections and other mechanisms of direct democracy. Key solutions in this area have been recognised by systemic laws (constitution, specific laws). Representative democracy, which is the cornerstone of civil society, was laid down in the constitution of both countries. In Polish Constitution the right to exercise power directly (besides the possibility to do it through the intermediary of state and self-government bodies) is guaranteed by Art. 4, para. 2 – *the Nation shall exercise such power directly or through their representatives*, while Russian Constitution in Art. 3, para. 2 reads – *the Nation shall exercise the power directly and through state and local self-government bodies*.

Referenda are the best known and significant tool in both countries as they exercise citizens' right to decide on a specific issue. Other forms of democracy available to Polish and Russian citizens pursuant to law are procedural and play a less prominent role in political life. These are: citizens' initiative, meaning giving the right to a specific number of people to initiate legislative process and social consultations, which consist in directly expressing an opinion.

### **3. Responsibilities of Polish and Russian local self-government**

The main reason why local self-government exists is the delivering of public tasks, which directly result from the needs of individual local communities. Self-government in Poland and in Russia is responsible for performing numerous tasks by rendering universally accessible public services. The structure of local self-government in Poland and in Russia does not permit, however, to directly compare the scope of these tasks, that is why our considerations cover only the local level.

In Poland local self-government includes mostly communes,<sup>30</sup> in Russia, as we have already mentioned, all local self-government units are parts of local level of public authorities. Analysis of responsibilities of both

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<sup>30</sup> Local government includes also counties, which have been purposefully omitted as they deliver tasks of supra-local nature. Besides, the areas of county responsibilities largely overlap with those of a commune.

self-government structures indicates many similarities. By performing their legal duties they meet accommodation, social, spatial and environmental order, public order needs, manage the assets and infrastructure (table 3).

Table 3. Local self-government responsibilities in Poland and Russia

Responsibility area	Local self-government units in Poland	Local self-government units in Russia
Water supply	YES	YES
Waste-water collection	YES	YES
Supply of electricity, heat and gas	YES	YES
Waste management	YES	YES
Public transport	YES	YES
Infrastructure	YES	YES
Real estate management	YES	YES
Healthcare	YES	YES
Social welfare	YES	YES
Culture, sports and leisure	YES	YES
Education	YES	YES
Protection and conservation of green areas	YES	YES
Environmental protection	YES	YES
Fire protection	YES	YES
Managing commune assets	YES	YES
Cemeteries	YES	YES
Support to local economy	YES	YES

Responsibilities of Russian:

– Settlements – building local roads, local transport, sports, culture and leisure, waste management, social housing for the poorest, cemeteries,

– Regions, city okrugs: pre-school and school education, healthcare, also hospital care, obstetrics care, emergency care, public transport, environmental protection (these responsibilities can be compared to responsibilities of Polish local self-government in counties).

Source: own studies.

Polish and Russian self-government are also authorised by laws to perform some powers of the state. To transfer such tasks to self-government level the contracting party (state) must guarantee material and financial resources necessary to exercise them. In such an arrangement, local self-government is only the executor of tasks which (despite being assigned to it by law) remain outside of its own framework of responsibilities.

Execution of public tasks, remaining within the responsibility of local self-government, is closely connected with their financing from specific resources. In Poland local self-government is mostly financed from own resources, i.e. local taxes, share in taxes paid to the state budget (PIT, CIT), charges, income from assets and other income. They also receive transfers from the state budget: general subsidy and target subsidies, but the scale of the income is not as big as in the case of Russian government. Also nonreturnable income from foreign resources and EU budget resources are considered an income (table 4).

Table 4. Income of communes in Poland

Income		
own	transferred from the state budget	other
Local taxes (property, agricultural, forest, transport, inheritance and donations, civil and legal acts, the so called flat rate tax) Charges (stamp duty, market dues, visitor's tax, service charge, for having a dog) Shares in PIT and CIT Income from commune assets Inheritances, legacy and donations for the commune Interests on untimely paid commune receivables Fines and penalties Subsidies from other units of local self-government	General subsidy Target subsidies	Nonreturnable income from foreign resources and resources from the EU budget

Source: own studies.

The share of local government units in specific sources of income is also important. In Poland, unlike in Russia, own income is fully retained in these units, with the exception of PIT and CIT taxes, which are the income of the central budget and the commune's share in them is, respectively, 39.34% and 6.71%. The procedure for allocation of subsidies is laid down in the Act on Income of Local Self-Government Entities of 2003.<sup>31</sup>

In Russia self-government also has got its own financial resources that are in its disposal. These are also all sorts of taxes and charges (table 5). In practice, over 80% of income into local budgets come from federal and regional taxes, i.e. taxes beyond the control of self-government. Local taxes account for a little fraction of income (in Poland communes' own resources represent almost 50% of the total income, in transferred income, general subsidy accounts for almost 30%<sup>32</sup>).

Table 5. Taxes at various levels in accordance with Russian *act 131*

Tax	Determination of		Taxes assigned by Budget Code (%)			
	base	rate	federal	regional	local	
					districts	settlements
1	2	3	4	5	6	7
<b>Local taxes</b>						
Personal property tax	F	L				100
Land tax	F	L				100
<b>Regional taxes</b>						
Enterprise property tax	F	R		100		
Transport tax	F	R		100		
Tax on gambling businesses	F	R		100		

<sup>31</sup> Act of 13 November 2003 on Incomes of Local Self-Government Entities, Dz. U. of 2003, No. 203, item 1966.

<sup>32</sup> M. Kalisiak-Mędelska, *Samodzielność dochodowa gmin. Znaczenie dochodów własnych [Income independence in communes. Importance of own incomes]*, „Studia Zarządzania i Finansów” 2013, No. 5, p. 119.

Table 5 (cont.)

1	2	3	4	5	6	7
<b>Federal taxes assigned to regional and local governments</b>						
Enterprise profits tax	F	F	27	73		
Personal income tax	F	F		70	20	10
<b>Excise duties</b>						
on alcohol and alcohol-based products	F	F	50	50		
on gasoline and diesel fuel	F	F	40	60		
on alcoholic products, except wine	F	F		100		
on wine, beer	F	F		100		
<b>Mineral resource extraction tax</b>						
Hydrocarbons other than gas	F	F	95	5		
Common minerals	F	F		100		
Other minerals	F	F	40	60		
Fee for the use of fauna	F	F		100		
Simplified taxation system for small businesses	F	F	10	90		
Single tax on imputed income	F	F	10		90	
Single tax on agricultural enterprises	F	F	10	30	30	30

Explanation: F – federal, R – regional, L – local.

Source: D. W. Beuermann, *The Role of Local Governments' Efficiency in Decentralized Public Service Delivery: Evidence from a Randomized Intervention in Rural Russia*, [http://econweb.umd.edu/~beuermann/Research/Beuermann\\_Russia\\_V1.pdf](http://econweb.umd.edu/~beuermann/Research/Beuermann_Russia_V1.pdf) (accessed 12.02.2014).

Russian reform of public finances has made local budget significantly dependent on external sources of funding, which deepened lack of financial stability of the self-government. Self-government income was prac-

tically limited to two taxes, i.e. land tax and personal property tax.<sup>33</sup> Difficult situation of the Russian self-government in this area is additionally aggravated by large financial disproportions among its entities. Only very few settlements are financially independent and that is mainly true of urban settlements. For rural settlements the income is often below the minimum threshold of their needs. Additional burden on local budgets are high administration costs generated by self-government units.<sup>34</sup>

## 4. Conclusions

Experiences of the past 25 years, despite many deficiencies and imperfections, clearly confirm the correctness of systemic premises and reforms aimed at decentralisation and the development of self-government both in Poland and in Russia. In both countries noticeable social and economic progress has been made and local self-government has become a vital and sustainable element of a democratic state, the foundation of the civil society.

Despite obvious differences between local self-government in Poland and in Russia, there are some common elements (features), such as:

- solid constitutional and legal base in acts that regulate self-government organisation and operations,
- local self-government model based on the European Charter of Local Self-Government, the Constitution of self-government in Europe,
- delegation of specific responsibilities performed as public services,
- certain powers delegated to self-government authorities in the area of managing all of public affairs in their respective self-government units,
- ensuring own sources of funding and shares in certain state income,

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<sup>33</sup> Personal property tax is paid by individuals who own taxable property, such as: houses, second homes, apartments and other buildings. The tax is laid down by legal acts of self-government authorities and depends on the value of the property as decided by the region. Local authorities may also decide on tax allowances and rules based on which they are granted to taxpayers.

<sup>34</sup> M. E. Bukhvald, *Municipal reform and public finance innovations in the Russian Federation* (2008), <http://kastoria.teikoz.gr/icoae2/wordpress/wp-content/uploads/articles/2011/10/035-2008.pdf> (accessed 10.02.2014).

- self-determination and independence in performing public tasks,
- guarantee of judicial protection,
- independent self-government authorities elected in universal suffrage,
- ability of citizens to decide on local matters within the framework of direct democracy.

In spite of similarities, Russian self-government seems to be a very different reality of a democratic state. The difference is largely shaped by the history, ethnic differentiation, social and economic situation or still tangible effects of strong centralisation of public authorities in the previous system. On top of that, often the idea of local self-government is distorted with individual interests of self-government authorities.

Both in Poland and in Russia, radical reforms have formally been completed, nevertheless, works to develop self-government have not been finalised, in particular in the area of fostering real (not limited to social consultations) social involvement, which provides the basis of a democratic state and modern self-government.

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## Abstract

Political and economic transformations which started at the beginning of the 1990s launched a series of reforms in the countries of Central and Eastern Europe, which laid foundations for democratic structures of the state, including local self-government. The paper draws attention to conditions and mechanisms that have shaped self-government structures in Poland and in the Russian Federation. Considerations focus, first of all, on the construction, or, in the case of Poland, restitution of the structure of territorial self-government and the scope of its activities, indicating main resources of their funding.

**Key words:** local self-government, structure, public tasks, income.