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## **ABSTRACT**

### *The Changing Role of Local Government in Eastern Europe*

Local government elections in Eastern (or Central) Europe have already begun to introduce new leaders into the civic sector. With the recent dissolution of the formal Communist Parties at the state level, there exists the promise that the impending local government elections will continue to do the same, paving the way for both democratic and economic reform.

This report focuses on the issues with which these new inexperienced local officials must cope, and the skills they will need to develop to meet the challenges facing local governments. The specific areas of interest are service provision, land and infrastructure, and local economic development.

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THE CHANGING ROLE OF  
LOCAL GOVERNMENT IN EASTERN EUROPE

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Prepared for

The Office of Housing and Urban Programs  
U.S. Agency for International Development

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The Changing Role of  
Local Government in Eastern Europe

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## I. Introduction

### A. Focus of Research

Local government elections in Eastern (or Central) Europe have already begun to introduce new leaders into the civic sector. With the recent dissolution of the formal Communist Parties at the state level, there exists the promise that the impending local government elections will continue to do the same, paving the way for both democratic and economic reform.

This report focuses on the issues with which these new inexperienced local officials must cope and the skills they will need to develop to meet the challenges facing local governments.

The specific areas of interest are:

- o Service Provision
- o Land and Infrastructure
- o Local Economic Development

In each country that constitutes this politically-charged region, the role of local government has evolved in distinct ways, and continues to evolve. Even the Soviet/Stalinist-style governments that swept into power in the 1940's with their model of a centrally planned economy depended on local authorities for some, albeit limited, municipal service delivery.

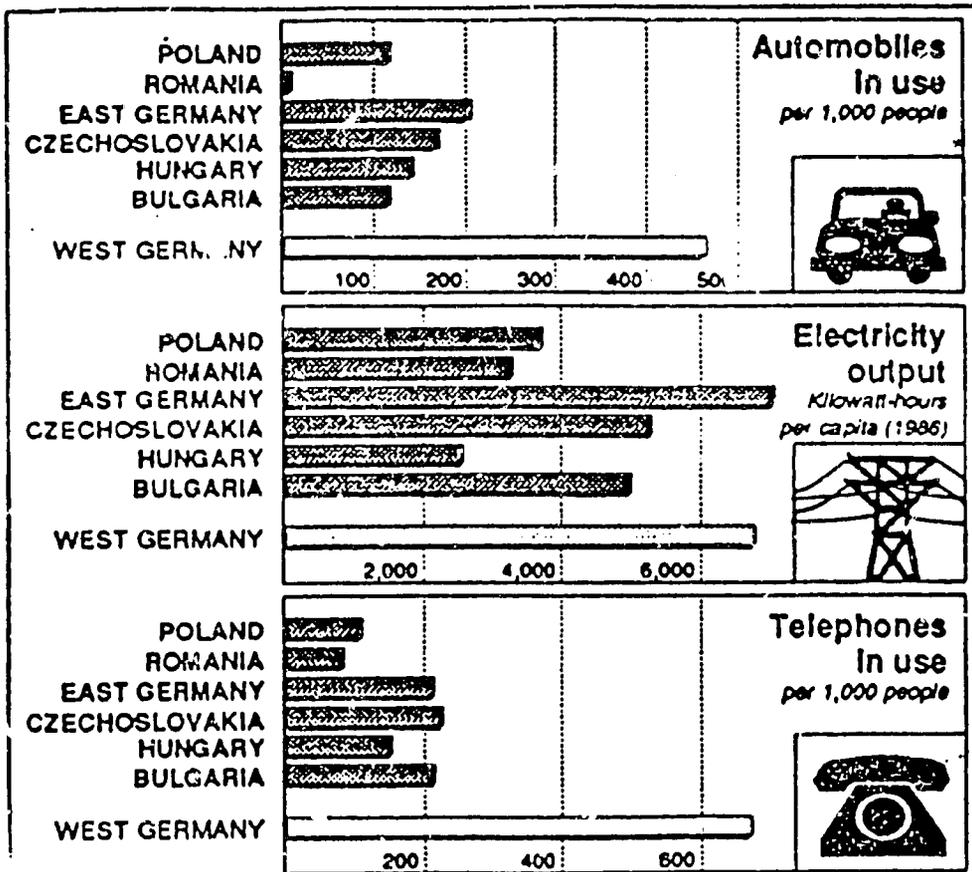
Most researchers, scholars, and experts agree that the success of the democratic movement in Eastern Europe depends on the acceptance

of reforms at the local level. The towns, villages and communities will serve not only as the classrooms of citizenship, but also as

the catalysts for economic development, now and even more so in the future.

**B. Infrastructure Comparisons**

**INFRASTRUCTURE COMPARISONS**



Figures as of 1986 (population estimates are 1989 estimates). Source: World Almanac

### C. Schedule of Democratic Elections

The uncertainty and instability of local government at this point is due to recently held or pending elections as seen below:

#### Parliamentary Elections in 1990

Bulgaria: June 10 and June 17

Population: 9 million

Czechoslovakia: June 8

Population: 15 million

GDR: March 18

Population: 16 million

Hungary: March 25, April 8

Population: 11 million

Poland: Local Elections May 27

Population: 38 million

Romania: May 20

Population: 23 million

### II Hungary

Debate in Hungary leading up to the Parliamentary elections centered around the democratic principle of choice--Hungarians did not want to appoint a president as the previous Communist Party

dictatorship had done. A national referendum on November 26 ruled that the parliamentary elections would be held before the presidential elections. In February, the more liberal Free Democrats were showing gains in popularity, while the more conservative Hungarian Democratic Forum, which had initially resisted the referendum, was suffering from a loss of credibility. Eventually, the leader of the HDF, Jozsef Antall, was elected Prime Minister.

#### **Hungary At A Glance<sup>1</sup>**

Official Name: Hungarian Republic

Population: 10,675,000

Capital: Budapest

Ethnic Groups: Hungarians (92%), Gypsy (3%), Lutheran (3%)

Form of State: Multi-party Republic

Legal System: Based on the Constitution of 1949

National Legislature: Unicameral Parliament of 386 members, 176 elected from single member constituencies, 152 from county lists, and 58 from a national list. Supreme power is vested in Parliament.

Exports: Machinery, transportation equipment, agricultural products

Imports: Machinery, transportation equipment, fuels, chemicals

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<sup>1</sup>("Hungary Country Report," Economist (EIU), February 1990.)

National Government: Council of Ministers headed by a Prime Minister, responsible to parliament. Prior to the March 25 and April 8 elections, the government was dominated by the members of the Hungarian Socialist Party (formerly known as the Hungarian Socialist Workers' Party). Now it is dominated by the Hungarian Democratic Forum (HDF) and to a lesser degree by the Alliance of Free Democrats. The HDF stresses conservatism and nationalism, while the Alliance emphasizes economics and privatization.

Local Government: There are 19 counties, with Budapest as the 20th county. One fifth of the population lives in Budapest, the center of government, industry and transportation. Local authority exists on the county and city level, with authorities centralized in the cities. The State organization is responsible for overseeing municipal service delivery. This issue may change. Hungarians expect to hold local elections in the fall of 1990.

Ministries: The ministries include: Agriculture and Food; Culture and Education; Defense; Finance; Foreign Affairs; Health and Social Affairs; Industry; Internal Affairs; Justice; Trade; and Transport, Communications and Construction. The Chairman of the ministries is the National Planning Office.

#### **A. Political Systems**

After World War II, Hungary lost almost two-thirds of its territories, including a loss of urban centers with industrial growth potential.

The Communist Party took power in 1948. Between 1946 and 1949, democratic parties were destroyed or incorporated. A Constitution was created based on the (Stalinist) Soviet Constitution of 1936, which allowed the Communist Party to establish an "informal" understood power. The Party structure in Hungary followed the Soviet State structure.

At the national level, the Party was called the Central Committee, which had its own Politburo. On the counties' level, there was the Counties Party Committee. On the district and village level, the District Party Committee was established. There were also individual Communist Parties in the workplaces.

The constitution developed in the 1960s, following the 1956 uprising, enforced the rule of the Communist Party by declaring that "the Society was led by the Communist Party." This phrase provided the legal background for the informal power the Party had in Hungary. Hungarian state law has never recognized the Communist Party's role in local, county or national government. The constitution did not give any power to the Communist party. It did, however, give power to the councils, which were controlled by the Communist party. Management in a factory, for example, was organized and controlled by the party.

The legal framework for any decisions regarding municipalities was created at the national level. The Party body negotiated the

issues, made decisions, and then gave the directives to the local councils with recommendations that certain actions should occur. In most cases, these directives were followed. The individual councils did have some autonomy and could, with proper justification, choose otherwise.

In the local councils, as well as management in industry and agriculture, leadership consisted of party members. Almost 20... percent of those of working age belonged to the Communist Party. According to Dr. Karoly Lakatos, Second Secretary of Education at the Embassy of the Republic of Hungary, those who wanted a career in local government or even in business were forced to become Party members in order to achieve their goals.

The irony of the situation is that because the Party tried to involve all intelligentsia (those involved in management, business, and government affairs), it grew very large and there evolved a mass desire for reform. These were among the centrifugal forces that led to the political changes. In Hungary, there were no mass demonstrations, no prisoners, as in other Eastern European countries.

During the mid-1960s, the pattern of collectivized agriculture was reshaped by allowing more autonomy with individual's household plots. Concomitantly, the withdrawal of the state from housing

construction resulted in mutual self-help efforts and the growth of unlicensed building entrepreneurs.<sup>2</sup>

### Current System

A 1983 National Geographic article captures Hungary's unique mix of capitalism and socialism. The author quotes a Hungarian sociologist, who explains the nation's ideological development:

Before World War II we had very strong class identities. After that war these identities were destroyed, consciously and surgically, by the Communist Party at that time. Everybody was mortified and humiliated. If you were a small landholder, you were called an oscillating peasant; if you were an intellectual, you were called a servant of fascism. And so instead of these old identities, a kind of feeling of guilt was substituted. A skillful strategy. With the prosperity, the growing economy of the past 20 years, there is a slow growing of good feeling about ourselves, a sort of identity. We have begun to feel maybe we can achieve something, and these feelings have been growing very quickly in the past three or four years."<sup>3</sup>

Many Hungarians believe that feeling good about themselves is only possible with democratic reform. It has been observed that Hungarian intellectuals "admire and yearn for political pluralism and Western-style political institutions."<sup>4</sup> In Hungary the previous structure of the local government will probably continue

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<sup>2</sup>Lauer, Tamas. "Economic Reforms Within and Beyond the State Sector," Comparative Strategies for Economic Reform, Vol. 78, No. 2, p. 452.

<sup>3</sup>Putman, John J. "A Different Communism: Hungary's New Way," National Geographic Magazine, 1983., p. 258

<sup>4</sup>Hollander, Paul. "Social Science and Social Problems in Hungary," Society, Rutgers University, January/February 1989, p. 15.

to develop in the near future: the attitudes, however, will take much longer to change.

### **Structure of Local Government**

There are three levels of government: A council of Ministers (central level); counties; and the city or village. Approximately one hundred cities serve as the centers of local government. The county level has councils. The council is an elected body that has defined responsibilities. The council elects a president. The secretary of each council is appointed by the government of the higher level.

The Secretary is the local representative of the State Ministries, which control the police, fire brigade, some health and education affairs, city development, regional development, and elections. These Ministries are the Ministry of the Interior and the National Secretary.

The county level government is a mirror of the National Government, except that it is not involved in Foreign Trade or military questions. For example, the Ministry of Health and Social Welfare has at the county level the Department of Health and Social Welfare and at the village level one or two persons responsible for Health and Social Welfare Affairs.

At this time of transition at the national level, in local areas the bosses of the industrial plants continue to hold power. For example, they act like feudal lords and dispense jobs and provide housing. They are well entrenched, "...and are still in control of the machinery of government, business, industry and daily life."<sup>5</sup>

Establishment of a local infrastructure by the newly-elected local officials will be difficult to achieve. The local mayor, banker and the full infrastructure are still in the hands of Communists who possess the only means of communication with the people. The emerging political parties which were in the forefront of the move to democracy are inadequately financed, have no paper, printing presses or other facilities for disseminating their message to the populace. They are worried that the Communists might control some of these local elections because of their entrenched domination of the infrastructure.<sup>6</sup>

The central communist figures at the national level have collapsed, but the biggest corruption is at the local level. The Parliament is now pushing for local elections to get rid of these people. A similar drive existed preceding the Polish local elections in May.

#### B. Economic Issues

Subsidies, selling of state-owned enterprises, and a huge foreign debt are the main topics of any conversation regarding rectifying the health of Hungary's economy. Hungary has the largest per capita hard currency debt in Eastern Europe (\$17 billion).<sup>7</sup>

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<sup>5</sup>"The Business Climate in Eastern Europe," Report of Larry Hogan, April 1990.

<sup>6</sup>Bergman, Kim. "Hungary Faces Tough on Economy," The Christian Science Monitor, Wednesday, March 28, 1990, p. 4.

<sup>7</sup>Foreign Economic Trends Report," Prepared by U.S. Embassy, Budapest, Hungary, September 1989.

Hungary's classic socialist economic system, patterned on the Soviet Union's model of the 1930s and 1940s, was instrumental in the transition of the country from an agricultural to an industrial nation. However, in 1968, the state introduced the New Economic Mechanism, a first step in decentralizing planning and control. The rules also allowed for a profit motive, the functioning of supply and demand, and the accumulation of wealth. As one Hungarian economist noted, because the Hungarian economy depended largely on foreign trade (almost 50 percent of the national income), this type of flexible system was necessary.<sup>8</sup>

In the 1970s, Hungary faced higher interest rate charges and experienced a general recession. To offset some of these problems, the authorities borrowed heavily, which in turn impacted its trade posture and budgetary expenditures, including meeting its military obligations. In 1987, Hungary tried to establish a more efficient economy and rational distribution of resources. It is proving difficult, however, to implement political and economic reform at the same time. Providing subsidies for food and housing, for example, do little to help reduce the government deficit.<sup>9</sup>

#### F. Help Is On The Way

Forty-two governments, including the U.S. and the Soviet Union, have created a \$12 billion European Development Bank to help lead Eastern and Central European countries toward free market economies. With a 10 percent share, the U.S. will be the largest single member. Western European countries will have control of the bank. The current estimate is that 60 percent of the loans must be for private-sector activities or for privatization of state-owned companies. The remaining 40 percent will be loaned to governments for environmental purposes or infrastructure improvements or for competitively operated state-owned enterprises.

With assistance from the World Bank, Hungary hopes to bring its production up to world market levels within the next five years. Sixty-three percent of the GDP still passes through the central budget. Inflation is reported at 16 percent, but many believe it is higher as indicated in a study submitted to Congress.

Although wages in 1989 on average grew slightly in real terms, a further erosion in living standard for some segments of the population is expected as obsolete industries shut down, and a full fifth of the population lives below the official poverty line. Concern is growing about unemployment, which may reach 200,000 (up

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<sup>8</sup>Putnam, John J. "A Different Communism: Hungary's New Way," National Geographic Magazine, 1983. p. 250.

<sup>9</sup>McCarthy, F. Desmond, Ed. "Developing Economies in Transition," World Bank Discussion Papers, Vol. 1, 1989.

from the officially reported 17,000) if the government seriously pushes its restructuring program.<sup>10</sup>

Some facts about the local economy follow:<sup>11</sup>

- o Joint ventures grew from 300 to over 1,000 in 1989.
- o In 1989, housing accounted for 36 percent of all subsidies in Hungary (World Bank, 1989c).
- o Hungary must import petroleum, natural gas and automobiles. It exports pharmaceuticals, buses, axels, salami, wheat and alumina, among other products.
- o Representative Jim Leach (R-IA) introduced legislation calling for the Paris Club--an informal grouping of government lenders--to forgive as much as 50 percent of the government debt of East Euopean countries. East and Central European governments owe Western European governments about 8 times the amount of money they owe the United States. Poland was granted a significant delay in debt repayments by the Paris Club.

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<sup>10</sup>Pressures for Reform in the East European Economies," Study Papers Submitted to the Joint Economic Committee Congress of the United States, October 27, 1989, Volume 2.

<sup>11</sup>Bauer, Tamas. "Economic Reforms Within and Beyond the State Sector," Comparative Strategies for Economic Reform, Vol. 78, No. 2, p. 453.)

- o One of Hungary's main goals is to reform or replace Comecon, the old-style Soviet-led trading group, and to adopt trading based on hard currency and world prices. Hungarian industry must become more competitive, even in selling to Comecon customers who could look elsewhere for products and services.
- o The Soviet Union now supplies two-thirds of Hungary's gas, one quarter of its oil and one-third of its electricity. Contracts for these deliveries expire December 31, 1990. Hungarian bankers are concerned that when COMECON converts to hard currency sales from barter and at competitive world prices rather than subsidies, the Soviets could have a \$1.5 billion surplus with Hungary.

#### **Local Economic Development**

The Hungarian government has recognized that the most dynamic sector of the workforce is at the small, private level. A 1988 Law on Corporate Association allowed for new forms of ownership opportunities. In 1989, Parliament passed the Law on Economic Transformation, which allowed for state-owned or cooperative firms to convert to other forms of ownership, including limited liability of joint-stock.

Incentives for big businesses are attractive joint venture laws, tax breaks and rules allowing foreign investors to repatriate profits. Hungary's foreign investment law allows up to 100 percent foreign ownership, a five-year tax holiday, and the right to freely convert internal profits to foreign currency. In addition, joint ventures have the freedom to fix wage rates without negotiating with labor unions.

Hungary has a relatively long history of encouraging autonomy within the workplace. In the early 1980s, the state adopted a program to develop new forms of business, resulting in the creation of more than 10,000 small enterprises in a few years. These operated in conjunction with less than one thousand state and cooperative enterprises.<sup>12</sup>

Today, Hungary is far ahead of its Eastern neighbors in establishing legislation and practices for an investment-friendly business environment. The bank deregulation of 1986, the widespread use of bond financing, the introduction of value-added tax in 1988, and the joint venture law mentioned earlier--with its investment protection and tax-advantage clauses, and most of all the profit repatriation in convertible currencies--have all paved the way for the present influx of investment.<sup>13</sup>

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<sup>12</sup>Ibid.

<sup>13</sup>Okolicsanyi, Karoly. "Western Capital Discovers Hungary," RFE/RL Report on Eastern Europe, March 23, 1990, p. 20.

One concern is that in the sale of state-owned factories in Hungary and elsewhere managers will cut "sweetheart" deals with buyers by under-valuing assets in exchange for guaranteed jobs and/or a piece of the equity. The theory behind this conjecture is that because managers now have no ownership interest in these government-owned enterprises, they have no interest or incentive to hold out for the best offer.

There are security systems built into the government to prevent this from happening. Large scale projects involving large regions require approval from the Council of Ministers, as do such areas at any level involving electronics and pharmaceuticals.<sup>14</sup>

To reiterate an earlier point, however, perhaps one of the most influential forces influencing economic success at the local level is the attitude of the Hungarians themselves. Janos Kornai, known as Hungary's leading economist, repeatedly stresses the issue of social acceptance of the private sector in Hungary. He has noted in a recent book on Hungary's future that the indirect campaigning against private entrepreneurs has to stop and is an obstacle for the "good business people" Hungary so desperately needs.<sup>15</sup>

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<sup>14</sup>McCarthy, F. Desmond, Ed. "Developing Economies in Transition," World Bank Discussion Papers, Vol. 3, 1989.

<sup>15</sup>For an excellent review of Janos Kornai's economic recommendations as put forth in his new book on economic transformation, see Karoly Okoliczanyi's Report on Eastern Europe, February 9, 1990. This reference is on p. 9.

A few examples of recent foreign investment initiatives follow:<sup>16</sup>

- o A U.S./Canadian investment group headed by Ronald S. Lauder, Estee Lauder, Inc. cosmetic company heir and former GOP candidate for Governor of New York State, bought the General Banking and Trust Co. of Budapest, the oldest bank in the capitol, and hired former U.S. Ambassador to Hungary Mark Palmer to run it. The bank plans to concentrate on Hungary and Czechoslovakia, investing in new businesses and purchasing state-owned companies.
- o The Hungarian government has established a state Invest Center, located in Budapest with representatives in Hungary's major embassies, to work with foreign investors.
- o Several US-based companies have made investments in Hungary, including General Electric, Levi Strauss and Schwinn.
- o The Hungarian-Enterprise Fund has as its head former Deputy Secretary of State John Whitehead. For the first three years, the US will give the fund \$20 million annually to be used to support Hungarian private investment

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<sup>16</sup>Foreign Economic Trends Report, " Prepared by U.S. Embassy, Budapest, Hungary, September 1989

and privatization. It is hoped that the money will leverage larger U.S. investments. The fund will have offices in New York and Budapest.

### **C. Municipal Topics**

#### Environmental

A bipartisan Congressional delegation recently met with representatives of Hungary's Environmental Ministry.<sup>17</sup> The Hungarian representatives said their top three environmental problems are: air pollution; ground water contamination; and disposal of solid waste. Hungary has adequate water supplies, but the sewerage capacity is "woefully inadequate."

Pollution is a serious health hazard in Hungary. Cars burn leaded gas. Scientists and doctors in Budapest think that 10% of the deaths in Hungary are directly related to pollution.<sup>18</sup>

#### Gas and Water

In Hungary, the State owns the power, gas and water utilities, run independently of local authorities by the Ministry of Industry, who in turn appoints deputy ministers to oversee each area of service

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<sup>17</sup>"The Business Climate in Eastern Europe," Report of Larry Hogan, April 1990.

<sup>18</sup>Nelson, Mark M. "Darkness at Noon," The Wall Street Journal, March 1, 1990, pp. A1-A13.

provision. For example, the Ministry of Water Management oversees all drinking and health spas. More than 90 percent of the population have water in their homes.<sup>19</sup>

Solid Waste disposal poses a tremendous challenge as seen below:

According to the Hungarian Technical Development Board, by the year 2000, the country will be producing about 30 million cu. meters of household and industrial solid waste every year. Only a small proportion of this is disposed of safely or recycled. Budapest has the only adequate rubbish collection service, and elsewhere in the country only 53 percent of the household waste is collected by the local councils. This means that 2,117 communities have no rubbish collection at all. The Technical Development Board has called for major investment in technology for the proper disposal of waste. However, in these austere times, it is unlikely that the situation will improve.<sup>20</sup>

A Regional Environmental Center has been proposed by President Bush which will receive \$5 million in the next three years. The Ministry representatives are hoping it will be located in Budapest. They said they expect \$86 million to be spent over the same period

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<sup>19</sup>Lakatos, Karoly, Dr., Second Secretary for Education, Embassy of the Republic of Hungary, Interview.

<sup>20</sup>"Hungary Country Report," Economist (EIU), February, 1990, p. 15.

in the private sector. There may also be \$20 million set aside for technical training. This money would be funnelled through the Organization for Economic Cooperation and Development.

There is no sewage treatment plant in Budapest, or in any of the cities along the Danube, or anywhere else in the country.

Hungary has serious hazardous waste problems. The Paks nuclear power plant ships its high level waste to the Soviet Union, but has serious problems in disposing of low and medium level waste.

#### Land structure

One important question currently being debated is who actually owns the country's property and businesses and who has the legal right to dispose of them.

There is currently no private ownership of land. The Smallholder's Party ran on a platform to restore confiscated property to its original owners. This would be difficult to implement, according to Tom Lynch, political officer at the American Embassy in Budapest.

A joint venture may acquire real property necessary for the conduct of its business (e.g., land, buildings, factories, etc.). However, purely speculative acquisition of land and the establishment of real estate companies are not allowed.

Before 1995, the Hungarian government wants to build between 400 and 500 miles of new highways, including a 60 kilometer (45 mile) super highway from Budapest to Vienna. In 1995, Vienna and Budapest will co-host the World Exhibition (because officials from the Exhibition were shocked at the condition of the roads, efforts will be made to expedite the repair and building by 1995). Other transportation needs include: an expressway east to Debrecan; a beltway around Gyor; and a bridge over the Danube from Buda to Pest and connecting roads. This bridge was planned several years ago, but was never built due to lack of funds. It may be designated as a toll bridge.

Fact-finding missions to Eastern Europe have discovered a virtually unlimited need for asphalt paving of existing roads and streets; a great many streets are still cobblestones. For this type of infrastructure development, the World Bank will apparently provide most of the money.

### **The Homeless**

Price increases in January and early February, the highest since World War II, resulted in public demonstrations and Budapest's first public transport strike. They are also likely to raise the

number of homeless, which at the moment number between 40,000 and 50,000.<sup>21</sup>

The number of homeless suddenly rose last fall. Contributing to the housing shortage were 3,000 pensioners discharged after an amnesty granted in honor of the declaration of Hungary as a republic in October 1989. Since the "crime" of unemployment has been abolished, prisons have released a number of prisoners who had to be housed in temporary shelters. Because Budapest has only five such shelters with a total capacity of 600 beds, people are already camped out in the capital's rail, bus and metro stations. This year, the Southern Railroad Station was forced to close on January 21, when it was occupied by 150-250 homeless. They received wide media coverage until moved to an abandoned military barracks in Torokbalint. The larger issues, however, is far from being resolved.<sup>22</sup> Some solutions may arise from the local councils. Local councils own some lands, which they may sell for plots for houses or factories.<sup>23</sup>

To meet the demands of the World Exhibition scheduled in Hungary in 1995, Budapest needs 40,000 new hotel beds, 10,000 to 12,000 of

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<sup>21</sup>Okilicsanyi, Karoly. "Public Outcry in Hungary in Wake of Severe Price Increases," RFE/RL Report on Eastern Europe, March 23, 1990, p. 21.

<sup>22</sup>Okilicsanyi, Karoly. "Public Outcry in Hungary in Wake of Severe Price Increases," RFE/RL Report on Eastern Europe, March 23, 1990, p. 20.

<sup>23</sup>Lakatos, Karoly, Dr., Second Secretary for Education, Embassy of the Republic of Hungary, Interview.

which should be in the budget category. These rooms would be built in such a way as to be converted to apartments after the Exhibition. Currently, there are three non-operating large house construction factories in Budapest that could be bought from the State.<sup>24</sup> A modern, state-of-the-art factory exists in Győr, between Vienna and Budapest, but it is currently being used for another purpose.

### Urban Growth

Hungary is divided into 19 counties. The most populous is Pest, with nearly one million people, and the least populous is Nógrád County, with 220,000 people. Budapest is the capital and the center of state administration, economy, industry, trade and culture.

More than two-thirds of the total population live in cities and towns in Hungary. There are seven major cities, so-called regional capitals, that are growing the most quickly: Pécs, Debrecen, Nyíregyháza, Győr, Szeged, Székesfehérvár, and Nyíregyháza of approximately 100-250,000 inhabitants each.

Prior to World War II, 70 percent of the territories in Hungary belonged to large estates. One percent of the population owned 80 percent of the agricultural land. After World War II, large

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<sup>24</sup>"The Business Climate in Eastern Europe," Report of Larry Hogan, April 1990.

estates (70-100 acres) were seized without compensation and distributed among those without land. This action was received as a very popular change by the peasants since these lands were pressed into cooperatives. However, most of this land was abandoned as people moved into the cities. The National Small Holders Party had as part of its platform to return the land to those who had earlier abandoned it so that it could be sold. However, there is no way to determine who owns this land, or if it belongs to the previous owners before the peasant occupation. Parliament still has to vote on this issue.<sup>25</sup>

Social problems loom large in Hungary--it has first or close to first place status in suicide rates with exceedingly low birthrates; there is a great deal of alcohol abuse; the housing needs are immense; juvenile delinquency also exists on a large scale; and there is a high level of divorce. A large gypsy minority, approximately 500,000 shows a familiar pattern of social problems affecting minorities elsewhere. Inequalities between government officials and the newly rich clash with the simple lives of the citizens.<sup>26</sup>

According to UN statistics, Budapest currently has 2.08 million inhabitants, and is expected to have 2.15 million inhabitants by

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<sup>25</sup>Hollander, Paul. "Social Science and Social Problems in Hungary," Society, Rutgers University, January/February 1989.

<sup>26</sup>The Republic of Hungary 1990 Yearbook, Budapest, 1990.

the year 2000. Budapest's current density of population per square mile is 16,666 (the area is 138 square miles).

Hungary's total population is 10.55 million people, of which 6.37 are living in urban areas. The total population is expected to drop by .02 million by the year 2000.<sup>27</sup>

### III Poland

#### Poland At A Glance<sup>28</sup>

Population: 36,100,000

Capital: Warsaw

National Government: A Parliament operates at the national level. There are 332 allotted seats in the lower house, with 100 seats in the new Senate. Gen. Wojciech Jaruzelski is President. Solidarity adviser Tadeusz Mazowiecki is the prime minister and represents the first time democratic power has been transferred away from the Communist party.

Local Government: The Law on Local Self-Government of March 19, 1990, provides the legal status of the basic administrative district or gmina (a "self-governing community"). Each gmina,

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<sup>27</sup>US Bureau of the Statistics, International Database.

<sup>28</sup>Nelson, Harold D., Ed. "Poland: A Country Study," Foreign Area Studies, American University, United States Government Secretary of the KArmy, 1983.

elected in the 49 voivodships throughout the country, has responsibility for local government services and for the maintenance of public buildings and public order.

Ethnic Groups and Language: More than 98% are Ethnic Poles and there are small numbers of Ukrainians, White Russian (Byelorussians), Germans, and others. Polish, a West Slavonic tongue is the official and universally used language. Regional dialects do not impede conversation.

Religion: Ninety percent are Roman Catholic with a small number of Protestant and Orthodox faiths and a very small number of Jews. Roman Catholicism is a significant factor shaping the outlook of Poles.

Education and Literacy: Ninety-eight percent of the population over the age of 15 is literate. Primary school of eight grades is compulsory; the secondary system is divided into general (academic) and vocational schools with just over 80% in the vocational track. Institutions of higher education range from universities to polytechnics and specialized academies, such as medical and agricultural schools.

Health: Free health care is available to most Poles. extended to There is a fairly wide use of medical cooperatives and private practitioners as a result of system deficiencies; all physicians

work for the state but may practice in cooperatives or privately after working hours. The obsolescence of medical facilities and equipment and pharmaceutical shortages generated by lack of capital investment and administrative problems pose significant challenges.

Agriculture: There are large private and much smaller collective and state farm sectors. Agriculture (including livestock) provides a livelihood for less than 25 percent of the population and accounts for roughly 12 percent of the national income. The private sector produces about 75 percent of the agricultural output. The main crops are grains, potatoes, sugar beets, and fodder. Livestock is comprised of pigs and cattle.

Manufacturing: Main products are metal products, chemicals, machinery, data processing equipment, computer hardware, transportation equipment (automobiles, railroad rolling stock, airplanes, ships). The level of production in various heavy industries depends on imported materials. Consumer goods output is generally well below domestic demand.

Currency: The zloty is nonconvertible; approximately US \$1 = 86 zlotys.

Transportation: The rail system, operated by Polish State Railways, has 24,356 kilometers (7,091 electrified) of standard-gauge track and 2,812 route kilometers of narrow gauge track. The system is almost entirely single track. Locomotive power is about

one-half diesel, one quarter steam, and one quarter electric (1982 figures).

Roads/Road Transport: The state and local road system encompasses 254,100 kilometers, of which 148,900 are all-weather roads--and of these, 120,000 kilometers are paved. There are more than 3 million motor vehicles (cars, trucks, buses).

Inland Waterways: Over 4,000 kilometers of inland waterways are underutilized, accounting for only a small portion of national freight and passenger traffic.

#### **Political Systems**

Solidarity has not yet developed political parties, but is in the process of developing political wings, one of which is called the Citizens Committee. Zdislaw Najder heads the committee, which has been described as a creation of Solidarity with the mission to create a grass roots movement for local elections.

The head of the Citizens Committee, Zdislaw Najder:

"The current government is conditional and provisional. The State has retained its control and the Parliament is not yet democratic. New laws are only provisional and can be changed at a later date. Sixty-five percent of the members of Parliament were previously appointed. Most are ex-communists."

## Elections

Many officials within Poland believe that the local elections on May 27 were more important than the national ones because the newly elected governments will have the authority to organize the social and political life of their communities.

This authority will probably seem a strange and alien power to most Poles. The Foundation in Support of Local Democracy, which exists to support the development of democracy at the local level, has summed up the history leading to the need for more autonomous local government, and the challenges that lie ahead:

The creation of genuine local government is the only way of rebuilding the Polish state that is commonly accepted in Poland today. But the introduction of local government demands the creation of new institutions and spreading of the ideas and principles of local democracy. Our society, which instinctively accepts these values, is not familiar with the tools for their implementation. This is because the functioning of local democracy, in urban and rural areas, ceased to exist with the outbreak of the Second World War. The Stalinist legislation of the 1950s removed what remained of local democratic structures, replacing them with a vertical, centralized model of decision making.<sup>29</sup>

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<sup>29</sup>The Foundation in Support of Local Democracy, 1990.

Single-slate elections have been the norm in Poland for the past 40+ years. Intense efforts by the Communists were made to insure a high voter turnout each time. Candidates for people's councils at the voivodship and commune levels were nominated by political and social organizations that participated in the National Unity Front. Poland's elections were different from other satellite countries in that often more candidates were nominated than were seats available, creating the illusion of choice. Voters who placed unmarked ballots in the polling box cast their votes for the "officially approved" candidates.<sup>30</sup>

After the elections on May 28, the Polish government began implementing changes in the local government structure. The Law on Local Self-Government of March 19, 1990, provides the legal status of the basic administrative district or gmina (a "self-governing community"). Each gmina has responsibilities in the following areas: land management and environmental protection; roads and traffic; water and energy supply; sewage and waste disposal; public transportation; health care; social welfare facilities; public housing; preschool, primary and vocational education; cultural and sports facilities; market places; cemeteries; and fire fighting. It also has local responsibility for the maintenance of public buildings and public order. Each

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<sup>30</sup>Nelson, Harold D., Ed. "Poland: A Country Study," Foreign Area Studies, American University, United States Government Secretary of the Army, 1983.

gmina is the legal owner of communal property, which it is required to manage and for which it assumes fiscal responsibility. The gmina draws its income from taxes, duties, revenue from its assets, and a central government grant. Its finances are open to public scrutiny, and checked by regional auditing chambers (whose chairmen are appointed by the Prime Minister). Each gmina may also be asked to perform specific tasks delegated by the central government at the government's cost.

The inhabitants of the gmina express their will through referenda or through their representatives elected by universal suffrage for a four-year term. These representatives are members of the local council, the gmina's controlling authority, which is responsible for the gmina's statutes, finances, policies, and programs. The size of each council varies from 15 to 100 councilors, according to the population.

A local government office acts as the executive in day-to-day affairs. The head of this office in rural districts is known as the wojt; in small towns it is a town mayor, and in municipalities with over 100,000 inhabitants, it is a city president. The individual, who may but need not be a councilor, is appointed by the council and subject to its control. He may not simultaneously occupy the post of council chairman.

Every gmina belonging to a particular voivodship delegates one or more representatives to a voivodship sejmik. This body acts as the link between the local and central government administrations. The sejmik evaluates local government activity within the voivodship. Even though this system of local governments draws on some of the forms practiced in Poland before World War I, it significantly charts new territory. One of its chief defenders is Jerzy Regulski, the Senator who has spearheaded the Foundation in Support of Local Democracy.<sup>31</sup>

Solidarity won all 161 allotted seats (35%) and 99 of 100 seats in the New Parliament on June 4, 1989. Voting occurred on May 27, 1990, for some 2,500 local government jurisdictions. The voting was hampered by an eight-day railroad strike. The formation of thousands of Citizens' Committees, which organized the election campaign to the Sejm and the Senate at the local level, serves as evidence of the desire for local autonomy. However, turnout at the elections was somewhat low.

Only 42 percent of those eligible voted in the May 27 local government elections, the first fully democratic elections in Poland since World War II. Public opinion polls had predicted a turnout of over 50 percent. The turnout for the previous year's only partly-free parliamentary elections was 62 percent. The low

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<sup>31</sup>Sabbat-Sweidlicka, Anna. "Local Self-Government: The Legal Framework," RFE/RL Report on Eastern Europe, May 4, 1990.

turnout confirmed fears of widespread voter apathy and disenchantment that had been voiced by leading political figures weeks before the elections. Even the Church's direct encouragement seems to have failed to persuade many Poles to vote.<sup>32</sup>

On May 27, the people of Poland voted for 50,000 councilors in 2,500 gmina councils. The election law of March 19, 1990, provided for a mixed electoral system, with the majority party winning in jurisdictions of less than 40,000 inhabitants and proportional representation for various parties in those of 40,000 or more.

These elections are the first step in a massive restructuring of the Polish government. Except for the Ministries of Foreign Affairs and Foreign Trade, all divisions within the Central government will be affected. Legislation stipulating the division of powers between central government agencies and local self-government units is already being discussed in the relevant parliamentary commissions.<sup>33</sup>

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<sup>32</sup>RFE/RL Daily Reports No. 101/102, May 28/29, 1990.

<sup>33</sup>Sabbat-Sweidlicka, Anna. "Local Self-Government: The Legal Framework," RFE/RL Report on Eastern Europe, May 4, 1990.

## Economic Issues

The Polish economy was predicted to collapse in 1982; it has not done so. However, it has not yet recovered. The 1987 national income stood at 92.8 percent of that in 1978, the year of its highest level of global output.

Cuts on imports have impaired output and the growth of industry. The contraction in industrial supplies has little impact, however, on agricultural performance. The government's capacity to boost economic performance has been hindered by, among others, increasingly poor debt servicing that has resulted in unpaid interest.

Some assistance has been offered. In February 1990, the World Bank pledged \$5 billion to Eastern Europe, \$2.5 billion of which will go to Poland. Major Western creditors have extended for 14 years payments on \$9.4 billion of Poland's \$40 billion foreign debt.

The rationing, administrative involvement in price, exchange rates, and interest ratesetting, as well as government contracts are to be phased out before 1991.<sup>34</sup>

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<sup>34</sup>"Pressures for Reform in the East European Economies," Study Papers Submitted to the Joint Economic Committee Congress of the United States, October 27, 1989, Volume 2.

It is estimated that unemployment will rise sharply by the end of this year. Inflation is rising at a steady rate, and officials are concerned that drastic signs of spontaneous dissatisfaction may occur as early as the summer of 1990. Many believe this dissatisfaction manifested itself in low voter turnout.

Inflation is now increasing. The policy of curbing inflation by freeing prices and controlling wages has also resulted in the loss of workers' incentives and a substantial (approximately 25 percent) drop in real income. According to an independent daily, some 3,000 enterprises have financial problems due to bad management and unprofitability, excessive taxes, and cash flow problems--"The lack of a proper banking system and a financial market means that these problems are currently impossible to resolve."<sup>35</sup> On the positive side, exports have risen 6.5 percent.

The Polish economy consumes between two and three times more energy per unit of output than the Western economies; its material intensity, exacerbated by the aging capital stock, is also much higher. Attempts, as in 1981, toward economic reform have lacked serious policy commitment to replace central planning

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<sup>35</sup>Stefanowski, Roman. "Is the Polish Government's Period of Grace Coming to an End?" RFE/RL Report, May 18, 1990.

with competition and price mechanisms. This has been to the detriment of any improvement in microeconomic efficiency.

The environmental problem in Poland is so bad that it has impaired, and continues to impair, the efficiency of production in the centrally-planned economic system.

Previously, there has been no incentive for a reliable accounting system, so that there is no real idea of just how much production has been impaired. The real damage has yet to be accurately assessed.<sup>36</sup>

Henryk Urbanowski, as quoted in a recent Washington Post article, contends that 60 percent of Polish energy is wasted by inefficient and antiquated factory equipment.<sup>37</sup> Urbanowski, political director of Poland's environmentalist Green Party, stated that the steel industry consumes 28 percent of the country's energy, but yields only 3 percent of its gross national product.

This technological problem presents serious obstacles to Poland's economic development. Polish economists have observed that "the

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<sup>36</sup>LaCombe, Patrick, INR - Poland US State Department, Interview.

<sup>37</sup>Barriata, Mary. "Nuclear Fuel Debate Moves East," The Washington Post, May 15, 1990, p. A12-A18.

technological gap between advanced countries and Poland represents now 15 years, and that with the existing trends it will grow by a further 3 years every year."<sup>38</sup>

### Local Economic Development

Being in Poland is like turning back the clock. Often you see horse-drawn plows. At the county level, the level of municipal services expected is much less than at the urban level, where citizens have concerns about water, schools, and other related municipal services. Former mayors and governors all have been appointed, and they have no sense of politics, budgeting, or tax management.<sup>39</sup>

Poland's Vice Minister of Finance estimates that the transformation of state companies into private companies will take 10 to 15 years. Large monopolies will be divided and sold or leased to workers or private buyers. A stock market is projected to open early in 1991.

Privatization depends on valuing the assets of the government. Many within Poland fear speculation from outside interests.

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<sup>38</sup>"Pressures for Reform in the East European Economies," Study Papers Submitted to the Joint Economic Committee Congress of the United States, October 27, 1989, Volume 2, p. 127.

<sup>39</sup>Hornblow, Michael. U.S. State Department Desk Officer, Poland, Hungary, and Czechoslovakia.

Until state assets can be appropriately valued, there is a danger that privatization will benefit the existing bureaucracy, who know the companies and how they operate. They may be able to acquire a factory, for example, at a fraction of the cost of what it is truly worth.

Many regions are attempting to form banks to make small business loans and to attract and to assist business initiatives. Polish senators visiting the U.S. have expressed interest in technical assistance in establishing credit unions and other financial institutions.<sup>40</sup>

However, many believe that investment must also come from outside of Poland. Poland's law on economic activity with the participation of foreigners, approved by the Parliament in December 1988, gives foreign-owned enterprises and joint ventures with foreign participation more favorable taxation and operating conditions than those given to many Polish-owned enterprises. This has not always been the case. Even as early as 1989, preference was given to State-owned enterprises. Foreign business may operate with foreign labor, but only after obtaining the local authorities' permission.<sup>41</sup>

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<sup>40</sup>Meeting with Senator Selensky on May 30, 1990, at ICMA in Washington, D.C.

<sup>41</sup>"Doing Business in Poland: A Guide for American Exporters and Investors," US & FCS, Warsaw, September 1989, updated by East European Division, U.S. Department of Commerce, January 1990.

The Kracov area has greater regional identity than most areas in Poland, and may serve as the model for regional development in the attraction of foreign investment and private business.<sup>42</sup>

Foreign businesses still have to pay a fair amount of tax. In addition to property taxes and fees imposed by local authorities, foreign businesses operating in Poland must also pay an income tax, turnover tax, and various local taxes. The corporate income tax equals 40 percent of the firm's income. Other taxes may have tax holiday provisions. Poland intends to replace the turnover tax system with a Value Added Tax (VAT) in the future.

Taxes are a powerful tool of control by the state. How monies are spent at the local and central level is of high public interest. Inequality in incomes is in part caused by corrupt tax systems of levying and collection. The establishment of a modern tax system is needed on all levels.

The state has done little to curb inflation or to stimulate long overdue structural changes. The issue of ownership of the public sector, which employs 67 percent of the professional population and 90 percent of the manufacturing workforce, has not been approached.

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<sup>42</sup>LaCombe, Patrick, INR - Poland / U.S. State Department, Interview.

Another possible structural change which would have significant impact on the workforce is employee ownership plans:

While there are few proponents of workers' self-management in Poland, the notion of employee ownership, especially in the form of Employee Stock Ownership plans, has become very popular. These provide a legal means to limit central control and the power of the nomenklatura, as well as providing incentive and protecting the workers from exploitation.<sup>43</sup>

Because there is no linkage between financial performance and wages and bonuses, and because enterprises have monopolistic positions on markets, the maximization of capital and labor resources has not occurred. It has become impossible, therefore, to identify enterprises and sectors that are truly profitable. Under these circumstances, the government has had to rely on direct microeconomic interventions carried out by ministries and banks; i.e., direct controls. Between 1981 and 1986, the number of positions in the central economic administration increased by 66.6 percent.

In 1987-88, the authorities allowed both price distortions and an increase in wages in the face of political pressure. This led to

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<sup>43</sup>Vinton, Louisa. "Privatization Plan Prepared," RFE/RL Report on Eastern Europe, April 6, 1990, p. 30.

further encouragement of monopolization of the economy. State-owned enterprises have remained basically unaltered.

The reforms of the 1980s, however, did provide a legal infrastructure more favorable to the private sector, and objections to private economic activities in agriculture, services, and small scale industry were shelved.

Reforms at the local government level must be first implemented on the state or national level. No one predicts that changes will occur otherwise. Without a complete overhaul of the previous administrative insistence upon control of the economy, galloping inflation and the shortage of consumer goods will continue the dissatisfaction of the populace. In addition, a nonreformed economic system is an incentive for clientelism and corruption on all levels. And finally, direct involvement of the state in local economic development politicizes the process whereby resources are distributed.

### **Service Provision**

The provision of electricity is a state-run, centrally controlled enterprise. Its affects, however, especially in terms of its heavily polluting brown coal plants, influence everyone. The Eastern Europe region, which has been described as virtually without natural gas or oil deposits, and with no capital to

import clean fuels, seems to be without an effective solution. Currently, Poland and Czechoslovakia rank first and second in the world for the most industrial waste per square mile.

According to news reports, a third of Poland's population lives in an area where air pollution constitutes an immediate health threat. Reports have also surfaced on the unwillingness of several countries (including Poland) to adopt nuclear power as an alternative.

The caution comes in part as a result of the Soviet's 1986 disaster at Chernobyl. Eastern Europe experienced large amounts of radioactive fallout before cautions to stay indoors were even announced. In fact, Czechoslovakia waited a full six months before making any announcements.

In recent months, several countries have hosted visiting delegations of nuclear experts from U.S. and foreign countries, both to check safety standards at existing plants, as well as siting areas for new plants.<sup>44</sup>

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<sup>44</sup>Barriata, Mary. "Nuclear Fuel Debate Moves East," The Washington Post, May 15, 1990, p. A12-A18.

### **Transfer of State Properties**

The day after the elections on May 27, the new gmina councils took on the task of transferring what was previously state property to the communities. To ease the transition and guard against the vested interests and abuses on the part of the outgoing nomenklatura, 49 voivodship plenipotentiary delegates for local self government were appointed at the beginning of April. They will work until December 31, 1991, to provide liaison between the local self-governments and the central administration, overseeing the gradual transfer of finances, enterprises and institutions to the new gmina councils. They will also mediate conflicts arising between the local and central governments.<sup>45</sup>

### **Urban Growth**

Pollution factors heavily in any discussions involving urban growth. Many environmentalists and economists agree that if Eastern Europeans raise their living standards and demand more cars and more energy-burning home appliances, the situation will grow even worse.

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<sup>45</sup>Sabbat-Sweidlicka, Anna. "Local Self-Government: The Legal Framework," RFE/RL Report on Eastern Europe, May 4, 1990.

The regional distribution of manufacturing is highly disadvantageous to the country because a disproportionate share is concentrated in small areas of high population density where environmental, transportation, and housing problems can no longer be rationally approached.<sup>46</sup>

Cities of over 100,000 inhabitants may be found in most parts of Poland. Of particular interest is a cluster of industrial towns near Katowice in the voivodship of that name. None is very large, but together they constitute one of the most intensely urban areas in Poland (109). In addition to these 38 cities and larger towns, there are another 135 towns having populations ranging between 20,000 and 100,000. In these 173 cities and towns, 80 percent of Poland's population dwells.

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<sup>46</sup>McCarthy, F. Desmond, Ed. "Developing Economies in Transition," World Bank Discussion Papers, Vol. 3, 1989, p. 119.

## Appendix

### I. Related Municipal Development Programs

**PACE:** PACE (Professionals Assisting Central Europe) is a program of The Delphi International Group, an independent family of organizations offering international services to US and foreign clients. Relying upon funding from US government agencies, private foundations, and service organizations, PACE seeks to provide professional knowledge and skills of American experts to their counterparts in Eastern European countries.

**SEED:** President Bush signed into law the Support for East European Democracy (SEED) Act on November 28, 1989. This legislation provides for cost-effective programs, public and private, to assist countries of Eastern Europe that have taken substantive steps toward institutionalizing political democracy and economic pluralism. Initially, the SEED program focuses on Poland and Hungary in the areas of (1) structural adjustment; (2) private sector development; (3) trade and investment programs; (4) educational, cultural and scientific activities; and (5) other assistance programs (including environmental and health programs and support for democratic institutions). The Congress has authorized more than \$900 million for the SEED program for fiscal years 1990, 1991, and 1992, and appropriated \$536 million for fiscal year 1990. The private sector is expected to contribute to the SEED program efforts.

**CITIZENS DEMOCRACY CORPS:** President Bush recently outlined an Eastern Europe "Citizens Democracy Corps" to involve the private sector in transferring American expertise to the developing region. With an initial government grant of \$300,000, this organization would provide a center and clearinghouse for American private-sector assistance and volunteer activities. The Bush Administration has proposed a total economic aid package of \$300 million for this year. (Barriata, Mary. "Nuclear Fuel Debate Moves East," The Washington Post, May 15, 1990, p. A12-A18.

### Hungary

Of the \$300 million Poland-Hungary assistance package (SEED) Congress voted last November, the Agency for International Development gave \$10 million to the National Endowment for Democracy to help prepare the emerging parties and leaders for the round of free elections and has plans to expand its operations to help the parties, unions, student groups and publications in Romania, Bulgaria, Czechoslovakia and Yugoslavia.

The Chamber of Commerce of the United States has established a regional trade and technical center to serve budding entrepreneurs and help the new governments establish market-oriented economic policies.

The American Bar Association has plans for an institute on law reform with a library and experts available to help the Eastern Europeans rewrite their laws.

The Bush Administration has approved increased sales of advanced computers, telecommunications equipment and machine tools to East Bloc countries. "The Business Climate in Eastern Europe," Report of Larry Hogan, April 1990.

Tom Lynch, political officer at the Embassy of Hungary, said the government will get bankers and accountants to help them establish the value of the land, buildings and factories.

"The Business Climate in Eastern Europe," Report of Larry Hogan, April 1990. This report describes the findings of a delegation of the U.S. Association of Former Members of Congress that visited Hungary, Czechoslovakia, Poland and East and West Berlin, Germany. The primary purpose of the trip was to officially observe Hungary's first election.

International Management Center, Budapest. Contact: Dan Fogle, Dean. 36-11-730-755 or Robert McCarthy at the US Embassy in Budapest.

Business Institute, Karl Marx University.

The Hungarian Reformed Federation of America, a fraternal association, sponsors Hungarian-American retirees who wish to return to Hungary to teach English, a skill considered essential to Hungary's entry into the global marketplace. In addition, 65 US Peace Corps volunteers will travel to Hungary in June to teach English in the elementary schools, high schools, and universities. Sixty US Peace Corps volunteers will also travel to Poland to teach English. Stanfield,

Rochelle L. "Ethnic Politicking," National Journal, December 30, 1989, pp. 3096-3099.

## **Poland**

IULA has designed an open program. National associations of local and regional authorities, their associated training and service organizations, as well as individual local and regional authorities will be invited to participate in the program's implementation. . "Local and Regional Democracy: Policy and Programme Proposals to Promote Municipal

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Development and Training in Poland," International Union of Local Authorities, February 1990.

The US National Endowment for Democracy gave the Foundation in Support for Local Democracy \$600,000 to help prepare for the May 27 municipal elections in order to educate people about the electoral process.

The Polish government has a national unemployment fund that will pay laid off workers their full salary for a year while they try to find new jobs.

Poland has been given \$150 million by AID, and that has been matched by the EC.

The 1980 census estimates the number of Polish-Americans in the US is approximately 8.2 million. In addition, there are 86 Polish-American organizations. One of these organizations, the Polish American Congress, created the Polish American Economic Forum to promote small business development in Poland. The AFL-CIO has lobbied for Poland, and is presently sponsoring the American Federation of Teachers Democracy Project (see appendix for further details).

The Foundation in Support of Local Democracy (FSLD), a Polish private entity, and Rutgers, State University of New Jersey, have been conducting a joint project since October 1989 to train newly elected Polish local government officials and to provide them with the expertise to run local government efficiently. The project, "Local Democracy in Poland (LDP)," directed by Dr. Joanna Regulska of the Department of Geography of Rutgers University provides the overall structure for an essentially institution-building program, focusing on leadership and professional development. According to the FSLD, "LDP" constitutes the only "hands-on" training program for future Polish leaders in the United States. The organizers hope it will serve as a model for other emerging democracies in Eastern and Central Europe.

THE FSLD has already established 15 regional training centers within Poland that will be used for the purpose of educating local administrators, officials, and the local population. See the related training section for more information.

The Foundation in Support of Local Democracy, 1990.

The American Council of Learned Societies is sponsoring a Comparative Constitutionalism Project. Recently it sponsored an interdisciplinary conference on "Constitutionalism and Transition to Democracy in Eastern Europe" in Pecs, Hungary, in June. The conference, supported by the Ford Foundation, involved participants from three Eastern European countries: Hungary, Poland, and Czechoslovakia, along with several American and West European scholars. Issue of

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constitutionality relating to local government were discussed.

The American Federation of Teachers has formed an "Education for Democracy /International" project that will help educators in Eastern European countries and other emerging democracies teach the principles and practices of democracy to their students. The advisory committee includes leaders from the fields of education, labor and international politics. Training programs will also be held in democratic trade union practices, publication on the basic principles and practices of democracy, and seminars on the various aspects of a free society (555 New Jersey Avenue, NW, Washington, DC 20001 Contact Erik Chenowith, Tel. 202-879-4449).

The New Visions Project is a 1 1/2 year old project that interviews key young reformers in Eastern Europe on political, environmental and social issues. It is involved in investigating grassroots political reform (1601 Connecticut Ave., NW, 20009 Tel. 703-527-6926, contact Jenny Yantsy).

The International Association for the Development and Management of Existing and New Towns recently sponsored a study tour in Hungary called "Urban Development Strategies in Hungary: Instruments, Methods, and Prospects for Joint Ventures," during which participants visited different towns and met with local officials to determine the potential for investment and joint ventures. IADM is planning another tour in December on "New Towns in Perspective." (Nassau Dillenburgstraat 44, 2596 AE The Hague, The Netherlands, Tel: 31 70 3244526)

See also "Movement On the Eastern Front," Municipal Review and AMA News, April 1990, p.10 (attached).

## II. Resources

### General

Institute on East Central Europe, Columbia University. The Institute was established in 1954, it is the only entity connected to a major US educational institution dealing exclusively in Eastern Europe. It currently consists of 30 faculty members, four graduate research assistants, 15 visiting scholars, and a number of graduate and undergraduate students. It is part of the federally-funded Center for Soviet and East European Language and Area Studies, one of eight such centers in the United States, and acts as a clearinghouse for information and foreign visitors. Conferences and workshops on special topics are organized annually and available on a free or fee basis to the general public. Contact: Deborah Duff Millenkovitch, Director, Institute on East Central Europe, Columbia University, New York, NY 10027. Tel: 212-854-4008.

Ford Foundation. Tel: (212) 573-4769. Contact: Paul Balloran or Enid Shuttle.

Greytak, David, Professor of Economics, Director, Metropolitan Studies Program, Syracuse University, 400 Maxwell Hall, Syracuse, New York 13244-1090. Tel: (315) 443-3114. The Maxwell School has been approached by the Ford Foundation to provide general educational aid and training to Czechoslovakia, Poland and Hungary. Dr. Thoman Kozma, director of the Educational Institute in Budapest, may lead Syracuse's international education efforts in Eastern Europe. The Maxwell School has a long history of municipal training efforts in Southeast Asia, the Far East, and Europe.

IKV [Dutch Peace Movement], The Hague. Tel: 31 70 469756. Contact: Dion Underberg. The IKV has recently sponsored an international conference attracting more than a hundred participants on rebuilding the infrastructure of Eastern Europe.

Lampe, John, Secretary, East European Studies, Woodrow Wilson International Center for Scholars. Tel: (212) 287-3000, ext. 225

National Council for Soviet and East European Research, 1755 Massachusetts Avenue, NW, Suite 304, Washington, D.C. 20036. Tel: (202) 387-0168. The council assists PhD candidates and other scholars in academic research.

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National Endowment for Democracy, 1101 15th Street, NW, Washington, D.C. 20005. Contact: Julia Fuller. The NED regularly sponsors various programs.

Office of Public Communication, US Department of State, Bureau of Public Affairs. Tel: (202) 647-6316. This office is responsible for publishing "Focus on Central and Eastern Europe," a periodic update of US Assistance under the SEED act. Contact Tony Allitto.

Radio Free Europe, 1201 Connecticut Ave., NW, Washington, D.C. Tel: (202) 457-6900. Contact: Brian Reed. RFE published daily reports and monthly analysis from its Soviet and Eastern European Bureaus.

Struyk, Raymond J., Director, International Activities Center, The Urban Institute, 2100 M Street, NW, Washington, D.C. 20037. Tel: (202) 857-8539. The Urban Institute has researched housing issues in Hungary and Poland (see bibliography).

US Census Bureau, International Center, Marlow Heights, Maryland. Tel: (301) 763-4022. Contact: Godfrey Baldwin. The Center has an extensive library of yearbooks and other information regarding demographics data from Eastern Europe.

US Department of Commerce, East European Business Information Center, 14th and Constitution Avenue, NW, Washington, D.C. 20230. Tel: (202) 377-2645. Contact Michael Arsenalt. The Commerce Department is serving as a clearinghouse for information regarding business opportunities in Eastern Europe.

US Peace Corps, 1990 K Street, 7th Floor, NW, Washington, D.C. 20526. Tel: (202) 606-3547. Contact: Charles Howell, Eastern European Desk Officer.

Vetter, Charles T., Lecturer, Attorney At Law. Tel: (202) 363-5406. Dr. Vetter is a veteran of over 40 years service as a training expert in cross cultural studies for the USIA.

### **Hungary**

Baaklini, Abdo, PhD., Chairman, Department of Public Administration and Policy, University at Albany, State University of New York. Tel: (518) 442-5258. Dr. Baaklini has been involved in comparative government studies for more than 20 years and has worked directly with AID on several occasions. He has also briefed Congressional delegations as well as the Hungarian ambassador.

Soros Foundation. Tel: (212) 757-8560 or (718) 897-8318. Contact: Gabor Neuman. The Soros Foundation regularly provides training and economic assistance to Hungary.

US Embassy, Budapest. US 8 FCS, Budapest, AmConGen, (Budapest) APO New York, NY 09213. Contact: Tom Lynch, political officer. Also contact Robert McCarthy for information on the International Management Center in Budapest. Dan Fogle is the Dean of the Center.

Uvagi, Peter, City Councilman, Toledo, Ohio. Tel: (419) 693-4781. Mr. Uvagi leads delegations of Toledo business interested in joint ventures to Hungary several times a year and is interested in participating in training projects.

VonLazar, Arpad, Prof., Fletcher School of Law and Diplomacy, Boston, Massachusetts. Tel: (617) 628-7010. Prof. VonLazar makes frequent trips to Hungary for research purposes.

### **Poland**

De Wolf, Doda, Vice President, Begg, Inc. 2121 Wisconsin Avenue, Washington, D.C. 20007. Tel: 212-387-2480. Mrs. De Wolf is a Polish emigree princess and is available to speak as part of cross cultural training seminars.

Kamiski, Dartek, PhD., Polish Scholar, Department of Government, University of Maryland, College Park, MD 20742. Tel: (301) 454-6741.

Kromkroski, John, PhD., Department of International Politics, Catholic University. Tel: (202) 635-5128). Dr. Kromkroski is the Washington Representative of PAHA, an organization of Polish-American, American-born Scholars; President of the National Center for Urban and Ethnic Affairs. Dr. Kromkroski has also just completed a colloquium with the Polish city government of Lublin. The description of the colloquium, which began on election day and involved some participants who were also involved in the government at that time, has recently been completed and will be published shortly. In addition, he has also recently completed a book entitled "Urbanization and Values."

Polish Scholars Program, Office of International Studies, Lock Haven University, Lock Haven, Pennsylvania 17745. Tel: (717) 893-2140

Polish Studies Association, Memorial Hall West 002, Indiana University, Bloomington, IN 47405. Tel: (812) 855-1507. Contact: Professor Owen Johnson, Acting Director.

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