

## ***Ex post control and steering of government agencies in Lithuania and Romania***

*The paper tackles the issue of agencification in two former communist countries, Lithuania and Romania, based on data collected in 2008 and 2010 using the COBRA CRIPO survey. Its main goal is to understand in what degree country specific variables and agency level variables explain the degree and type of autonomy and control faced by agencies in both countries, but also to explore the potential impact of agencification on the use of managerial steering techniques at agency level. The article is divided into three main sections. The first part describes the theoretical background and the hypotheses for the analysis of agency control and steering in Lithuania and Romania. The second part presents the methodology and main findings, while the third part outlines the key observations concerning the hypothesis and the control and steering patterns in both countries. Lastly, the paper discusses the implications of the statistical findings and lays the ground for future research.*

### **Work in Progress**

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***Vitalis Nakrošis** is a professor in public administration at the Institute of International Relations and Political Science, Vilnius University. His most recent co-edited book is *Lithuanian Agencies and Other Public Sector Organisations: Organisation, Autonomy, Control and Performance* (Vilnius: Vilnius University, 2011). His main research interests include public management reforms, performance management, agencification, and policy evaluation.*

***dr. Žilvinas Martinaitis** is a research manager at Visionary Analytics and a lecturer in policy analysis at the Institute of International Relations and Political Science, Vilnius University. He has published on autonomy, control, and performance of Lithuanian public sector organizations. His main research interests include public sector innovations and links between education and labor market.*

***dr. Calin Hintea** is an associate professor of Public Management and Dean of College of Political, Administrative and Communication Sciences at Babeş-Bolyai University. His main research interests are related to strategic management and teaching public administration.*

***Dan Balica** is a research assistant at Babeş Bolyai University, Romania and a PhD candidate in sociology. His main research interests are related to city management and the ombudsman institution.*

***Adrian Hudrea** is a research assistant at Babeş Bolyai University, Romania and a PhD candidate in sociology. His main research interests are related organizational culture and strategic management.*

## Introduction

This article represents the cluster of Central and Eastern European (CEE) countries in the PAR symposium that seeks to compare and explain autonomy and control of government agencies. Although the previous comparative research of post-communist administrations has focused on human resource management (e.g. Meyer-Sahling 2011) or, more recently, agencification (Randma-Liiv et al. 2011), little attention has been paid to the assessment of agency management in this region.

The academic literature has strongly argued that in the continental European countries (with the *Rechtsstaat* tradition) it is hard to shift from *ex ante* control to *ex post* control during public management reforms (Verhoest et al. 2004, 34). The fact that in the 2000s many CEE governments introduced certain managerial reforms (Bouckaert et al. 2011) makes it interesting to explore their effect on developing result-based agency control and steering, which could replace or complement traditional control practices.

Therefore, this article seeks to compare and explain *ex post* control and steering of government agencies in two CEE countries: Lithuania (a small country with the population of 3 mln. in 2011) and Romania (a medium-sized country the total population of 19 mln. in the same year). In order to explain how the *ex post* control and steering of government agencies compare in Lithuania and Romania, we will analyze the following main research questions: (1) How do state-specific factors explain the similarities and differences of agency control and steering in these countries? (2) How do agency-level factors explain these similarities and differences? In this article, agencies are defined as organizations based on public law, with a distinct legal personality, structurally disaggregated from the core government, but placed under the executive's control (Pollitt et al. 2004; Verhoest et al. 2010). Both formal (institutionalized) and informal mechanisms of agency control and steering are assessed in this article.

This paper is based desk research and statistical analysis of the COBRA survey data from the joint COBRA database (COBRA (CRIPO) network 2011). Lithuania and Romania were the only CEE countries whose agency data were available from this joint database. These countries were among the agencification leaders in the 1990s and early 2000s. Lithuania (together with Norway) agencified most (88%) executive tasks in West and East European countries included in the comparative 21-country CRIPO study, with Romania running closely behind these front-runners (80% of these tasks charged to its agencies) (van Thiel 2011). In Lithuania, the number of central-level institutions (budgetary institutions and public non-profit institutions) was 1023 at the end of 2008. However, through the de-agencification process (largely the abolition or reorganization of territorial units) the 2008-2012 Government managed to reduce this number to 707 at the end of 2011. The scope of agencification was similar in Romania: one study (Stan et al. 2005) found around 1000 public sector organizations working under the authority or supervision of the central government (government and ministries). The Romanian government also started reorganizing the agency landscape (abolishing some agencies and merging others) amid the financial crisis in 2009.

The article is divided into three main sections. First, we outline our theoretical framework and hypotheses for the analysis of agency control and steering in Lithuania and Romania. The second section presents our methodology and the main results of descriptive statistics, and the third section outlines the main results of statistical tests concerning agency control and steering in these countries. Finally, the article concludes by discussing the empirical results of comparative analysis, as well as outlining their empirical implications and offering ideas for future research.

## **Theoretical framework for analysis and hypotheses for country and agency comparison**

### ***Transformative approach, New Public Management, and post-New Public Management***

This section provides the theoretical framework for explaining our dependent variables. To this end, two explanatory models are adopted. First, we adopt a transformative approach to outline the main contextual factors affecting the control and steering of government agencies. Second, this article employs the NPM and post-NPM models that offer the main process conditions for explaining the adoption of these managerial instruments at the agency level.

The main thesis of the transformative approach is that international pressures (such normative models as the NPM and post-NPM or specific requirements of EU membership) are transformed by state-specific environmental, polity, cultural factors, or actor constellations (Verhoest et al. 2010, 41-42). We adapt this approach to the CEE context by specifying the most important contextual factors that affect agency management in the post-communist countries. First, in the CEE region state institutions (including agencies) and their interactions with other actors evolved during the process of transformation from communism to democracy and a market economy in the 1990s and 2000s. Second, the process of EU accession allowed EU institutions exerting their influence on public management in the CEE countries through accession conditionality as a hard instrument of governance or such softer instruments as “naming and shaming” or “sharing of good practices”. Therefore, it is not surprising that state reforms and EU accession requirements were identified as the two main drivers explaining changes to the agency landscape in such CEE countries as Estonia (Sarapuu 2012) and Lithuania (Nakrošis and Budraitis 2012) or even the main differences between Western and Eastern European countries (van Thiel 2011).

The NPM doctrine emphasizes a shift from traditional *ex ante* and input-based control to more *ex post* and result-oriented steering. More specifically, in order to improve agency performance, NPM offers the two main solutions: (1) the principle of “let managers manage” that refers to increasing managerial and policy autonomy of agencies and (2) that of “make managers manage” that refers to agency sanctions and rewards linked to organizational results (Verhoest et al. 2007). The post-NPM doctrine offers somewhat different two solutions to improving agency performance: (1) developing network governance that creates normative pressure on performance and promotes policy learning and (2) building structural capacities that foster innovations (Nakrošis and Martinaitis 2011).

### ***Comparing ex post control and steering of agencies in Lithuania and Romania***

One of our main research questions concerns the similarities and differences of agency control and steering in Lithuania and Romania. These countries have some differences in terms of EU membership status and public management reforms. First, although both countries are members of the EU, the timing of accession was different. Lithuania joined the EU with the first group of CEE countries in 2004, whereas Romania (with Bulgaria) acceded only in 2007. In the preaccession period, all EU candidate countries from the CEE region acted to implement very similar conditionalities of EU membership (e.g. those in the civil service area). However, varied domestic responses to the external pressures of Europeanization could have produced different outcomes on national administrations in these countries. Moreover, as latecomers of the EU, Romania (together with Bulgaria) are still subject to *ex ante* control of EU institutions under the monitoring mechanism of judicial reform and fight against corruption, in contrast to other EU member states from the CEE region (including Lithuania) whose institutional performance is controlled mostly on the *ex post* basis.

Second, in the 1990s and 2000s some CEE governments aimed to make their administrations more result- and customer-oriented. In 2000, Lithuania adopted performance management at the central level of government, involving all stages (planning, monitoring, and evaluation) of managing both strategic and operational performance at the level of appropriation managers. Although this reform was not part of the EU membership requirements, its main aim was to address the gap between governmental commitments and budgetary resources during the process of Lithuania's accession to the EU and NATO by developing an integrated planning and budgeting system at the central level (Evans and Evans 2001). Under the new system each appropriation manager had to prepare a three-year strategic performance plan and budget programs, as well as publish their annual performance reports publically. Moreover, a set of three-level evaluation criteria (or performance indicators) was elaborated in 2004 in order to improve performance measurement within the overall performance management system.

In contrast to performance management, Lithuania largely followed the decentralized approach to quality management. For instance, although the Common Assessment Framework (CAF) was indicated in the 2005 action plan of public administration development, the application of this quality standard in the Lithuanian administration did not become a major reform initiative until the end of 2008. Therefore, only some Lithuanian public sector organizations decided to implement certain quality management initiatives on a voluntary basis. In 2008, only 32% (47 out of 146) of the surveyed state and municipal institutions applied ISO standards (21 institution), CAF (11 institutions) or other quality standards (Nakrošis and Černiūtė 2010).

In the 2000s several public management reform initiatives were adopted by the Romanian government in the context of Romania's accession to the EU (Dragoș and Neamțu 2007; Balica 2008; Andrei et al. 2009). Among the main reform initiatives aimed at increasing the efficiency of administrative institutions, their transparency and bringing them closer to citizens was the mandatory development of multi-annual modernization plans in various Romanian institutions (ministries, prefectures and county councils) starting with 2003 (CUPAR 2005). These plans included the following documents: (1) a modernization strategy for a three year period, (2) an action plan for accomplishing this strategy, and (3) an annual monitoring report regarding the attainment of strategic objectives (Profiroiu 2005).

Another key public management reform initiative was related to the introduction of CAF in the Romanian administration. Although this quality management standard was not mandatory, the Romanian government actively promoted it since 2004. A 2010 survey of 72 members of the National Network of Modernizers (a professional network supporting the spread of best practice and experience in public administration) showed that CAF was implemented in around 41% of institutions, with positive results of its implementation perceived in 37% of cases (Andrei et al. 2010). The fact that more Romanian CAF users were registered in the European Institute of Public Administration (49 Romanian CAF users compared to 20 such users in Lithuania as of October 2012) reflects not only the different sizes of these countries but also the focus of the Romanian government on this quality management standard.

The effectiveness of these managerial instruments should not be taken for granted as their design could be inadequate or their implementation could be incomplete (Randma-Liiv et al. 2011, 170). Analysis of the Lithuanian performance management system found that the quality of performance information was poor, and its use in the decision making process was limited apart from external reporting (Nakrošis 2008, 92). This reform initiative failed to produce an important impact on the effectiveness and efficiency of government operations (Nakrošis 2008), despite contributing to

Lithuania's accession to the EU and NATO through bridging the gap between falling budget revenues and increasing governmental commitments (Friedman 2012). The actual impact of the Romanian modernization initiative was also limited as only 4 ministries, 35 prefectures and 29 county councils were reported to publish their strategies, action plans, and monitoring reports by 2006 (Mora and Ticlau 2008, 95). More importantly, in contrast to the Lithuanian performance management system, the Romanian agencies were not directly engaged in this initiative—only some agencies adopted these performance documents at a later stage.

It is interesting to assess if there are any differences between Lithuania that applied the centralized and systemic approach to result-oriented management (encompassing all agencies) and Romania whose agencies were less exposed to these managerial instruments (apart from quality standards). Therefore, we expect the following:

*H1: The Lithuanian agencies experience stronger results-based control and apply some steering techniques (especially performance planning and reporting) more frequently than the Romanian agencies.*

These post-communist countries also share some similarities in terms of government structure and stability, party systems, and administrative tradition. First, both CEE countries selected for the comparative analysis of agency control and steering are parliamentary democracies but their Presidents are elected directly by the citizens. Since 1990 these countries have experienced quite similar patterns of government change. In Lithuania, the pendulum shifts of large parliamentary majorities from the opposite party blocs in the 1990s were followed by the succession of coalition governments dominated by right-wing and left-wing parties since 2000. Coalition governments (either left-wing or right-wing) have also prevailed in the Romanian government since 1990, with the exception of one minority government (the 2000-2004 Government led by Nastase). In total, Lithuania experienced 16 changes of government over the period 1990-2012 compared to the total of 15 governments in Romania after the 1989 revolution.

Second, Lithuania and Romania have multi-party systems characterized by their fragmentation and weak party governance. The number of both effective electoral parties (EEP) and effective parliamentary parties (EPP) in Lithuania has steadily increased since 2000, and according to the 2010 calculations both indicators were highest among the CEE countries (EEP = 8.96; EPP = 5.79) (Armingeon et al. 2012). Despite considerable fragmentation in the Romanian party system (Schrottschammer (2005, 88), a certain stabilization process took place in the 2000s (Gherghina and Jigla 2011), which could explain why Romania ranks better than Lithuania in terms of EEP (the score of 3.94) and EPP (that of 3.72).

These characteristics of the party systems could exert limits on the capacity of ruling political parties and executive politicians to control bureaucracies (including agencies and their managers) through formal and institutionalized instruments of political control. Therefore, in order to achieve their political or policy aims, the CEE ministries could be prone to employing and developing more informal and less institutionalized control instruments (see the following section of this paper).

Third, Lithuania and Romania (as other CEE countries) are characterized by the Continental European administrative tradition based on the dominance of public law or, more specifically, strict following of legal and procedural regulations in public administration. It is not surprising that *ex ante* control prevailed over *ex post* control in the CEE countries included in the agentification analysis (Randma-Liiv et al. 2011). The control and steering of agencies should be more bureaucratic in *Rechtsstaat* systems compared to other administrative traditions (especially in those

of common law) where the relationship between ministries and agencies is likely to be more pragmatic (Peters 2001). Verhoest et al. (2010, 193) found some evidence supporting the hypothesis that a legal tradition in *Rechtsstaat* was associated with less developed managerial instruments in Flanders followed by Norway (but it was harder to explain the case of Ireland). A legal tradition could also explain the application of managerial instruments in the CEE region. If Lithuania made more progress in introducing managerial instruments of agency control and steering, one can expect that there was a certain shift in the administrative culture from the dominance of law to a more managerial approach. Therefore, we expect that:

*H2: the Lithuanian agencies experience more informal contacts with their parent ministries, higher ex post control, and lower ex ante control compared to those from Romania that are more likely to be subject to lower ex post control, higher ex ante control, and maintain more formal contacts with their ministries.*

### ***Agency-level factors in explaining autonomy, ex post control, and steering of Lithuanian and Romanian agencies***

While the state-level factors discussed above can explain substantial variation between countries, they are ill-suited for assessing that within countries. Therefore, the remaining hypotheses focus on agency-level factors. A number of them are closely related with the depth of public management reforms. Although Lithuania and Romania experimented with reforms that were motivated by the ideas of NPM and post-NPM, they were half-hearted and did not embrace all agencies. Accordingly, it is important to assess whether they had any significant impact on autonomy, control, and steering of agencies.

The NPM framework is based on the neoclassical school of thought that emphasizes incentives of managers to deliver expected results to shareholders (political principals). Due to information asymmetry and high transaction costs (Banks and Weingast 1992) the political principals cannot directly observe the quality of management or make informed decisions on the introduction of steering techniques to improve performance. The NPM solution to principal-agent problems rests on strengthening the capacities of managers to make “the right decisions” and realigning their incentives to do so. Accordingly, political principals should “let managers manage” by increasing managerial autonomy (Pollitt 2004), which involves higher discretion over the choice and utilization of inputs such as personnel and financial resources. This provides necessary decision making powers to the manager to allocate human and financial resources for the development and adoption of necessary steering techniques. Higher autonomy should be complemented by strong results based *ex post* control with the view of aligning the incentives of managers with the objectives of principals. *Ex post* control seeks to “make managers manage” by setting measurable performance targets and introducing a system of punishment and rewards linked to achievement of objectives. Accordingly, the third hypothesis seeks to test whether there are systemic differences between agencies that were exposed to NPM and the ones that were not subjected to such reforms:

*H3: Organizations with high level of autonomy should also feature high ex post control.*

While NPM focuses on the role of managers in steering organizations, post-NPM emphasizes organizational capacities to deliver expected results. The post-NPM doctrine argues (e.g. Frederickson 2005) that NPM-style pressure on meeting annual targets creates shortens the time-horizon of managers and creates incentives to under-invest in the long-term organizational development. In the same vein, Smith (1995) argues that one of the side effects of NPM’s strict performance measurement generates a tunnel view at the agency level. Outsourcing of public

functions to the private sector could, thus, strengthen organizational skills in managing contracts with the private suppliers, but at the same time diminish in-house service delivery capacities. Furthermore, the adoption of single task agency model has contributed to fragmentation of organizational capacities and created coordination problems.

The post-NPM framework suggests that networked governance and strengthening of organizational capacities should provide a solution to the problems induced by NPM (Nakrošis and Martinaitis 2011). The networks are primarily developed for horizontal coordination of fragmented post-NPM public agencies. In addition to this role, the networks also produce two important externalities: common set of norms, as well as values and venues for mutual learning. Normative pressures on an organization from the members of a network to meet agreed performance standards could provide incentives for an organization to adopt new steering styles with the view of boosting performance or ensuring quality of services. Interaction between network members facilitates mutual learning and copying of best practices among the partners. This leads to shared understanding of what steering techniques “work” and how they should be adopted in a given context. Accordingly, we expect that networks could act as substitute to formal constraints faced by organizations:

*H4: Organizations that are active in networks experience higher autonomy and lower ex post control.*

The interplay between ministries and agencies, as well as interactions between executive politicians and agency managers in office shape the pattern of agency control and steering in the executive government (Connaughton et al. 2009). Therefore, it is important to assess both *ex ante* and *ex post*, formal and informal instruments of agency control and steering in Lithuania and Romania.

The Lithuanian agencies are controlled by their parent departments on the *ex post* and *ex ante* basis. Strategic performance plans (setting out aims, objectives, performance indicators, targets, and financial resources) of all agencies acting as appropriation managers should be approved by the responsible minister (ministers). Agency activities extending beyond their legal authority should be endorsed by their parent ministry or the whole government. Heads of agencies under the ministries (career civil servants) are recruited by their ministries according to the Civil Service Law, and heads of government agencies (state officials since 2010) are appointed by the whole government. Furthermore, agency performance is scrutinized by some audit bodies (the National Audit Office or externally contracted auditors) or through other professional arrangements (such as program evaluations commissioned by the parent ministries).

Roughly the same pattern of interaction between ministries and agencies can be noticed in the Romanian administration. In most cases, *ex ante* patterns of control seem to be prevailing (Hintea et al. 2011). Although most agencies should set objectives and report their performance rather frequently (about twice per year), only some of them are subjected to audits mandated by their parent ministries. Romanian agencies have little human resource management autonomy and even smaller discretion over policy making.

Taking into account the specific features of Lithuania and Romania as the post-communist states of CEE (in terms of limited government stability, relatively weak party governance and fragmented administrative structures), we expect that agency control and steering practices in these countries will be determined not only by the institutionalized arrangements outlined above but also by informal practices of control and steering. Alternative mechanisms for political control tend to developed (such as party patronage and frequent restructuring in the CEE region) when more institutionalized arrangements are insufficient or malfunctioning (van Thiel et al. 2011). Tudorel et

al. (2010) observed a significant politicization of the Romanian civil servants holding managerial positions (with new competitions organized for these positions immediately after local or national elections). No single mode of politicization was found in the Lithuanian administration, but some government agencies were more politicized than others (Nakrošis and Gudžinskas 2012).

If there was a shift to result-based control during public management reforms in both post-communist countries, it is interesting to examine whether increased levels of *ex post* control continue to coexist with high levels of formal and informal contacts between parent ministries and agencies. We expect that:

*H5: organizations with more frequent formal and/or informal contacts with their political principles are subject to weaker ex post control.*

Agency task was found to be an important factor in explaining the autonomy and control of Western European agencies (e.g. Verhoest et al. 2010). The measurability of a primary organizational task was also found to be important for the adoption of result-based steering (e.g. Wynen and Verhoest 2012). In line with the previous research, we expect that agencies responsible for such measurable tasks as the provision of public services to the population and businesses are more likely to be steered on the basis of results compared to other agencies whose tasks are more difficult to measure (i.e. policy formulation, regulation, and other policy implementation tasks).

37% of the Lithuanian public sector organizations from the COBRA sample were engaged in the delivery of services to the population or businesses, and the remaining percentage of agencies carried out other tasks. In Romania, 25% of agencies that participated in the COBRA survey stated that they provided services to the population and businesses.

*H6: agencies engaged in the delivery of services should be more intensively steered on the basis of results compared to other agencies responsible for policy formulation, regulation, and other policy implementation.*

## **Data and operationalization of variables**

### ***The COBRA survey in Lithuania and Romania***

We test the hypotheses on the basis of data generated by the surveys of managers of public sector organizations. The design of the surveys was based on the COBRA (Comparative public organization data base for research and analysis) methodology. Common questionnaire and procedures for the survey implementation ensured greatly comparability of the surveys carried out in Lithuania, Romania, and other 13 countries.

The main feature of surveys is that they portrait subjective perceptions of the respondents. This is particularly important in the context of the present paper because the majority of our variables do not permit exploration of their “real” or “actual” values. For instance, the level of autonomy and control could be hypothetically assessed by analyzing legal acts. However, this would not indicate to what extent agency managers feel constrained or controlled. Hence, the capacity of surveys to capture the perceptions of respondents is, in our case, superior to the analysis of legal acts, which could only indirectly indicate the framework of incentives faced by the managers.

The survey of public sector organizations, which was carried out in Lithuania in 2008, focused on government agencies, agencies under the ministries, and other public sector organizations (public



non-profit institutions and foundations) that carry out public administration functions. A representative sample of organizations included 263 respondents. Due to the low response rate, at the end of the survey we received 98 responses. Several organizations were omitted from the analysis as outliers and over 15 organizations did not provide responses to all relevant questions. Therefore, the analysis includes 73 public sector organizations. Using van Thiel's categorization (2012), 83% of the sample agencies are semi-autonomous organizations (without legal independence but with some managerial autonomy), while the remaining 17% are statutory bodies. This is, however, representative of the Lithuanian public administration system at the central level.

The survey in Romania was conducted in 2010 upon 125 agencies. These were selected based on several criteria (adapted after Pollitt et al. 2004): if they are structurally separated from the main hierarchy of the ministry (defined as separate legal personality); carry out tasks at the national level; do not have commercial activity; are not totally independent from its ministry from a legal standpoint (subordinated to the Executive, not the Parliament); are vested in public law (either law or other governmental act); and are staffed with public employees. Out of the 125 agencies, 46 answered to our questionnaire (37% of the total number of agencies). Based on van Thiel's (2012) categorization, all Romanian agencies belong to the second type of public sector organizations (legally independent organizations (based on statutes) with managerial autonomy, either based on public law or private law).

### ***Measuring autonomy and control***

Autonomy and control are highly interrelated concepts as they both refer to formal or informal rules within which agencies operate. Following Verhoest et al. (2004) we define autonomy as the width of boundaries within which an organization (or a CEO) can take an action without *ex ante* approval from a parent ministry or political principals. Accordingly, autonomy is closely linked to the capacity of an organization to act without interference "from above". Control, on the other hand, refers to the capacity of political principals to ensure agencies pursue set out objectives. Control could be exercised *ex ante* (through the appointment of CEO or board) or *ex post* (through the assessment of achieved results and linking them with sanctions or rewards).

Autonomy could include managerial and policy autonomy. We define managerial autonomy as the extent to which an organization can take decisions regarding its personnel, financial resources, and choose policy instruments to achieve its objectives. The autonomy in terms of personnel management includes two dimensions. First, it is the extent to which an organization without interference from a higher jurisdiction (a minister or a sponsoring department) can take decisions regarding general rules for setting the level of salaries, conditions for promotion, evaluation, appointment, and downsizing of personnel. This type of autonomy is called strategic personnel management autonomy captured by the SPA 1 index. It ranges from 0, meaning that an organization cannot set human resource management policies, to 1, meaning it can fully decide upon these policies without constraints set from above. Second, it is the extent to which an organization can independently take decisions regarding the level of salary, promotion, evaluation, appointment, and dismissal of specific employees. This type of autonomy is called operational personnel management autonomy captured by the OPA 1 index. It ranges from 0, meaning that it cannot decide upon individual cases of human resource management, to 1, meaning it can fully decide upon these cases without constraints set from above. The financial management autonomy relates to the extent to which, in its overall budget, an organization can shift between personnel and running costs as well as between personnel or running costs on the one hand and investments on the other. This type of autonomy is captured by the FA 2 index. It ranges from 0, meaning it cannot take decisions upon financial matters, 0.5, meaning that it can take decisions but only with prior approval from the

parent ministry or under prior established rule set from above, and 1, meaning it can fully take such decisions without conditions set from above. Furthermore, policy autonomy is defined as the extent to which an organization can independently choose its policy instruments (subsidies, etc.) to achieve its goals. This type of autonomy is captured by the POINST index. It ranges from 0, meaning it cannot make decisions related to policy instrument, to 1, meaning it can fully decide upon the choice of policy instruments without interventions from the parent ministry.

Overall, agencies in both countries seem to enjoy high operational personnel management autonomy (the mean of OPA1 index is equal 0.7 for Romania and 0.92 for Lithuania), with a lower discretion though when it comes to setting personnel policies (the mean of SPA1 is 0.38 in Romania and 0.45 in Lithuania). The level of financial autonomy is, however, considerably lower: agencies in both countries have low discretion in deciding upon matters as taking loans or making changes between budget lines. Most agencies cannot make such decisions and even those that can, they can do it only with prior approval from the parent ministry or under strict legal conditions. Lithuanian agencies (the mean of POINST equals 0.75) seem to enjoy significant higher policy autonomy than Romanian ones (mean of POINST is 0.59). The difference between the two cases is statistically significant, even though the strength of the influence is rather low (Eta2 being of 0.057).

The degree of control is measured by indexes of *ex ante* and *ex post* control. In principle *ex ante* control could be measured by two dimensions: 1) the presence of a board with decision making functions and composed of members external to an organization; 2) the procedure of appointing a head of an institution and the term of appointment (permanent or fixed-term). Analysis of the survey data indicated that very few organizations in Romania and Lithuania have external boards with decision making functions. Therefore, we focused on the appointment of CEOs. Fixed-term appointment would indicate higher *ex ante* control as it creates incentives for CEOs willing to be re-appointed to align organizational performance with the expectations of their political principles. Permanent contract, on the other hand, would indicate lower *ex ante* control. This is captured by CEOCONT variable.

*Ex post* control seeks to capture to what extent public sector organizations are controlled on the basis of results. To this end, the dummy RESEVAL index captures whether a parent ministry or a third party by an order of the parent ministry evaluates the results of an organization. We also measure if there are rewards in the case of good results or the achievement of goals/targets (captured by REWARDS) and whether there are sanctions in the case of bad results or failure to achieve goals or targets (SANCTIONS).

The majority of agencies in both countries face low *ex ante* control since most of their CEOs have permanent contracts. The proportion of CEOs appointed for a fixed term is higher in Romania (44%) compared to Lithuania (24%). The difference is statistically significant, but the relationship between the countries is moderate (Cramer's V is 0.211). *Ex post* control also seems to be higher in Lithuania compared to Romania: the mean of RESEVAL score is 0.66 in the former country, while it equals 0.36 in the latter. The difference is statistically significant and belonging to one or the other country explains about 16% of the variation in exposure to RESEVAL (ETA2 is 0.16). On the other hand, only 28.8% of the surveyed Lithuanian agencies and 15.6% of the Romanian ones benefit for rewards if they reach or exceed their targets, and 29.4% of the Lithuanian agencies and 55.6% of the Romanian ones face sanctions if they do not meet the targets. Overall, the exposure of agencies to rewards and sanction systems in both countries is average-low as most agencies do not face such systems. Moreover, only five Romanian agencies and nine Lithuanian ones face both rewards and sanction systems for their results.

### ***Measuring adoption of steering techniques***

Steering techniques typically encompass external and internal steering instruments. The former refer to managerial instruments that are used by executive politicians to control the performance of agencies and their chief executives with the view of fostering political control and accountability. The two most frequently applied external steering techniques are: a) organizational planning over years in the form of multi-year plan or a business plan (PLANNING) and b) public reporting on performance of the organization in e.g., year reports, budget reports (PUBREP).

Internal steering techniques, on the other hand, refer to instruments applied within an organization with the view of increased performance of its units. The principal “owner” of the results is the CEO and the overall objective of such techniques is better management of organizational units. Though the COBRA survey captured a number of internal steering techniques, this paper focuses on the adoption of quality standards (captured by the QUALSTAN index) and internal process restructuring to market, product, or target group (measured by the RESTRUCT index). These internal steering techniques are developed as a result of external political or normative pressures. All variables on steering techniques are constructed on the basis of answers to the question on the use or development of these techniques. The answer categories included: no, to a small extent, to a large extent.

### ***Measuring agency-level variables***

In addition to the country-level variables, a number of hypothesis use agency-level variables in explaining autonomy and control as well as the adoption of steering techniques. Hypothesis 4 seeks to explore the role of networks and the size of agencies. The NETWORKS variable seeks to capture whether an agency participates in any kind of network with other international organizations. Participation in networks with other public or private bodies is not tested as it was found to be insignificant in the previous research (Nakrošis and Martinaitis 2011).

The size of public sector organizations is captured by two variables: EMPLO measures the size of organizations in terms of full-time employees, and BUDGET captures the differences in the size of budgets. Concerning agency size, over to thirds of the Lithuanian agencies are small, with less than 100 full-time employees. In Romania, agencies tend to be slightly larger: 50% of the agencies employ between 50 and 300 employees. This is could be explained by the fact that in terms of population Romania is seven times larger than Lithuania.

Hypothesis 5 focuses on the extent to which the frequency of formal and informal contacts affects *ex ante* and *ex post* control. Accordingly, the frequency of formal and informal contacts is captured by the variables of INFCONT and FORMCONT. Descriptive statistics indicates that all Romanian and Lithuanian agencies have formal or informal consultations with their parent ministry. However, the Romanian agencies have more frequent contacts than the Lithuanian ones, while the reverse holds true in the case of informal contacts.

The last hypothesis seeks to assess the role of agency task on autonomy, control, and steering. PRIMTASK measures whether the primary task of the surveyed organizations includes the provision of services (in this case the variable is coded as 1) or other tasks (value equals 0).

In order to test our hypothesis, we used a variety of techniques, ranging from comparing means to descriptive statistics. The later was preferred when we tested nominal by nominal variables.

Whenever a statistical significant relationship emerged, we further explored the values of Lambda or Cramer’s V. Because Lambda can underestimate relationships, in case Chi-Square was statistically significant but Lambda was not, we used Cramer’s V to determine the strength of relationships between the two variables.

The test of compare means was conducted on the other hand when we wanted to assess the interaction between nominal variables (like country) with numerical variables (like steering and autonomy variables or formal/informal consultations). Whenever a statistically significant relationship appeared, we used Eta2 to determine the strength of relationships.

## Results of the statistical tests

### *Country-level explanations*

Our first hypothesis argued that the Lithuanian agencies experience stronger results-based control and apply steering techniques more frequently than the Romanian agencies. The empirical findings indicate that the hypothesis was partially confirmed. As table 1 indicates, the Lithuanian agencies are more strongly controlled on the *ex post* basis than their Romanian counterparts by third parties mandated by the parent ministry. A statistical difference is rather significant: belonging to a particular country influences strongly the possibility of facing such *ex post* control (Lambda’s value is 0.453).

**Table 1** Differences in *ex post* control of the Lithuanian and Romanian agencies (the percentage of respondents who answered “yes”)

Country	<i>Ex post control</i>				<i>Ex ante control</i>
	Result evaluation by parent ministry	Result evaluation by third party mandated by the parent ministry	Presence of sanction system	Presence of rewards system	Permanent contract
Romania	68.2%	4.5%	55.6%	15.6%	55.8%
Lithuania	65.8%	67.1%	29.4%	28.8%	76.1%
Total	66.7%	43.6%	39.8%	23.7%	68.4%
Statistically sig. country difference	No	Yes	Yes	No	Yes
Strength of difference	-	Lambda: 0.453	Cramer’s V: 0.261	-	Cramer’s V: 0.211

Furthermore, two out of the four steering instruments (i.e. multi-annual planning and internal process restructuring) are more frequently applied by the Lithuanian agencies, whereas only one instrument (the spread of quality standards) is more developed in the Romanian agencies (see table 2). This cross-country variation could be explained largely by differences in the design and implementation of public management reforms: the majority of Lithuanian agencies have been subject to multi-annual planning since 2000, while some quality management standards (such as CAF) have been more developed in Romania. Although the more frequent application of internal processes restructuring in the Lithuanian agencies is more difficult to explain, this could be

associated with stronger result-based evaluation by third parties mandated by the parent ministries. The data show a statistically significant relationship between the two variables with a Lambda value of 0.379 that indicates a strong correlation. Therefore, it could be argued that the stronger the result-based control by the parent ministries (including a third-party control), the more actively the agencies employ such internal instruments as internal process restructuring in order to demonstrate better organizational performance.

**Table 2** Differences in steering techniques of the Romanian and Lithuanian agencies

Country		Internal processes restructuring	Quality standards	Planning	Public reporting on performance
Romania	Mean	<b>,4342</b>	<b>,6220</b>	<b>,6220</b>	,8095
	N	38	41	41	42
	Std. Deviation	,28878	,31186	,33129	,31142
Lithuania	Mean	,7754	,4118	,8623	,8551
	N	69	68	69	69
	Std. Deviation	,26480	,43143	,22498	,28571
Total	Mean	<b>,6542</b>	<b>,4908</b>	<b>,7727</b>	,8378
	N	107	109	110	111
	Std. Deviation	,31780	,40243	,29238	,29513
<b>Statistically sig. country difference</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	No
<b>Strength of difference</b>		Eta <sup>2</sup> : 0.266	Eta <sup>2</sup> : 0.065	Eta <sup>2</sup> : 0.159	-

Although autonomy was not part of the first hypothesis, it is also interesting that the Lithuanian agencies are also subject to higher autonomy. A statistical difference across the countries is not very significant: this country variable explains about 18.7% of the variation in operational personnel management autonomy and around 6% of the variation in policy autonomy (see table 3). This finding provides additional evidence that Lithuanian public sector organizations have moved towards the NPM-style management (higher *ex post* control emphasizing policy learning and higher autonomy) as a result of public management reforms, while Romania has gravitated around the Weberian-style model with lower autonomy and *ex post* control focused on sanctions.

**Table 3** Differences in autonomy of the Lithuanian and Romanian agencies

Country		Financial Autonomy (FA)	Operational personnel autonomy (OPA1)	Strategic personnel autonomy (SPA1)	Policy autonomy: choice of policy instruments (POLINST1)
Romania	Mean	<b>,1512</b>	<b>,7000</b>	<b>,3864</b>	<b>,5983</b>
	N	43	46	44	42
	Std. Deviation	,29950	,27568	,30923	,23528
Lithuania	Mean	<b>,1719</b>	<b>,9239</b>	<b>,4588</b>	<b>,7508</b>
	N	64	71	68	62
	Std. Deviation	,31141	,19528	,41185	,34703
Total	Mean	<b>,1636</b>	<b>,8359</b>	<b>,4304</b>	<b>,6892</b>
	N	107	117	112	104
	Std. Deviation	,30542	,25409	,37509	,31466
<b>Statistically sig. country difference</b>		No	<b>Yes</b>	No	<b>Yes</b>
<b>Strength of difference</b>		-	Eta <sup>2</sup> : 0.187	-	Eta <sup>2</sup> : 0.057

The second hypothesis argued that the Lithuanian agencies experience more informal contacts with their parent ministries, higher *ex post* control, and lower *ex ante* control compared to those from Romania that are more likely to be subject to lower *ex post* control, higher *ex ante* control, and maintain more formal contacts with their ministries. The survey data strongly support this hypothesis. The Lithuanian agencies actually experience more informal contacts with their parent ministries than their Romanian counterparts (Eta<sup>2</sup>: 0.092), but there is no statistical difference between these countries in terms of formal contacts (see table 4). Also, although the Lithuanian agencies are overall more strongly controlled on the *ex post* basis than those in Romania, this difference is statistically significant only for the third party control. Moreover, although agencies in both CEE countries face rather low *ex ante* control, the proportion of CEOs appointed for a fixed term is higher in Romania (44%) compared to Lithuania (24%) (the difference is statistically significant, but the relationship is only moderate, see table 1 above).

Therefore, our empirical findings point to a shift in the administrative culture from the dominance of law to a more managerial approach in Lithuania whose ministries are more prone to use informal contacts, result-based and indirect control through third parties than in Romania whose agencies are more actively controlled on the formal and *ex ante* basis (as well as more frequent incidence of sanctions). This could be explained by a combination of various state-level factors and, to a more limited extent, EU-level pressures (see the conclusions of this paper).

**Table 4** Differences in formal and informal contacts of the Romanian and Lithuanian agencies

Country		Frequency of formal contacts with the parent ministry	Frequency of informal contacts with the parent ministry
Romania	Mean	,7509	<b>,8160</b>
	N	44	45
	Std. Deviation	,30379	,30783
Lithuania	Mean	,7722	<b>,9526</b>
	N	69	65
	Std. Deviation	,17494	,10580
Total	Mean	,7639	,8967
	N	113	110
	Std. Deviation	,23264	,22221
<b>Statistically sig. country difference</b>		No	<b>Yes</b>
<b>Strength of difference</b>		-	Eta <sup>2</sup> : 0.092

#### *Agency-level explanations*

The third hypothesis is based on the logic of NPM and suggests that organizations with the high level of autonomy should also feature high *ex post* control. At first, this hypothesis was tested using an index of autonomy (SPA+OPA+FA+POLINST1) and an index of *ex post* control (REVESAL+REV3SAL+SANCTION+REWARD). No statistical relation was found between the two indexes. The comparison of means revealed that only two sets of variables are statistically significantly related: agencies that face sanction systems seem to enjoy larger strategic human resource autonomy (Eta<sup>2</sup>= 0.038) and agencies that are evaluated by external actors seem to face more

discretion concerning their operational human resource management ( $\eta^2 = 0.049$ ). As these relationships are very modest, we conclude that there is no systemic relationship between the level of autonomy and control in the Romanian and Lithuanian agencies.

The fourth hypothesis, which was inspired by the post-NPM model, suggests that organizations that are active in international networks experience higher autonomy and lower *ex post* control. Although there is no statistical difference between agency participation in international networks and autonomy, testing the potential relationship between participation and *ex post* control revealed a statistically significant correlation (of an average intensity, Cramer's V value of 0.268) between participation and evaluation of results by third parties (but not between participation and other three variables of result-based control). Since there is overall weak empirical support for this hypothesis, one can argue that participation in networks is not a substitute for formal arrangements governing autonomy and control of agencies. However, the observed link between third-party evaluation and participation in international networks (including those in the EU) indicates that more internationalized (or Europeanized) agencies are exposed to more intensive result-based control stemming from external normative pressures.

Overall, the empirical findings of testing H3 and H4 reveal "layering" of agency management practices in Lithuania and Romania: mixed implementation of public management reforms inspired by the NPM and post-NPM doctrines overlapped with a *Rechtsstaat* institutional architecture. As a result, some agencies enjoy high autonomy and low *ex post* control (and vice versa), while other agencies are actively involved in networks with no effect on their autonomy. However, stronger normative pressures stemming from international (European) networks could explain more frequent result-based control in more internationalized (Europeanized) agencies.

The fifth hypothesis argued that organizations with more frequent formal and/or informal contacts with their political principles are subject to weaker *ex post* control. It was not supported empirically. After comparing the mean scores of formal/informal contacts in agencies exposed to different types of *ex post* control, we found that the frequency of (formal or informal) contacts makes a difference only when agencies are subject to result-based evaluation by third parties. These agencies tend to have informal contacts more often (an average of 0.96 - around once per week) than the rest (that of 0.85 - around once per month). Although the relationship is statistically significant (Sig of 0.004), its strength is rather low ( $\eta$  of 0.07).

Since we found no or low statistical relationships between these variables, we can argue that our empirical evidence does not support neither the pattern of compensation nor that of reinforcement in the control system. Therefore, the Lithuanian and Romanian agencies are in the situation of indifference where the introduction of new controls does not reinforce or compensate old controls. This pattern of agency control was also found in the analysis of Western European (Norwegian, Irish, and Flemish) agencies (Roness et al. 2008). This finding further supports the process of layering of new managerial instruments with the previously established practices at the level of agencies that resulted in a patchwork of different and overlapping autonomy, control, and steering arrangements.

The last hypothesis argued that agencies engaged in the delivery of services should be more intensively steered on the basis of results compared to other agencies responsible for policy formulation, regulation, and other policy implementation. Since both variables are nominal, we tested this hypothesis using cross-tabulation and Cramer's V test. The hypothesis was not confirmed. There was no statistical relation between having a service delivery task and exposure to ministerial control on results or external control on results. A statistically significant relationship

was observed, however, between a type of primary task and exposure to rewards for the results accomplished: the percentage of agencies with the provision of services as a primary task that benefit from rewards is larger than that of agencies responsible for other primary tasks (36.8% compared to 17.8%). The strength of the relationship is only average, Cramer's V value being 0.207.

Overall, agencies that carry out more measurable tasks do not face stronger result-based control than the rest. The lack of straightforward links between the primary task of agencies and their control could be related to the absence of coherent autonomy and control arrangements in the analyzed countries. This also suggests an opportunity cost for the Romanian and Lithuanian ministries that fail to take full advantage of organization-specific characteristics (like task) in agency control and steering.

## Conclusions

In order to compare government agencies of Lithuania and Romania, based on the transformative approach, NPM and post-NPM we explored the two main research questions in relation to the cross-country and agency-specific similarities and differences of *ex post* control and steering.

First, overall public management reforms in Lithuania have shifted its public sector organizations more towards the NPM-style management: in comparison to Romania, its agencies enjoy higher autonomy, lower *ex ante* control and higher *ex post* control based on assessment of results carried out by the third parties. Moreover, the Lithuanian agencies have more frequent informal contacts with their political principals, which could indicate the spread of managerial practices. In contrast, Romania has gravitated around the Weberian-style model with lower autonomy, higher *ex ante* control and *ex post* control focused on sanctions rather than policy learning. The combination of these agency characteristics indicates that Lithuania has experienced a larger shift in its administrative culture from the domination of law to the managerial approach compared to the Romanian situation.

This paper also confirms Lithuania's status of a reform frontrunner in the CEE region: as a result of its public management reforms, this CEE country not only maintained its civil service reforms after the EU accession (Meyer-Sahling 2011) but also advanced in terms of developing managerial control and steering at the agency level. Therefore, overall state-specific reforms make a difference on organizational changes: the earlier start and more comprehensive nature of Lithuanian reform efforts can explain the cross-country differences in the *ex post* control and steering of government agencies. It is likely that new NPM-style reforms, which were adopted by the 2008-2012 Lithuanian Government after the completion of the COBRA survey in this country, further strengthened the managerial control and steering of government agencies in the context of fiscal austerity.

Moreover, the findings of this paper allow exploring the impact of the EU on agency governance in the CEE countries. It was not a great surprise that our research found that varied domestic responses (reflected in the different design and implementation of public management reforms) to the requirements of EU membership produced somewhat different outcomes on the control and steering of Lithuanian and Romanian agencies in the preaccession period. More significantly to the Europeanization literature that currently focuses on postaccession developments in the CEE region, we observed that the EU can promote result-based control of government agencies in the EU member states from the CEE region through their involvement in international (including EU) networks. This influence is more significant in Lithuania than Romania due to the different timing



of accession and varied nature of control—though the institutional performance of Lithuania is controlled mostly on the *ex post* basis since its accession in 2004, the application of *ex ante* control is still more widespread in Romania that joined the EU in 2007. It is expected that in the future the EU will continue to generate external normative pressure on CEE agencies by safeguarding the autonomy of regulatory agencies involved in the application of EU legislation (Nakrošis and Martinaitis 2011) or, as this paper suggested, the assessment of agency results related to the implementation of EU policy objectives.

Second, none of our hypotheses seeking to explain variation in the level of autonomy and control of agencies in Lithuania and Romania were strongly confirmed. However, the absence of significant statistical relations between different types of control indicates the pattern of indifference, which was also observed in the analysis of Western European agencies (Roness et al. 2008). We interpret this to be a result of garbage can-style layering of three factors: the system inherited from the Communist past, country-wide administrative reforms and various decisions at the level of parent ministries and agencies. A combination of these factors produced a patchwork of autonomy, control, and steering regimes in the post-communist countries whereby similar agencies (in terms of task, political salience, and distance from the core government) could be subject to completely different management arrangements. This is not surprising as “a patchy agency landscape has gradually evolved in most post-transition CEE countries, characterized by a broad and poorly regulated plethora of various, often idiosyncratic, organizational forms and a variety of different (and frequently changing) modes of autonomy and control” (Randma-Liiv et al. 2011, 164).

Our research design did not allow identifying the most important cause behind the mixed regimes of agency governance in the selected CEE countries. It could be true that the co-existence of relatively high *ex post* control (including frequent result evaluation by third parties) with regular formal and informal contacts could be related to the possibility that in the CEE region more institutionalized control arrangements are not properly working or weak political executives are unable or even unwilling to exploit their potential in an effective way. The previous case studies of Lithuanian agencies provide some supporting evidence—while some agencies relied on institutionalized control instruments and were more isolated from political influence, other agencies that were considered to be more politically salient were subject to much stricter political control (Nakrošis and Martinaitis 2011). Therefore, besides institutionalized result-based control mechanisms frequent informal and formal contacts continue to persist between the parent ministries and their agencies in the CEE countries.

It is also interesting that CEE agencies are simultaneously facing both formal and informal, more and less institutionalized forms of control and steering not only from their political principles but also from other stakeholders involved in wider governance networks. The involvement of multiple principles and the application of various control and steering instruments could produce the problems of coordination and administrative burden, constraining the capacity of agencies to pursue their objectives and produce expected results. Therefore, in order to avoid this situation, CEE governments should consider the combined effects of different control and steering practices when designing new agency control and steering arrangements (van Thiel et al. 2011).

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