

# Democratic Governance in the Central and Eastern European Countries:

## Challenges and Responses for the XXI Century

**Edited by:**  
Allan Rosenbaum  
Juraj Nemec



**NISPAcee**

THE NETWORK OF INSTITUTE AND  
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IN CENTRAL AND EASTERN EUROPE



Democratic Governance in the Central and Eastern European Countries:  
Challenges and Responses for the XXI Century



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### Edited by:

Allan Rosenbaum  
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# Table of Contents

## Introduction

*Allan Rosenbaum, Juraj Nemec*.....9

## Section I

### **The Central Instruments of Governance and the Processes of Democratic Development**

Cabinet Decision-Making in Ukraine: The Dual Executive and The Diffusion of Policy-Making Authority

*Oleh Protsyk* ..... 15

Political Rationality and Economic Rationality and the Hungarian Public Decision-Making System: Economic Efficiency Versus Democracy

*János Hoós* ..... 27

Can Bad Executive Institutions Make Good Policy? Russian Government Under Yeltsin and Putin

*Pat Gray*..... 47

Involving Parliament in EU Affairs: The New Member States and the Danish Model

*Antoaneta L. Dimitrova, Ellen Mastenbroek*..... 59

Enhancing Governmental Legislative Capacity? An Analysis of the Effects of Decision-making Reforms in Lithuania and Romania

*Andreas Bågenholm* ..... 77

Commitment of Slovenian Civil Servants and Politicians to Democratic Values and Norms

*Miro Hacek, Marjan Brezovsek*..... 99

## Section II

### **The Bureaucracy as an Instrument of Democracy**

Nomenklatura Versus Civil Service in Poland Defining Politico-administrative Relations Under Leszek Miller's Government

*Tatiana Majcherkiewicz*..... 115

Politicians and Senior Civil Servants in Former Yugoslav States: Back to Discarded Traditions?

*Aleksandra Rabrenovic, Tony Verheijen* ..... 133

Bureaucratic Incapacity in Transition Democracies: A Case Study of Decision Behaviour in Hungarian Central Government Organisations <i>György Hajnal</i> .....	151
Unfinished Transition: Public Administration Reform in Serbia 2001 – 2004 <i>Svein Eriksen</i> .....	173
The Strategic Role of Civil Servants' Training for Reforming Public Administration in Bulgaria <i>Polya Katsamunska, Pavel Pavlov</i> .....	199

### **Section III**

#### **Local Governance and the Creation of Grassroots Democracy**

City Quarter Communities: A New Quality in Slovenian Local Democracy <i>Irena Baclija, Marjan Brezovsek</i> .....	211
Understanding Issues Raised by Non-Governmental Organizations for Modern Russian Public Administration <i>Carmine Scavo, Paul Dezendorf, Elena Murenina</i> .....	229
Mayoral Leadership and Political and Administrative Relationships in Kiyv and Odessa <i>Natalya Kolisnichenko, Valentina Krivtsova, Allan Rosenbaum</i> .....	243
Performance Management in Local Governments in Albania: A Project Report <i>Zana Vokopola, Silvana Braculla</i> .....	257
New Public Management Principles and Policy Implementation: The Case of Estonian Local Governments <i>Kristiina Tõnnisson</i> .....	275
Gypsy Women in Hungarian Community Life <i>Agnes Racz Horvath</i> .....	297

### **Section IV**

#### **Government Reform as a Means to Facilitate Democratic Development**

Corruption: Commonality, Causes and Consequences in Fifteen Post-communist Countries <i>Karin Hilmer Pedersen, Lars Johannsen</i> .....	311
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Policy-making and Policy Implementation Problems in Central and Eastern Europe: The Case of Hhealth Care Delivery in Slovakia <i>Juraj Nemec</i> .....	337
Public Budgeting in the Czech Republic <i>Lucie Sedmihradská, Stanislav Klazar</i> .....	353
Preparing the Public Service for Working in Multiethnic Democracies: A Survey of Schools of Public Administration in Central and Eastern Europe <i>Michael Brintnall</i> .....	367

## **Section V**

### **New Theories for Democratic Development in the CEE**

Public Service and the Democratic Deficit <i>Anetta Debicka, Marek Debicki</i> .....	381
Political Participation and Governance Effectiveness: Does Participation Matter? <i>Martin Nekola</i> .....	393
Three Dimensions of Modern Social Governance: Markets, Hierarchies and Kinships <i>Vladimír Benáček</i> .....	407
Index .....	429



## Introduction

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*Allan Rosenbaum<sup>1</sup>, Juraj Nemeč<sup>2</sup>*

The book that follows represents, in many respects, a celebration – specifically, a celebration of success. In the first and most important instance, it represents a celebration of the success that many of the countries of Central and Eastern Europe and the former Soviet Union have had in making the transition from authoritarian to democratic governance. In fact, the events of the past two decades have been extraordinary ones, not just in Central and Eastern Europe and the former Soviet Union, but in many other parts of the world as well. Indeed, many countries in many regions have, during this period, made the transition from dictatorial governance and, in varying degrees, centrally directed economies, to democratic governance and much freer economies.

Nowhere, however, has this transition been either more profound, or more successful, than in many of the Central and Eastern European and former Soviet Union countries. While certainly, in some cases, the transition has gone more slowly than in others, and in a few cases, seems yet to have begun; in many instances, extraordinary progress has been achieved. This progress is reflected not only in the emergence of democratic institutions, but also in dramatic changes in economic systems and, in many cases, social systems as well.

Certainly, in some instances, the building of democratic institutions within the region has been a more difficult task than in others and, in some cases, this process of institution building remains a very fragile one. That this is so, is not really surprising. The reality is that building democratic institutions is a long and tedious process and, at best, it is always a work in progress. However, despite all of the difficulties and problems that have emerged as these processes have developed in Central and Eastern Europe (CEE), the results have been in general, extraordinarily successful. These successes are even more clearly illustrated when one looks at the experience of other of the world's transitional regions.

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The book that follows reflects yet another kind of celebration. In this case, it is a celebration of the maturing of a community of scholars. The chapters that follow (each of which began as a paper presented at the annual Network of Institutes and Schools of Public Administration of Central and Eastern Europe (NISPAcee) conference in Moscow in May of 2005), taken together, truly reflect the maturing of a rapidly emerging scholarly community in the field of public administration and governance in the CEE region. Anyone attending the annual NISPAcee conference a decade ago would have noted that while there were certainly some papers presented that utilized highly developed forms of social science methodology, and reflected a sophisticated understanding of contemporary scholarship, there were also many papers that reflected the reality of a region emerging from at least a half-century of academic life in which the social sciences, when not ignored, were nevertheless highly restricted in terms of their development.

That is certainly not the case with the chapters that follow. Many of them reflect a highly developed capacity for scholarly analysis and the utilization of many of the most advanced methods of social science research. All of them reflect a very high degree of knowledge about the most current scholarship related to the region of which they are a part. Methodologically, they range from single and multiple country case studies to highly quantitative single and multiple country analyses. In addition, they are equally wide-ranging in focus – both institutionally and geographically.

Most, if not all, of the chapters that follow focus in one way or another on, and help to identify, important problems and limitations in terms of the development of democratic institutions within the region. In large part, that is in keeping with the theme of the conference from which the papers originated, specifically: “Democratic Governance for the XXI Century: Challenges and Responses in CEE Countries”. Most assuredly, all of the authors took seriously the charge of addressing both the challenges and the responses that are inevitably a part of the process of building democratic governance.

Nevertheless, despite the focus on challenges, one should not, as was suggested in the comments above, overlook the very great successes that have been achieved. In fact, in their own way, the chapters that follow do that equally well. While the focus of many of them might be on criticisms and imperfections in democracy, they have been developed on the basis of an underlying recognition that highly successful, participative democratic governance is a realistically achievable goal within the region, and that its achievement is limited only by the need for adjustments and modifications of the fundamentally responsive systems that have been put in place.

At its most elemental level, the book that follows represents a collection of some of the better papers presented at the 13<sup>th</sup> Annual Conference of NISPAcee. It is important to note in that regard that we characterize these papers as among the “better papers”. Unlike in past years, when efforts have been made to put together

a volume composed of “the best papers”, this year we have been concerned principally that the papers are, first, of high quality and, second, that they fit within the general theme of the conference and this book. Consequently, a number of very good papers that were presented at the conference will not be found in this volume, since they did not readily fit within a volume organized around the theme of the conference.

The book has been divided into five basic sections, each of which include from three to six chapters. The first section looks at two of the major institutions that are a part of any system of democratic governance – the executive and legislative branches of government. In many respects, the papers are a reflection of the constant give and take that goes on between those two branches of government in any democratic system. The power of, and the relationships between, chief executive, cabinet and legislative body are always in flux and, as such, they are reflective of the ongoing adjustments that are a necessary part of any democratic system. Surely, the papers found in the first section of this book reflect that reality.

The second section of the book looks at an area of governance that is especially significant in terms of the region’s transition to democracy – the bureaucracy. As post-communist states, virtually all of the region’s countries are evolving out of a tradition of hierarchical, often non-responsive and sometimes authoritarian, bureaucracies. The task of redefining those bureaucracies has certainly been a major part of the process of building democracy in the region. Further complicating this situation in terms of the role of governmental bureaucracies in these newly democratic societies is the fact that, in many cases, governmental bureaucracies were seen as a symbol and reflection of the old communist state apparatus. Thus, in some instances, bureaucratic structures were viewed very negatively, and in some instances, major energy went into efforts to dismantle them. Nevertheless, in the real world of governance, it is impossible for a state to function without effective bureaucracies. The chapters in this section look at the many different ways that countries in the region are addressing the issue of the role of governmental bureaucracies in the process of democratic institution building.

The third section of the book focuses on a series of studies around the theme of local governance and grassroots democracy. Historically, local governance has been perceived as that governance which is closest to the people, and most representative of their interests. Whether that is always the case is, in fact, not necessarily clear. What is clear, however, is that the establishment of strong and vital local governance is a critical element in any process of democratic institution building. This is so, because the creation of multiple local governments plays a critical role in dispersing political power among multiple entities, rather than facilitating its consolidation in a single group or individual. It is for that reason that the last quarter century has witnessed many major efforts to build and strengthen local governments throughout the region. In this section, we review various of these efforts which, in almost all

cases, focus on a different element of the complex mosaic that makes up the reality of effective local governance.

The fourth section of the book, focuses specifically on issues of governmental reform in the CEE countries. The topics addressed there are not totally surprising – issues involving governmental corruption, the reform of service delivery systems, the addressing of issues arising from multi-ethnic communities and the development of the budgetary process – are all topics of concern – as they are in virtually every other region of the world. Finally, in the fifth section of the book, are three chapters that focus on the more theoretical aspects of democratic institution building within the region.

# Section I

The Central Instruments  
of Governance and the  
Processes of Democratic  
Development





# Cabinet Decision-Making in Ukraine: The Dual Executive and The Diffusion of Policy- Making Authority

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*Oleh Protsyk<sup>1</sup>*

The primary focus of the initial stage of the post-communist transition in Ukraine was on the content of the policies needed to transform the polity and the economy (competitive elections, political pluralism, privatization, macroeconomic stabilization, liberalization). “Getting policies right” was assumed to be the key to a successful transition. However, for policies to be successful, the proper institutional framework for initiating, implementing, and sustaining policies should be in place.

Three institutional players dominate the existing framework for policy making in Ukraine: the president, cabinet, and parliament. The relationship among these players can be analyzed along several dimensions. One critical dimension, which has already been discussed in the literature, is the extent of their independent ability to participate in the legislative process. Sundakov (1997), shows how the presidential and individual ministries’ ability to issue legislative and quasi-legislative acts impedes the development of a stable legislative environment, imposes high burdens of coordination on the bureaucracy and blurs the distinction between the political and civil service aspects of public administration. Sundakov’s policy recommendations focus on self-restraint in legislative and quasi-legislative activity on the part of president and individual cabinet ministries.

In the first part of this article, another aspect of authority diffusion – the institutional conflict over the distribution of executive powers – is analyzed and some mechanisms for mitigating such conflict are offered. Addressing this conflict is essential for eliminating the justification for competing policy agendas and parallel chains of command in the cabinet.

The second part of the article discusses the principles of cabinet organization and functioning. The arguments in favor of having technocratically-based cabinets are reviewed. Despite the intellectual appeal of such arguments, in fact, how cabinet

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<sup>1</sup> Research Associate of the European Centre for Minority Issues, Flensburg, Germany.

formation along political lines could facilitate the cohesion and collegiality of cabinet decision making. The institutional and procedural changes that could facilitate greater involvement on the part of political parties, in the process of cabinet formation and cabinet decision-making.

The third part of this article offers the discussion of some changes in the procedures and rules governing the relationship between the cabinet and parliament in the legislative process. The effects of introducing changes in these procedures with the effects of preserving status quo are compared. It is argued that the proposed changes can both underpin a greater political consistency of cabinet decision making and encourage more disciplined and cohesive legislative process.

### Multiple centers of executive decision-making

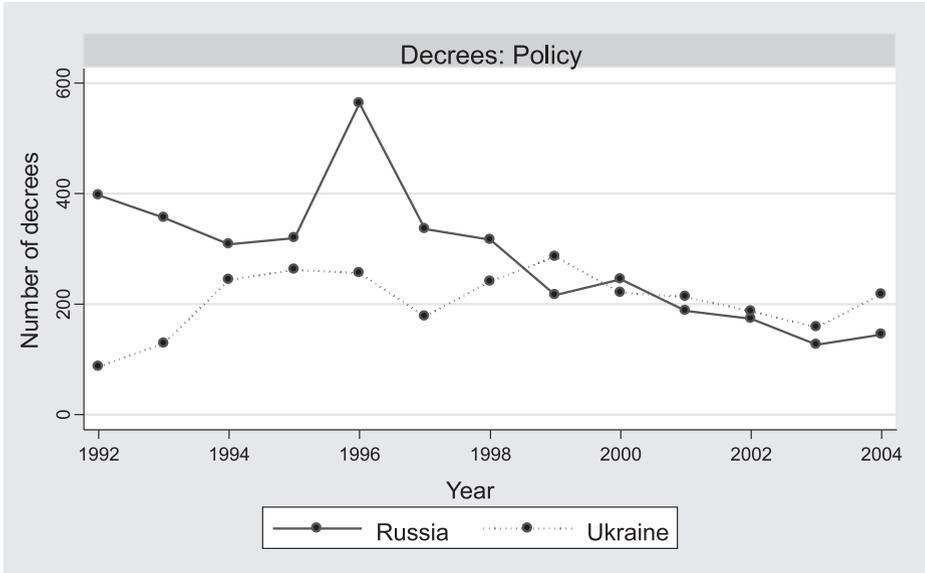
One of the major requirements for effective executive management is the concentration of executive decision-making power in the hands of cabinet (Manning 1999). The cohesiveness of the executive policy making process suffers when competing decision-making arenas exist. In Ukraine, the executive authority of the cabinet is effectively diffused by the decision-making activity of president and individual ministries. Thus, competing claims come from 'above' and 'below' the cabinet. From 'above' the cabinet, the president exercises his right to issue specific executive orders, as well as legislation-like decrees. From 'below', individual ministries and other central bodies of executive power, which have wide-ranging powers within their specific areas of responsibility, issue rules and instructions which often have properties of cabinet resolutions and orders.

**Presidential involvement in executive decision-making process:** Presidential participation in the executive is based on constitutional provisions that grant presidents the power to issue decrees on a wide range of policy matters and to veto executive and legislative decisions. The president in Ukraine issues legislation-like declarations, executive decrees, orders, and specific instructions/task assignments that require government officials to take specific actions. The president also has also the power to initiate new pieces of legislation and to demand priority consideration for them in parliament. Presidential control of these powers indicates clearly that the president has the proactive means to change both the executive and legislative status-quo. The presidential ability to use veto powers also reflects the president's control of reactive powers. The legislative veto allows the president to defend the status-quo in the legislative process. The executive veto empowers the president to annul cabinet resolutions, revoke ministerial instructions and cancel the orders of other executive bodies.

Ukrainian presidents use all these powers liberally, which has enabled them to dominate, although to a different extent, the policy-making process in Ukraine. Throughout his ten year tenure in office president Leonid Kuchma was especially

active in relying on the combination of proactive and reactive powers that allowed him to intervene across many policy areas and, at various stages, of the decision-making process. As illustration of his policy activism, Figure 1 provides data on the policy-related decrees issued in Ukraine and Russia between 1992 and 2004:

**Figure 1**  
Policy-Related Presidential Decrees in Ukraine and Russia, 1992-2004



*Source: Author's calculations; data from databases 'Zakonodavstvo' (Office of Computer Systems, Apparatus of Parliament of Ukraine) and 'Spravochnye pravovye sistemy' (Konsultant Plus, Russia)*

Figure 1 provides data on the annual numbers of policy-related decrees issued by Ukrainian and Russian presidents to establish new policies, or change existing policies, in several broadly defined policy areas: polity, economy and society. These decrees were used, for example, to establish or re-organize central government agencies, improve pension provisions and introduce new social services. As Figure 1 indicates, president Kuchma, during the 1994 – 2004 period, issued on the average more than 200 policy decrees annually. The figure also indicates that during his last years in office Kuchma was issuing even a larger number of policy decrees than his powerful Russian counterpart.

Policy decrees are only one type of policy-related decision that are issued by presidents in Ukraine. They also issue so-called administrative orders used primarily to provide specific instructions to civil servants regarding the implementation of statutes and norms. Besides these two formalized types of presidential decisions, presidents give so-called 'doruchennia' or executive orders which instruct the cabi-

net, individual cabinet ministers or top civil servants to take specific actions. Although these orders are often not written, or formalized in any other way, they constitute a major tool of presidential involvement in executive matters. While the first months of Yushchnko's presidency saw some decline in the number of decrees issued by the president, there are numerous accounts of a large number of executive orders/instructions given to cabinet members by the new president.

**Institutionalization of the Presidency:** The Presidents' ability to intervene in executive matters is greatly enhanced by the strong policy-making capacities of the presidential office. Although there is no mentioning of the presidential office in the Ukrainian constitution, Ukrainian presidents have spent a very considerable amount of effort to strengthen the presidential office and to increase the scope of issues with which the office deals. At the height of Kuchma's presidency, his office, the so-called Presidential Administration, had more than 600 permanent staff members. Other reports indicate that the total number of administration employees during his presidency might have fluctuated between 1000 and 1500.

The administration included a number of departments that covered functional areas equivalent to those covered by cabinet ministries. For example, there is a consensus among analysts that Ukrainian foreign policy was more influenced by decisions made in the foreign relations department of the presidential administration than by the policy positions of the Ministry of Foreign Affairs. Even President Kuchma's former economic policy advisor acknowledges that too much power to make decisions in the economic sphere resided in the hands of president and his administration, and not in the cabinet.

While newly elected president Yushchenko promised a radical overhaul of the presidential office, many skeptics claim that not much has changed besides the title. Yushchenko's presidential office, the so-called Presidential Secretariat, boasts a very elaborate structure that includes many directorates and services. The first reports have already surfaced that criticize the Head of the Presidential Secretariat for meddling in executive matters that fall under the cabinet's jurisdiction.

**What are the problems with the presidential involvement in executive matters?** To understand how the presidency affects cabinet functioning, the organizational properties of effective cabinet decision making should be mentioned first. Effective governance requires a streamlined structure of executive government which generally implies that leadership of the cabinet is exercised from the office of the prime-minister; all major policy initiatives come from the cabinet; all major policy decisions are the result of collegial deliberation and ratification; and all major outcomes of decision-making are presented in the form of cabinet resolutions and laws passed by the parliament.

As the previous section indicates, in Ukraine the president has powerful means to affect the work of cabinet. Although formally not a part of the executive, the president actively participates in the executive decision-making process. Ac-

tive presidential involvement in the matters of executive government creates several major problems for the functioning of the cabinet.

The presidential use of powers to issue decrees and executive orders result in the diffusion of decision-making responsibilities: a cabinet is no longer the only executive institution in the center of government. Competing policy initiatives, parallel decision routes, excessive burden of bureaucratic coordination are all negative effects of the diffusion of executive powers.

Policy priorities of the president and the cabinet often clash due to the different type of electoral concerns that each office faces. Since a significant number of executive governance issues can be regulated either by presidential or cabinet acts, alternative routes for decision making are easily available for the various policy process participants. Depending on the easiness and extent of their access to either the president's office or the cabinet, individuals or groups will advocate that the issue be resolved either by the presidential decree/executive order or cabinet resolution/instruction. The existence of competing centers of executive decision making and the proliferation of executive documents, which often establish contradictory and conflicting rules, imposes a very high burden of coordination on the civil service and undermines the bureaucratic capacity of government.

**Prospects for strengthening cabinet decision-making authority:** Concentration of executive authority in the hands of cabinet as is envisioned by the December 2004 constitutional reform could alleviate some of the problems associated with diffused decision making and dual executive design. The reform might come into force soon if the validity of the procedures that led to the legislative passage of the 2004 – 2005 constitutional provisions, and the constitutionality of these provisions, are not challenged for too long a period in Ukraine's Constitutional Court. The reform will increase the cabinet's authority in policy initiation and implementation, limit the executive and legislative functions of the president, and change the principles of cabinet formation.

If the reform is stalled, it will be difficult for the cabinet to claim the highest authority in executive matters. Preserving the constitutional status quo will mean that the same set of policy instruments will continue to be available for the president to intervene routinely in cabinet decision-making. There are, however, several procedural and institutional mechanisms which can encourage the president's self-restraint with regard to his involvement in executive matters and help to minimize the effects of political competition between the president and legislature over the control of cabinet.

While constitutions define the general principles of cabinet accountability, they usually do not specify how the cabinet and individual ministries should function. Laws on the cabinet and cabinet ministries, cabinet rules of procedure, ministerial statutes and other legal documents of lower order regulate cabinet decision-making. The law on cabinet and some related types of laws have never come into

force in Ukraine<sup>2</sup>. These laws need to be passed in order to articulate principles of primacy of collegial cabinet decision-making in executive matters; to emphasize the priority of cabinet resolutions and instructions/task assignments in the workload of government officials; and to specify the norms of ministerial subordination to the cabinet.

Such a strategy on the consolidation of executive functions in the hands of cabinet, for example, produced some positive results in Poland. Despite the fact that the Polish constitution empowers the president with substantial legislative powers and with the right to nominate the cabinet, the subsequent legal acts defined more precisely cabinet responsibilities vis-à-vis the president and parliament, strengthening the supremacy of the latter (Law on the Matters of Government Administration, 4.09.97).

### **Cabinet's Dual Subordination: Partisan and Technocratic Considerations in Cabinet Formation Process**

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Both parliament and president participate in cabinet formation in Ukraine. The constitutional provisions that are currently in place, however, privilege the president over the parliament. The former has an exclusive right to nominate a prime minister who must be approved by the parliament. Upon the prime minister's nomination the president appoints individual ministers. The president also controls the powers of cabinet dismissal. Cabinet dismissal powers, however, are symmetrical: both the president and the legislature can unilaterally dismiss the cabinet. However, recently President Yushenko has sought to challenge parliamentary authority in this regard by refusing to accept the resignation of a cabinet dismissed by the Parliament.

The constitutional requirement of joint participation of the president and parliament in the selection of premier does not allow the president to secure the selection of his ideal candidates. To compensate for that lack of full discretion, the president in Ukraine frequently uses his dismissal powers: the majority of cabinet dismissals during 1991 – 2004 period were initiated by the president (Protsyk 2003).

The dominant principle of cabinet formation in Ukraine has so far been technocratic. None of the Ukrainian cabinets since 1990, with the possible exception of the most recent Tymoshenko cabinet, was formed on the basis of the formal party affiliation of candidates for ministerial portfolios. The primary criteria for ministerial selection were some sort of “technical” expertise in a specific area of government functioning. Party affiliation was always a secondary consideration and having strong party ties was often perceived as a liability, especially for candidates for key economic and “power” portfolios. The 2005 Tymoshenko cabinet, formed after the events of the Orange revolution, marked a radical departure from this principle:

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2 The draft law on Cabinet of Ministers was initially introduced in 1997. Since then the various versions of the law were passed by a parliamentary majority eight times. The president vetoed the law each time it was passed in the parliament. As a result, the law was never enacted.

politicians with strong party identifications, and lack of specific technical expertise, were appointed to many key ministerial positions. Yet this cabinet was a partisan one only in a very loose sense of the term, cabinet composition was more a reflection of the specific preferences of the newly elected president than a result of party coalition bargaining in the parliament.

Both technocratic and political cabinets in Ukraine face the dilemmas of dual subordination or accountability. Cabinet is subordinate or accountable to both the president and the legislature because each of these institutions has the unilateral control of cabinet dismissal powers. In terms of a principal-agent framework, the cabinet has two principals which assign tasks to it and may sanction the cabinet's non-compliance using the ultimate sanction of dismissal. Symmetrical powers of cabinet dismissal 'confuse' the cabinet members. Especially when the president and parliament are at odds, the cabinet is confronted with the necessity to pursue contradictory or competing courses of actions advocated by its principals.

Using his power of cabinet and ministerial dismissal, the president may affect the individual positions of cabinet ministers selectively providing them with the incentives to advocate or defend policy proposals preferred by the president. As a result, the policy making process in cabinet becomes fragmented. Cabinet decision-making is also likely to be less cohesive and decisive if cabinet members face the necessity to maneuver between the conflicting preferences of the president and the legislature. The adoption of contradictory cabinet policies and high policy volatility become, in fact, an optimal response strategy for cabinet ministers who are interested to remain in office but face the competing claims on the part of the president and the legislature.

Forming a cabinet along technocratic, rather than party, lines is sometimes perceived as advantageous for the quality of decision-making in the cabinet. Technocratic cabinet members usually have a deeper knowledge of the sector of the government that they manage. They are expected to make their judgments on the basis of sectoral needs and expediency and not electoral concerns. They are believed to be more capable of withstanding the pressure of special interests and thus more willing to initiate unpopular economic and social reforms. The empirical research on the subject, however, finds mixed support for such expectations. The consistent evidences of better performance of technocratic cabinets as compared with party-based cabinets are only found with regard to the initiation of reforms and not with regard to reform implementation and consolidation (Haggard and Kaufman 1995).

### **What are the problems with technocratic cabinets as regards the quality of cabinet decision-making?**

While the idea of technocratic cabinets may initially sound appealing, substituting the politicians' cabinet with the team of independent experts creates numerous obstacles for cabinet decision making.

**Fragmentation of decision making:** Although cabinet decision making is often presented as collegial and team-spirited, it is, in fact, fragmented and personality-centered. This is due to the individual nature of ministerial selection. Ministers get their portfolios not because they are part of a political team, but on the basis of their individual merits. It is then rational for ministers, who are not party agents, to adopt strategies that promote their personal political popularity and foster clientelistic sector-specific ties rather than benefit the collective image of the cabinet team

**Parochialism of ministerial interests:** The technocratic nature of ministerial selection leads to parochialism in policy making on the level of individual ministries. Ministers, whose professional roots are in the industries they are currently in charge of, have a tendency to associate themselves with the interests of that particular sector and not the cabinet as a whole. They view themselves as representatives of their specific industries in the cabinet. They are oriented to satisfy the demands of their sectoral constituencies rather than the needs of citizens that consume their goods or services. For example, the minister of transportation is more preoccupied with the well-being of transport-related bureaucratic structures and enterprises than with the quality of transportation services that consumers receive. The technocrats in sectorally-based ministries are also more likely to favor the incumbent large state enterprises than private start-up companies, thus providing additional disincentives for private sector development.

**Potential for policy volatility:** Technocratic cabinets have more difficulties in mobilizing political support to enact policies. Parliament, which approves the prime-minister's and the cabinet's program, does not take political responsibility for the actions of the cabinet. Cabinet approval and ministerial stay in office depends on the support of a situational and not a party-based majority. Given the unstable nature of their political support, technocratic cabinets face greater uncertainty regarding their term in office. Threatened by the prospects of support withdrawal, they opt for policy reversals to ensure cabinet survival. Still, technocratic cabinets do not rate high in terms of cabinet duration: earlier research found that the average cabinet term in Ukraine during the 1991 – 2002 period was 15.3 months as compared with the average of 21.8 months for the East European parliamentary regimes (Protsyk 2003).

Other things being equal, cabinet instability complicates decision making processes by making policy objectives more volatile and policy outcomes less predictable. The high cabinet turnover undermines efforts for the creation of a stable legislative environment and encourages the development of such alternative arenas for decision making as various presidential councils and corporatist bodies. By dismissing or accepting the resignation of some cabinet members, and not all cabinet members, the president further undermines the idea of collegiality in cabinet decision making.

## **Cabinet's Legislative Powers and Legislative Strength**

The right of legislative initiative is one of the key policy instruments available to cabinets across political systems. There is a growing tendency in advanced democracies to strengthen cabinet power in forming the legislative agenda. Cabinet ability to secure the successful passing of cabinet-sponsored bills is enhanced through the introduction of procedural norms that allow cabinets to submit their draft laws in a package, to declare a draft law as a matter of confidence vote and to designate certain draft laws as issues that require priority in legislative consideration.

It is argued here that the cabinet's ability to successfully pass its legislative agenda through the Ukrainian parliament is undermined by the specific design of procedural norms and by the persistent political fragmentation in the legislature.

Cabinet legislative initiatives: Table 1 below captures the variation in the legislative activity of Ukrainian cabinets. It lists the number of draft laws introduced by each cabinet since 1994. It provides information on how many draft bills became laws, and measures the success rate that individual cabinets achieved in securing parliamentary support for their legislative agenda. As the numbers indicate, with the exception of the Yuschenko cabinet, there was a steady downward trend in the percentage of draft bills that cabinets were able to turn into laws. In other words, the cabinets' ability to fulfill their legislative agendas was declining during 1994 – 2002.

**Table 1**  
The Legislative Activity of Cabinets in Ukraine, 1994 – 2002

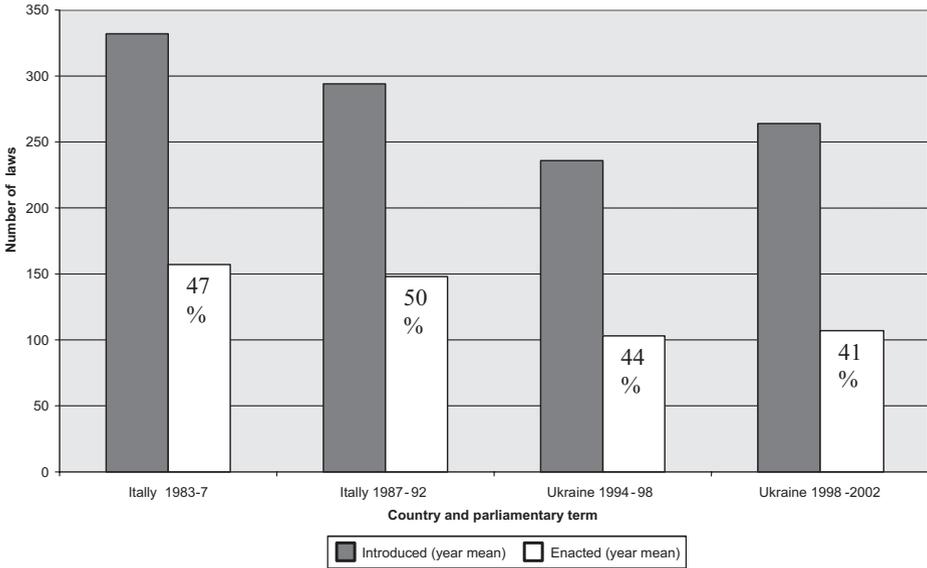
<b>Prime Minister</b>	<b>Office term</b>	<b>Law Drafts Introduced</b>	<b>Law Drafts Enacted</b>	<b>Law Drafts Failed</b>	<b>Success Rate (%)</b>
<b>Masol, Vitali</b>	6/94 – 4/95	133	77	56	58%
<b>Marchuk, Yevhen</b>	6/95 – 5/96	206	88	118	43%
<b>Lazarenko, Pavlo</b>	5/96 – 6/96	33	14	19	42%
<b>Lazarenko, Pavlo</b>	6/96 – 6/97	326	135	191	41%
<b>Pustovoitenko, Valeri</b>	7/97 – 12/99	743	289	459	39%
<b>Yushchenko, Viktor</b>	12/99 – 4/01	316	145	171	46%
<b>Kinakh, Anatoly</b>	4/01 – 11/02	244	89	155	36%

*Sources: Author's calculation; data from Upravlinia komp'uternykh system Apparatu Verkhovnoi Rady Ukrainy (Office of Computer Systems, Apparatus of Parliament of Ukraine).*

To put the activity of Ukrainian cabinets into a comparative perspective, Chart 1 provides data on the activity of Ukrainian and Italian cabinets during two parliamentary terms. The availability of detailed quantitative data on the Italian cabinets,

as well as the fact that Italian cabinets are among the weakest in Europe in terms of their control over the legislature, makes this comparison interesting.

**Chart 1**  
The Legislative Activity of Cabinets in Italy and Ukraine



Sources: Author’s calculation for Ukraine; data on Italy – Gary W. Copeland and Samuel Charles Patterson, *Parliaments in the Modern World: Changing Institutions* (Ann Arbor: University of Michigan Press, 1994).

As Chart 1 indicates, Ukrainian cabinets during both parliamentary terms which are included in the graph, introduced a smaller number of law drafts and were much less successful than even the legislatively weak Italian cabinets. These findings underscore the general problems with the functioning of cabinets in Ukraine.

### How does party fragmentation affect government decision-making?

One of the persistent myths in Ukrainian politics is that having many parties at the centre of government at the same time is conducive for democracy and good governance. The normative claim, which postulates that the more representative political system creates better democratic government, provides the primary justification for proliferation of political parties. In the same time, there is almost a consensus in the literature on political economy about trade-off relationship between government representativeness and effectiveness (Cox 1987, Shugart and Carey 1992).

More representative parliaments face greater collective action problems and more representative cabinets face greater obstacles in the process of developing collegial decisions than more consolidated executive and legislative bodies.

Party fragmentation, the number of parties in the legislative body, is a key characteristic of the party system that has an immediate effect and significant on the process of decision-making in cabinet.<sup>3</sup> A strong correlation between the degree of party fragmentation and the limited decisiveness of government policy making is found in a substantial amount of empirical literature on the subject. (Cowhey 1993, Haggard and Kaufman 1995).

Government indecisiveness and lack of cohesion: Because of the necessity to accommodate the interests of many collective members, the fragmented legislative majority face more difficulties in enacting the legislative change than one party or stable coalition majorities. Even in relatively stable coalitions, policy making process is less coherent than in one-party governments due to the necessity to negotiate policy decisions with coalition partners that are likely to be at odds with one another on at least one policy dimension.

Cabinets, which rely on the support of a fragmented and undisciplined legislative coalition lack stable legislative backing to introduce and implement bold policy initiatives. Such cabinets are much weaker politically than one-party cabinets which enjoy a stable majority support in parliament.

Government instability: Fragmented legislative majorities are prone to rapid disintegration. Political parties, whose stakes in sustaining a majority amount only to a couple of cabinet portfolios, easily flee the coalitions whenever there is a hint that their interests will be better served by joining the opposition. The prospects of imminent coalition break-down have profound effects on the motivation of party leaders and individual legislators. Parties do not commit themselves to the sustained cooperation thus reinforcing the vicious circle of government instability. Similar motivations affect the behavior of cabinet members who often try to cope with the uncertainty of their office term by maximizing their personal political or economic benefits of cabinet incumbency.

Blackmail potential of minor political parties: Party fragmentation may also increase the relative importance of small parties in decision-making process. When passing or rejecting a decision depends on a small number of votes controlled by a minor political party, the latter acquires a substantial leverage in coalition politics. Even when the party does not object to the proposed policy, it is likely to bargain using its leverage to get better deals in other policy areas. In this sense, the preferences of small parties can have a disproportional effect on government decision-making.

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3 The literature on party fragmentation is quite sophisticated. A number of technical measures of party fragmentation is developed in the literature. See, for example, Octavio Amorim Neto and Gary Cox, "Electoral Institutions, Cleavage Structures, and the Number of Parties," *American Journal of Political Science* 41 (January 1997): 149 – 174.

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# **Political Rationality and Economic Rationality and the Hungarian Public Decision-making System: Economic Efficiency versus Democracy in Hungary**

*János Hoós<sup>1</sup>*

In Hungary, like other countries of Central and Eastern Europe (CEE), a transformation of the political and economic system has taken place in the last fifteen years. The authoritarian regime has been replaced with pluralist democracy; a legislative and institutional framework for parliamentary activity has been laid down, and the country became a multiparty democracy. Due to these transformations the Hungarian economic and political decision-making system has become similar to those of the Western Europe. This transformation was convincingly demonstrated when Hungary became a member of the European Union recognizing the fact that it was able to meet the Kopenhagen criteria of an advanced market economy and a democracy.

The achievements of the Hungarian transformation are undeniable and, considering the enormous difficulties to be overcome, deserve appreciation. However, in this study we draw attention to a number of serious deficiencies in the existing public decision-making system, especially the frequent collision between the economic and political rationality. These deficiencies create obstacles to the full development of a democratic society and a market economy, and overall represent a serious setback for the social development of the country. It is therefore essential for the democratic and economic development of the country to seek remedies to eliminate the deficiencies and the malfunctioning of the decision-making system.

Before analyzing the problems of the public decision making system and proposing concrete solutions, we will define the economic and political rationality that were at the bases of the dual transformation creating today's Hungary.

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Economic rationality dictates that:

- to meet the challenges of scientific and technological progress, and to survive in the tough competitive environment, there is a need for strategic thinking, long term vision and planning, including the setting of strategic targets;
- macro-economic management should provide sustainable and balanced economic growth with a manageable deficit (or surplus) of the state budget and current account, minimal cyclical upturn and downturn of gross domestic product (GDP), minimal inflation and high employment rate.
- success *criteria* of micro-economic management should be maintained. These success *criteria* entail that for an entrepreneur the most important goal is “the sale of product and services of the company on the market at price that at least covers production costs. All management efforts therefore aim at sale, which are reflected in indicators such as turnover, profit, market share, etc. ... The critical success factors of management differ from those of politics: efficiency and effectiveness are a mirror image of the organization fitness; the company’s image enhances the market’s trust in the company’s capacities; and speed is crucial for competitiveness (the concept of ‘time-to market’ being a case in point). ... Besides the internal transparency that is necessary for managerial decision making, a lack of transparency towards third parties is conducive to the company’s success.” (Kuno Schadler, (2003)
- economic rationality requires conflicts to exist in the first place. Economic rationality is therefore predominantly designed for conflict. In order to create balanced economic growth or profitability the managers of the macro-economy or the enterprises have to stir up conflict all times. (For example they have to make unpopular restrictive measures to curb over expansion of the expenditures of state budget or they have to carry out “downsizing”, layoff in the given company.)

Political rationality of the modern democracies dictates that:

- “the formal success criterion is a majority at a formal ballot. Only those who are able to mobilize a majority for their concern at a decisive juncture will be successful in a democracy. The critical success factors are: the ability to form coalitions, capabilities of using political bartering, the formation and manipulation of public opinion, skills to establish respect, the creation and activation of informal networks.
- the processes of gaining majority often require the lack of transparency both inside and outside the politico-administrative system.
- politics requires consensus in order to fulfill its functions. Political rationality is therefore predominantly about consensus building. In order to provide evidence of success, politicians and political parties have to create consensus between diverging interests all the time. This is often easiest if there is not complete transparency about the compromises that have been achieved.

- politics tries to avoid conflicts that would lead to unpopularity and thus jeopardize the results of election or reelection. Political rationality is therefore predominantly designed to avoid conflicts.
- the political context is characterized by goals that can shift quickly – as will shift the evaluation criteria by which the performance of politicians and governments is assessed. The public debate, driven by mass media, can drop topics that were in the centre of attention quickly and replace them by new issues.” (Kono Steiner, 2003) Therefore, if someone tried to reduce political discussions to a strategic set of targets, he or she would generate serious problems for politicians. Such an attempt would then become senseless for political rationality.

By the very nature of the two rationalities, political decisions very often are irrational in terms of economic rationality in every democracy. This is the case in Hungary too, and can be illustrated by many examples taken from the history of the transitional period. The most convincing examples are to be found in the field of the macroeconomic stabilization and in the economic policy.

## **The collision of economic and political rationality in Hungarian economic policy**

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The first freely elected Hungarian government, the Antal government – and his rightwing coalition parties led by the Hungarian Democratic Forum (MDF) – created huge economic unbalance by the time of the 1994 election, although the economy did emerge from the post socialist recession. This unbalance was due to the so called “election budget”. In order to win votes, the government over expanded the state budget resulting in huge deficits. (See Table 1) The available economic resources, the requirements of the budget equilibrium and the balance of payments, did not support such a scale of expenditures. The generous government spending policy in the last year of the government’s terms however was not enough for the Antal government to win the election, mainly because the voters held it accountable for the sharply decreasing living standard, mass unemployment, and unstable living conditions caused by the economic transformation. The real wages and income were much below 100 percent (See Table 1) in all three pre-election years, and approximately 10 percent of the population was unemployed. This hardship could not be made forgotten by the relatively high increase in wages and income in the election year of 1994. Notwithstanding, spending measures were implemented at the expense of the equilibrium of the state budget and the current account balance (The budget deficits reached 9,4% and the current account 8,4% in 1994. This deficit appears even more considerable, if we consider that in 1990 and 1992, the budget was almost in equilibrium.).

The incoming government led by Prime Minister Gyula Horn had to announce a harsh new austerity program in March 1995, when faced with this situa-

tion in the balance of payments and the large deficit of the state budget. The Horn government was built on the coalition of two leftwing parties – Hungarian Socialist Party (MSZP) and Alliances for Free Democrats (SZDSZ). The austerity program they had to implement was just the opposite of what they promised in their election programs. The austerity package, named after the finance minister Lajos Bokros, featured, *inter alia*, cuts in public sector wages, import surcharge, and tuition fees for university students. This latter measure, just as the others, represented a drastic change in Hungary, where university studies were free of charge in the previous fifty years. For the first time, the Hungarian authorities moved aggressively to reshuffle the welfare system, proposed deep reductions in state expenditure on hospitals, maternity leave and child care benefits.

The result of the government's program was that the equilibrium position of the budget, and the Hungarian economy was saved from bankruptcy by the economic rationality. However, these sacrifices left deep marks in the political landscape. The Hungarian citizens paid a high price and the living standard sharply decreased again in 1995 and 1996. The Horn government lost its popularity, despite of its success in the economic stabilization of the country. Like its predecessor, the Government was unable to resist the temptation of creating an "election budget" during 1997 and 1998, before the new election in the spring of 1998. These pre-election years again witnessed a substantial increase in the real wages and the real income at the expense of the equilibrium of the state budget. The gesture given by increased expenditures however was not enough to capture the favors of the voters. The austerity program, called the Bokros-package, created a large number of disillusioned voters who wanted to punish the government at the polls.

The incumbent government, and with it the leftwing coalition of parties, lost the election to the coalition led by the rightwing Alliance of Young Democrats (FIDESZ). The leader of the Alliance of Young Democrats, Viktor Orbán formed the new government. The Orbán government was lucky in its first two years, because it could build its economic policy on the favorable international economic prosperity and on the relatively good macroeconomic stability, created by the previous government. That meant that in its first two and half governing years the Orbán government was able to carry out an economic policy, which was more or less rational in both economic and political terms. To please the voters, the government kept increasing the standard of living. At the same time, it decreased the state budget. However in the second part of its governing term, the Orbán government started to give more and more priority for the political rationality at the expense of the economic rationality. It initiated an expansionary economic policy, and set the growth target at a level (6, 7 % per year) that was unrealistic in view of the trends in the international economic environment, on which the Hungarian economy greatly depended.

In 2000 and 2001, the world economy, including the European Union, which is the main export market for Hungary, went into recession. Because Hungarian economic growth is export led, it depends on the economic growth of the European Union. The Orbán government economic policy should have taken into consideration that the economic growth rate of the country, like any other country of the European Union, slowed down in 2001 and 2002. Overlooking this objective relationship, the growth target was too ambitious, and the state expenditures were fixed according to the target in expectation of unrealistically high state revenues. The economically irrational growth and budget targets, however, were supported by the political rationality – the intention of getting the political support of the lobbies having special interest in the government financed projects and, of course, gaining more and more votes of the citizens in the approaching election held in 2002. This culminated in the year 2002 state budget, which was a typical “election budget”. In 2002 the forecasted values of indicators of GDP growth and general government balance could not be achieved, the growth rate was much lower (only 3,5%) and the budget deficit was much larger (it set a record: -9,4 in percent of GDP). It meant that the economy produced much less resources and distributable income than had been forecast. Nevertheless, the real wage and real income increased by a record rate (the indexes were 113.6% and 105.5% respectively, taking the previous year=100).

The Orbán government was unable to use the politically favorable situation created by the “election budget”. By a very small margin, the ruling coalition parties lost the election. The leftwing Alliances for Free Democrats (SZDSZ) and the Socialist Party (MSZP) won again, the second time since Hungary became a democracy. Because of the artificially increased living standards, and in light of the official election forecasts predicting a victory, the defeat of the Orbán government was unexpected. A plausible explanation of this defeat is the climate of fear that the ruling coalition created prior to the elections. In an effort to secure their reelection, the parties in government conducted a very aggressive campaign of removing opposition party members from positions of any importance in the public service sector and some economic sectors.

By purging the state bureaucracy and the industry/banking sector (still under the control of the government), the ruling parties destabilised the political life and put in question basic principles of democracy. This frightened both the opposition and citizens. The Orbán government was more and more perceived as a threat to democracy. Widespread corruption added to the frustration of the population, while at the same time the opposition Hungarian Socialist Party and the Alliances for Free Democrats offered an attractive alternative – promising an economy that would continue to flourish and further improve living conditions.

The election program of the opposition parties offered a political environment where political stability and social peace would be preserved and corruption would be eliminated. The voters selected this program because they felt that these par-

ties had the potential to provide large advantages with a low probability of creating unfavorable conditions. However, the program of the winning parties was also irrational in economic terms. Had it been rational, they would probably not have had any chance to win the elections. This explanation of the defeat of the ruling parties seems to be confirmed by the very small margin by which the opposition parties won the election.

**Table 1**  
Main Economic Indicators

	90x	91	92	93	94x	95	96	97	98x	99	2000	2001	2002x	2003
<b>Growth in real GDP percentage change</b>	-3,5	-11,9	-3,1	-0,6	+2,9	+1,5	+1,3	+4,6	+4,9	4,2	5,2	3,8	3,5	3,0
<b>General government balance (in percent of GDP)</b>	0,4	-2,2	-7,2	-6,6	-8,4	-6,4	-6,4	-3,0	-4,8	-5,6	-3,0	-4,7	-9,4	-5,6
<b>Current account balance (in percent of GDP)</b>	+1,0	+1,2	+0,9	-9,0	-9,4	-5,6	-3,6	-2,5	-1,7	-4,7	-5,1	-6,2	-3,4	-4,0
<b>Unemployment (percent of labour force)</b>	1,9	7,5	9,8	11,9	10,7	10,2	9,9	8,7	7,8	7,0	6,4	5,7	5,8	5,9
<b>Real wages and salaries per earner Previous year=100</b>	96,3	93,0	98,6	96,1	107,2	87,8	95,0	104,9	103,6	102,5	101,5	106,4	113,6	109,2
<b>Real income per capita Previous year=100</b>	98,2	98,3	96,5	95,2	102,6	94,6	99,4	100,9	103,6	100,8	104,3	103,6	105,5	104,5

Source: Yearbooks of Hungarian Statistical Office

x: election year

It is very interesting however what happened after the election: the Medgyessy government, more or less fulfilled the election program's promises regarding the living standard of the citizens in years 2002 and 2003. The Medgyessy government and the ruling coalition parties pursued political rationality and neglected the economic rationality. An important reason for this was the upcoming municipal elections and referendum about Hungarian membership of European Union that were to be held in 2003. Adjustment of economic policy to economic reality would have been equal to giving up election promises and implementing restrictive measures in the state budget which would have been unpopular among the voters and would have de-

creased the chance of winning the municipal election and of getting convincing support by the citizens for membership in the European Union.

In fact, this policy contributed in a very great scale to almost landslide victory of the Hungarian Socialist Party in the municipal election and it also created a political climate in which the referendum could be successful, although the participation rate was low. The lobby groups standing behind the governing parties also influenced the government to follow expansionist fiscal policy. They were found in almost every sector of the economy including agriculture, banking, different branches of industries, trade, tourist business and the success of their rent-seeking activities depends very much from the government allocated incomes and budgets. Therefore, adjusting government expenditures and different subsidies to the economic reality would have damaged the interests of these lobbies. Moving toward the economic policy required by economic rationality also was delayed by the optimistic economic forecast of the government, which hoped for a quick end to the global economic recession and a return to international prosperity which would speed up Hungarian economic growth and create sufficient additional resources to finance the ambitious budget policy. This forecast however proved to be wrong, therefore in 2002 and 2003 the new government economic policy become very similar to the one followed by the previous, defeated government.

In 2004 it became clear that the adjustment of economic policy to economic reality was inevitable. As Table 1 shows, the macroeconomic indicators worsened, economic growth slowed down, the equilibrium position of the budget and current account deteriorated and deficits were much higher than what the European Union expects as a requirement. Evaluating these data, foreign investors lost their confidence in Hungarian economic policy and as a result of that the Hungarian currency, the Forint was devaluated by the international market, and there were many speculative attacks against the Forint. The most convincing sign of the unsustainability of this economic policy was that the 2004 year state budget approved by the Hungarian parliament in December of 2003, it turned out to be unrealistic, after only a few of weeks and restrictive measures were taken in early January of 2004 in order to keep the deficit at a manageable level and to win back the confidence of the market players in the Hungarian economic policy.

The lesson learned from the experiences of the last more than ten years, confirmed by the macroeconomic indicators of this period (See Table 1) is the following:

- *In the election years of 1994, 1998 and 2002 all incumbent governments proposed an “election budget”, which was adopted because the ruling parties had the majority in the parliament.* In these years, the budget deficit achieved record highs and were accompanied by a record increase in real wages and real income and a large deficit in the current account balance. The rate of economic growth was low or slowing down – except 1998 when favorable international economic prosperity boosted exports. Living condition of the citizens improved, but this improve-

ment was mainly financed from the state budget at the expense of the equilibrium of the current account; it was therefore based not on productivity gains and the creation of additional resources and income, but on state borrowing and the increase in public debt.

- *No matter what government and parties were in charge of the economic policy, all of them followed basically the same election interest directed economic policy. This contradicted economic rationality which they later took into consideration when the worsening economic situation forced them to do so.* Alternative economic policy came into existence as an economic necessity and not by the choice of the voters made in general elections. This had two major consequences. In Hungary, democracy functioned in a restricted scale and economic policy was less efficient due to its delayed and forced adjustment to economic reality; for that reason it could not utilize many available economy opportunities and could not correct the problems and failures of the government economic decision-making on time. Therefore, the society and the economy missed a lot of chances for development and suffered avoidable economic losses.

Malfunctions of the government decision-making system (i.e. public sector) are not special Hungarian phenomena; these exist in every democracy and in every country, including the most advanced ones. Democracy and the public decision making system are far from perfect. What is special in Hungary is the seriousness of these failures and the urgent need of correcting of them by improving the existing decision making system.

## **The roots of the failures of the Hungarian political decision-making process, their specificity and seriousness**

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The specificity and the gravity of the Hungarian political decision-making system failures are rooted in the way it was created. This system is the product of the Hungarian political transformation, which was, as mentioned before, a negotiated transition. This transition was driven by the political elites of that time, in the period of 1989 – 1991. These elites faced a situation which was common in the Eastern European democratic transition. The twofold objectives of these elites was: a) to hedge against the uncertainty arising from weak voter loyalties and high electoral volatility, and b) to secure institutional arrangements maximizing their short-term political prospects. In addition, they had to take into account that the economy was about to undergo a wrenching, painful change creating serious social conflicts and tensions.

To keep conflicts under control, and to insulate political leaders from short-term political exigencies created by the drastic economic changes, an institutional setup was needed which would provide high stability, low governmental turnover, long tenure and strong party discipline.

“Bargaining over constitutional structures, party systems, and electoral rules took place amid exceptionally high uncertainty, which impinged on actor’s ability to make politically optimal choice. ... In Hungary, this negotiating dynamic yielded an institutional configuration – strong prime ministerial government, and electoral system dominated by a handful of parliamentary parties, and a state administration commanded by agencies of global regulation (mainly by IMF, World Bank) – that gave post-communist leaders a high capacity to implement austerity policies carrying heavy distribution costs.” (Bartlett, D.L.1997.)

However, the high stability, low governmental turnover, long tenure exist only for a four-year election period. The national election can change dramatically the power position and the ruling party, or coalition, can be easily replaced by the opposition. In case of a defeat in the elections, the ruling party loses both political influence and economic advantages. A lot, and perhaps all, is at stake for the party holding the power. The risk to loose the election explains why the governing parties take unpopular measures only under heavy pressure; in crisis situations or/and under strong foreign influence. In all other situations, and in order to increase their chance of reelection, governing parties not only avoid unpopular decisions, but rather compete to take popular ones.

This institutional set up created a danger of the possibility of latent authoritarianism that can result in the loss of some important advantages of the democratic governance. A well functioning democracy can develop a universalistic model of governance in which state discretionary intervention into the economy is minimal and “all contestants in the game are subject to the same impersonal rules which ensure that winning and losing depend purely on competitive prowess and not political connection” (Bartlett, D.L.1997.) However, a particularistic model of governance also can develop in which state activities favor special industries and sectors, but in the ways that advance the broad goal of market development. In the particularistic mode, underpinned by strong authoritarianism, the main danger is that it may progressively degenerate into rent-seeking. The concentration of executive authority in the prime minister’s office, that is the main characteristic of the Hungarian government, can undermine the universalistic elements of the Hungarian state by increasing its vulnerability to capture by governing parties fighting for survival and it also can create opportunities for exploitation of state resources from above. The institutional choices made in Hungary had important consequences for the government (public) decision-making system that transcended the short-term electoral strategizing of the politicians participating in negotiations of system transformation.

## The failures and problems of Hungarian political decision-making

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A referendum held in November 1989 on the method to elect the president of the Hungarian Republic. The choice was whether the President should be elected directly by the people at an early stage of the political transformation or a national parliament should be elected first, which in turn would elect the president. This last option won. Its long-term institutional consequence was that it paved the way for the establishment of a parliamentary form of government dominated by a powerful prime minister.

According to the constitution of Hungary, some legislative proposals require a two-third majority of the votes in the National Assembly. To avert a parliamentary stalemate that would imperil democratic consolidation, two of the major parties struck a bargain: the MDF agreed to the election of a prominent member, Árpád Göncz, as Hungarian president; and, in return, the SZDSZ agreed to reduce the number of constitutional subjects that required qualified majority voting. The SZDSZ also gave its consent to the introduction of the procedure of “constructive no confidence”. This parliamentary device allowed for presentation of no-confidence motion against the prime minister but not against individual ministers. This resulted in a situation, whereby the calling into account of the incumbent government entails an election for a new prime minister, a move that no opposition has ever tempted so far, due to its extremely high cost.

The institution of the “constructive no confidence” resulted in increased security for the government to keep its tenure and reinforced the prime minister’s central position. The SZDSZ in addition agreed to a number of constitutional provisions that circumscribed the authority of the president of the Republic, especially his rights to dissolve the governments, to convene the Parliament, to make executive appointments, and to control the armed forces. The main real political instrument left to the Hungarian president was his capacity to refer act of the Parliament to the Constitutional Court.

The prime-ministerial-government that emerged after 1989 in Hungary favored authoritative decision-making methods at the expense of political accountability. The president and parliamentary opposition have limited possibility to challenge the ruling party’s (coalition’s) actions while it is in office. The parties existing and competing at the time of the first parliamentary election did not have strong electoral (and organizational) basis. By no means were they mass-based movements. (Altogether, only 1 percent of Hungary’s adult population was member of political parties. – Ágh, A. 1994).

The result is that Hungary has one of the world’s most complicated election laws. Some 46 percent of parliamentary seats would be filled through elections in single-member districts, with a second vote taken if no candidate received a major-

ity in the first ballot. The remaining members of Parliament would be elected via a combination of countrywide and national party lists, following the rules of proportional representation. To reduce party fragmentation, the negotiators agreed to establish a 4 percent parliamentary threshold (later it was changed to 5 percent) as well as a complex nominating system aimed at winnowing the number of candidates running in single-member district and the number of parties able to formulate list for proportional representation district. (S. Drum and S Durst. 1994.)

The effect of these electoral rules was to fortify the central position of Hungary's largest parties at the expense of marginal ones. The institutional combination of a highly centralized party system and weak intermediary organizations, NGOs had the following consequences:

- It narrowed the sphere of representative politics to the parliamentary parties.
- It broadened the already wide gap between the political parties and society at large. The chasm between the Hungarian parties and the rank and file was a major contributor to the alarming growth of voter apathy after 1990. (Ágh, A. 1994)

These previously described features and characteristics of the Hungarian government (public) decision-making system produced by the negotiations of the transformation period have basically remained the same, until today. All the systemic problems are still embedded and carry the potential of failures, as they existed from the early formative days of this system. There is yet another concrete problem, the working of the organized interests groups. Lobbying has a substantial influence on the government decision-making in Hungary. However, lobbying in Hungary often works to the expense of whole society by gaining unjustifiable privileges, benefits, and income for some. Lobbying is characterized by rent-seeking behavior, directed to obtain benefits from favorable government decisions.

There are a number of factors in Hungary that create a relatively favorable condition for such rent-seeking activities: few parties, their elitist character, official financing and regulation of parties and the election campaign, weak and underdeveloped autonomous civil associations and NGOs, and the lack of law passed by the Parliament for regulating lobby activities. In addition the media is not able to efficiently monitor these rent-seeking activities. The lack of legal regulation and efficient media oversight control make it possible to hide real transaction, to avoid transparency. The official party and state financing of the election system create a strong incentive to collect and to accept "unofficial" funds and contributions, because officially available financial resources are insufficient for a successful election campaign. The number and character of the dominant parties can make relatively easy and "manageable" such a rent-seeking activity.

Corruption and bribery are another plague of Hungarian political life. As is the absence of a strong and independent civil society. In Hungary the civil society

is not strong enough, and therefore cannot yet play a balancing and correcting role in the society and the economy. In Hungary the civil society is deeply divided by rivalry; its organizations are competing for scarcely allocated States resources instead of cooperating with each other. The *Hungarian trade union movement is also rather weak.*

The weak civil society circumscribes the opportunities for collective action via non-electoral representation. Because of the lack efficient civil society organizations, the distributional politics have been channeled into the electoral arena, where those segments of the Hungarian society (for example, blue and white color workers, pensioners, gipsy ethnic minority of population) that are the most vulnerable to economic changes are the least well represented.

Failures and problems can be also found in the income redistribution activities of the Hungarian governments. High taxation, the missing or the delaying of reforms in the large distribution systems of social policy (health care, education), large income inequality, and relatively widespread poverty are at the root of these problems.

Furthermore, the economic transformation polarized the society. The transition period provided a lot of opportunity for eight to ten percent of the population to obtain a significant amount of private property or engage in the new structures of the private sector as direct supplier. The number of "winners" in the system change is larger, but is still not more than one third of the society. Many people being on the losing side between 1989 and 1996, were later able to improve their financial situation when economic growth restarted. However, a broader bourgeoisie did not develop. The proportion of the population living on less than the subsistence minimum went from 15% in 1991 to 35 – 40% in 1996 (Andorka., R. 1997.) A complete readjustment of income levels followed the political change. The difference between the lowest and the highest decimal class of per capita income increased from 4 to 4.5 times before 1990 to 8.4 in 2003 (Tarki). The steep growth of income in the highest 10 – 20 percent category was accompanied by the tragically steep impoverishment of the low income strata of the population (SAPRIN.2001).

Although the political transformation has liberalized the mass media, Hungarian Radio and Television is not fully independent from the ruling government and its political parties. At the same time, "engineering consent" has also become a necessary precondition for the exercise of power in Hungary. With the new democracy public relations specialists capable of swaying swing voters have arrived and all major parties employ them. Political patronage remains a problem as after every national and municipal election, the clients of the winning parties submit their claims for well-paid jobs and usually they get them. Every government has packed the state agencies with political loyalists.

Due to this practice, there is a high and costly turnover in the ranks of public servants, which undermines the continuity of senior ministerial officials. Most po-

litical appointees find themselves making decisions on issues for which they have little or no professional competence. The result is that the bureaucracy is working at a very low efficiency level and the public service is lagging behind in the application of modern public management methods and techniques. The public management reforms targeted to make more efficient and modern the public service in Hungary are only in the planning stage and they have a very long way to go before they will achieve any results.

## **How can Hungarian public decision making system be improved?**

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The analysis of the deficiencies in the Hungarian public decision making system leads to two very natural questions. How can this system be improved? What is the likelihood for this improvement to happen?

**The Spontaneous Development:** Regarding to the first question, improvement may well come from the spontaneous evolution of the Hungarian economy and the political mechanisms. No doubt, such a positive spontaneous evolution is a realistic expectation. New political institutions usually need a period to gain some experience and produce improvement. This can be true for Hungary as well. The higher income per capita can result in the strengthening of the middle class and the decreasing of income inequality.

As the market strengthens, it introduces more and more criteria favoring productivity improvement leading to increasing incomes and wages. A well-functioning market also strengthens the position of the market actors in the society. As results, these market actors (entrepreneurs, producers, industry, commerce, service providers) start having a bigger say in the political processes and become able to prevent politicians from taking such decisions that would undermine economic stability.

The general improvement of economic life also can make it easier for the politicians to “retire” without jeopardizing their well-being. Currently, many politicians lack professional skills and the wealth. Their well-being depends very much on how long they can keep their political position and influence. The reduction in the number of such politicians would mean a greater chance that political decisions will be made in the interest of the public.

**Necessary Political Actions and Reform Measures:** However, spontaneous development cannot alone provide the needed level of improvement in the Hungarian public decision making system. The failures and deficiencies, serious as they were described above, will not be eliminated or even decreased by a purely spontaneous evolution of Hungary’s social and economic life. To achieve real and lasting improvements, well-thought and well-prepared political actions are needed. The time has come to rethink the political framework set up in 1988 – 1989 by the politi-

cal elites. Since those days, when the roundtable negotiations were conducted, this framework remained the same, albeit the country itself and its internal and external situation have changed.

Today the advantages of the system in those critical times of the transformation has become a disadvantage in a country which in many respects is drastically different. It weakens the democratic process if politicians cannot be held accountable between election periods. Even in cases, when the government makes seriously wrong economic decisions causing enormous damage to the economy, it cannot be changed. In the current system, politicians are held responsible only in the case of blatant misconduct or violation of the law that cannot be concealed. There is a lack of efficient democratic mechanisms to successfully criticize the government. This system, providing immunity from responsibility for politicians during their term in government, intensifies the shortsighted nature of political behavior. The losing of election often results in criminal proceedings brought in the courts by the winning opposition. Thus, to win the election and keep power ensuring immunity, politicians in government are inclined to promise almost everything and postpone the implementation of all the measures that could make them unpopular.

**Reform Measures:** It is easy to draw up the list of those domains where improvement is most urgently needed. Likewise the content and direction of the required changes are not difficult to identify. What is difficult is to judge the required speed and depth of these changes and their impacts on the Hungarian society and economy.

There is a need for the changing of the election and voting system and electoral laws in the following ways:

- decrease of the number of parliamentary seats;
- increase the percentage of the parliamentary seats filled through elections in single-member districts;
- the remaining members of Parliament elected only via national lists; countywide party lists would be ceased;
- reduce the 5 percent parliamentary threshold.

These changes would result in more direct relationship between elected law-makers and citizens and give more chance for smaller parties to get into the Parliament. This would ease the estrangement of the elected representatives from the electorate, the system would become less biased toward a handful of big parties, and the representative dimension of the electoral system would strengthen.

Moreover, it would be rational to modify the voting rules on constitutional amendments. In the current system, any change to the constitution requires a two-thirds majority in the Parliament. The same qualified majority rule applies to the “no-confidence motion” against the Prime Minister. The adoption of the budget and the basic tax law, in particular as regards corporate tax and personal income

tax, should require two-third majority vote in the Parliament. This would create more discipline for keeping the state budget in an economically acceptable position and would give a greater guarantee against the violation of the equilibrium requirements of the economy.

The prime minister should become more accountable. One way to do this is too make it easier to present no-confidence motions against him or her. The proposed changes of the voting system would give voters more control over the members of the parliament (MPs). The number of MP elected in single-member districts would increase and, with this, their weight in the Parliament. MPs would become more sensitive to policy issues important to their constituencies. If the parliamentary threshold is reduced, the political influence of smaller parties would increase. All these changes together would upgrade the no-confidence motion into a real political tool for exercising control over the executive. In such a situation, even those MPs who belong to the ruling party of prime minister might support a no-confidence motion, because, having been directly elected, they would be more accountable to their voters, and have greater freedom vis-à-vis their party.

In addition, the president of the Hungary should have the power to present no-confidence motion if he or she judges that the political and economic situation has deteriorated as a consequence of the policy of the prime minister. In Hungary, presidential power is weak. The constitution gives no authority for the president to dissolve the government, convene the Parliament, make executive appointments, or control the armed forces. The main political instrument left to the president is his capacity to refer acts of Parliament to the Constitutional Court. This right was very often used during the last fourteen years. The presentation of no-confidence motion would be the President's second control instrument.

Changing the term of the President and the way he or she is elected would have a positive influence on the president's position in the public decision-making process. Under the current system, the Parliament elects the President for a five-year term. If the president would be directly elected, he or she would be backed by wider public support. If, in addition, the presidential term would run longer, e.g. for six years, the President might look at policy issues in a more nonpartisan way.

National and municipal election need better timing. Currently municipal elections were held shortly after the national election. Because there is a relatively short time period between the two elections, citizens do not have enough time to judge the effectiveness of the winning parity or coalition. If the municipal election would be held half way between the national elections, the two years elapsed would be sufficient for the citizens to evaluate the performance of the government and they would be able to give strong signals at the municipal election inducing the government to make corrections.

The "separation of powers" and the strengthening of the "checks and balances" should be taken more seriously in Hungary. In fact, the required institutions are

already there. The Constitutional Court, the independent office of the Chief Public Prosecutor, the National Judicial Council supervising the courts and separated from the Ministry of Justice, the independent National Bank, the Audit Office, and the institution of Ombudsman should in principle provide sufficient control mechanisms. These institutions are all attached to and controlled by the Parliament. Due to the weakness of the direct legislative control over the executive power, the Parliament controls the government mostly through these institutions.

If the system of institutional checks and balances would work properly, it would very well counterbalance governments' actions. All governments in office considered the institutional limitations on their power an obstacle to govern and try to get rid of them. Successive governments invariably make efforts to influence these institutions, often with success, by appointing leaders of their choice and by replacing those leaders whose activities were deemed to be damaging the government interests. Preserving the independence of these institutions from government's intervention is one of the key requirements of improving of the public decision-making in Hungary. In this respect, the Constitutional Court has a pivotal role, because according to the Hungarian Constitution, it can veto and annul any decision of the government (or the Parliament), if it violates the Constitution.

Because of the weakness and asymmetrical development of civil society, and its insufficient institutional and organizational density, it is imperative to ensure its proper representation in the public decision-making. Citizens should be much more involved in the policy-making processes. The means to achieve this goal are the following:

- Enacting proper and comprehensive regulation on the missions, organization and financing of civil society associations; ensuring their transparency; and simplifying their establishment;
- Increasing the public financing of civil associations so as to provide them with a solid and stable economic base for their functioning;
- Extending the operation of civil society organizations not only into the fields of general policy making, but also on the fields of education, health care and social services, where their role today is very limited in comparison with the developed democracies;
- Establishing an efficient coordination mechanism for representing the interests of the civil society to increase their bargaining power, to render their voice stronger and more united in the political decision making processes.

The Parliament should pass a law on lobby activities setting a proper legal framework, creating transparency and accountability and drawing a clear line between lobbying and corruption. Despite the many calls coming from the wider public for passing such a law the Parliament so far has failed to do so, not least because some powerful lobby groups and parties have a vested interest to keep the current

non-transparent system intact. This situation however further strengthens our argument, that the successful fight against corruption urgently needs this law.

Another way to improve the political decision making process is to make the Parliament a two-chamber assembly. The second chamber would provide a forum for those social groups whose interests cannot be efficiently represented by parliamentary parties. By using this forum they would have stronger voice in policy matters relating to their justifiable interests. Such groups would be people working in specific professions, crafts and arts, scientific research, engineering, education, fine and applied arts. They could represent in the Parliament trade unions, employee associations, ethnic and national minorities, churches and religions, and other civil associations. The first chamber would remain the major legislative body, but members of the second chamber would have to be consulted and could veto those proposed legislative measures that have a major impact on their interests. The second chamber should have the enough power to provide an efficient counter-balance against the dominance of big parties in the policymaking. They would have the role to initiate, facilitate and carry out a wide public debate on legislative proposals; and, via this consultative process the second chamber, would influence the legislative processes of the Parliament's first chamber.

The civil service and public bureaucracy have to become more efficient and accountable. This would require a more rigorous implementation of the existing law on Civil Service New public management reform. New public management (NPM) methods and structures should be developed and implemented to improve public administration. process within public administration. Political party funding should be reformed as well. It should be less exposed to corruption. It should give additional support for the smaller parties so they could effectively compete with the big parties.

There is a clear need in Hungary to increase the objectivity and independence of public broadcasting and the media. Sufficient state financing is also required to strengthen professionalism of the media and to ensure the necessary resources for investigative journalism guaranteeing adequate information for citizens.

After outlining the main reform measures, we should turn to question of the required space and scale of changes.

**Scenarios of Reform Implementation:** The reform measures described earlier necessitate amendments to the Constitution or new legislation, thus the support of the big parties is needed to attain the two-third-majority threshold in the Parliament. The big parties are the main beneficiaries of the present system; therefore they will likely oppose such changes, or at least be very reluctant to support them. This can be seen as the main obstacles to the reform. However, the great majority of the citizens are in favor of such changes.

There are two external factors that can positively contribute to these changes.

- The first factor is the membership of Hungary in the European Union (EU). EU membership requires full structural adjustment to its institutional structure, which is more efficient than the Hungarian one.
- The second is globalization. The requirements set by globalization were clearly formulated by the World Bank report giving a blueprint for “rethinking government” (World Development Report 1999/2000). This report above all emphasizes the developmental role of the state. It affirms that “governments play a vital role in development”. The Report notes that “new institutional responses are needed in a globalizing and localizing world. Globalization requires national governments to seek agreements with partners – other national governments, international organizations, nongovernmental organizations (NGOs), and multinational corporations – through supranational institutions. Localization requires national governments to reach agreements with regions and cities through subnational institutions on issues such as sharing responsibility for raising revenues.” Thus, institutions matter in this new global philosophy, since “Outcomes of policies based on consensual, participatory, and transparent processes are more easily sustained. Institutions of good governance that embody such processes are critical for development and should encompass partnerships among all elements of civil society.” (Development Report (1999/2000)). Due to globalization we are witnessing a strengthening of democratic values. Demand for greater political participation (e.g. through referenda and call for greater accountability of politicians to the constituents) is being made heard increasingly. The formation of new interests groups and social movements continues apace. Women’s movement, environment groups, ethno-cultural and older age groups are among the new and revitalized group seeking to influence public policy (Hoós, J. 2000).

## **Conclusions**

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All in all, an assessment of negative and positive factors lead us to the conclusion that improvement of the Hungarian public decision system can be expected, but this can only happen on the long run. In the short run, the vested interests of the big parties will hinder any quick and thorough reform measures. It should also be considered, that governments to some degree will always face failures. It is in the very nature of democracy, that public decision making systems can never be perfect because of the inevitable primacy of political rationality over economic rationality. Whenever a decision should be taken on economic rationality versus political rationality in a democracy the latter will necessarily prevail. This does not mean, however, that we should accept these failures. If the failures of the decision-making system become serious and overwhelming they will erode the healthiness of the social economic development. If they are minimized, a significantly better environment can be cre-

ated for the development of the entire society. This is what Hungary can and should do: to minimize the deficiencies of the public decision-making system.

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## Can Bad Executive Institutions Make Good Policy? Russian Government Under Yeltsin and Putin

*Pat Gray*<sup>1</sup>

The capacity of Russian government for 'strategic orientation' (in the form of explicit plans, co-ordinated legislation, and the prudent and focussed management of public finances) declined dramatically during the transition from communism, reaching its nadir in the final years of the Yeltsin presidency. However, under Putin, observers have begun to note a marked improvement; Putin's legislative record is extensive, co-ordinated, and has clear policy goals, and it is related to a written programme elaborated at the start of his term of office<sup>2</sup>. Macroeconomic policy has facilitated economic stabilisation since the crash of 1998. The contrast between Yeltsin and Putin in terms of their 'strategic orientation' could not be more marked. However, how much of this is due to changes in the institutions of the 'core executive' under Putin, and how much is due to other factors? How far can 'strategic orientation' really be seen as a function of institutions and the incentives they give to actors<sup>3</sup>?

This paper will argue that Putin has until recently made very little change to the institutional arrangements of executive power in Russia— a system considered by many to have serious shortcomings. The interesting puzzle therefore is to explain how strategic orientation can occur within such a 'defective' system. Two explanations for this result are possible: either our understanding of which features (if any) of core executive institutions lead to 'strategic orientation' have to date been

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2 Though Putin presented himself to the electorate eschewing formal policy statements as a political strategy, German Gref's 'Programma sotsialno-ekonomukheckovo razvitia rossisskoi federatsi' from the Centre for Strategic Development provided the policy framework for much of the subsequent legislation enacted by his administration.

3 This paper deliberately focuses on central executive institutions in the period up until the formation of Putin's second administration in May, 2004, which saw widespread changes introduced. The paper concentrates on 'strategic capacity' rather narrowly defined as coherent programme + legislative enactment. It therefore does not address the resource allocation system of the core executive, where there have been major efforts for reform, nor does it consider the equally important area of central-local relations.

misguided, or factors other than the institutions of executive power may enhance strategic orientation. In this latter case, these other factors may allow weaknesses in executive institutions to be 'over-ridden.'

## Overall approach

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The relationship between specific 'core executive' institutions<sup>4</sup> and policy performance may be of crucial importance in designing future 'governance' reforms (see eg World Bank 2000, Grishankar, 2001, Blondel and Manning, 2002, Knack, Kugler and Manning, 2003) Effective executive institutions should create the conditions for macro-economic stabilisation and be designed in such a way that trade-offs between policies in different sectors are identified, and that ministers are held to account for the policies they pursue. A clear framework of accountable decision taking will mean that civil servants in turn will then know what is expected of them, and that what has been agreed is likely to be adequately resourced. (Girishankar, 2001).

A number of fundamental claims can be made about institutions which will achieve these outcomes: 1) that whatever the specifics of a particular executive institution, the players must play (ie there must be incentives to participate) 2) the rules of the game must be credible and enforceable 3) there must be a realistic prospect of agreement (Manning et al, 1999) 'Ideal' executive arrangements may include: procedures to mediate disputes between ministers and provide advice and intelligence and the efficient scheduling of business: longevity in office sufficient to enable the recruitment and retention of experienced ministers: a number of ministries neither too large nor too small: a cohesive executive: and a limited number of independent veto points outside the executive (eg legislative, legal).

This paper seeks to outline the basic features of 'core executive' institutions under Yeltsin and Putin, highlighting the continuities in the system which include the absence of strong institutional incentives to 'play the game,' the shortcomings in credibility and enforceability of decisions, and the poor likelihood of reaching binding agreements. The paper will then highlight factors outside the range of the 'institutional incentive' paradigm that may explain improved performance under Putin, despite these institutional shortcomings. Strategic orientation we will suggest has emerged as a result of a new *regime* under Putin, a regime which transcends and incorporates executive institutions.

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4 By the 'core executive,' we mean 'all the organisations and procedures which which co-ordinate central government policies and act as final arbiters of conflict between different parts of the government machine' (Rhodes and Dunleavy 1995 p12). In Russia these include the President and Presidential Administration, the senior civil servants in the ministries, the Prime Minister and the members of the government.

## **Semi-Presidentialism and executive power**

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The formal powers of the Russian President under the 1993 constitution include the right to nominate the Prime Minister (PM) and government (the latter after 'consultation' with the PM), and to appoint to other key posts such as the head of the Security Council and the commander of the armed forces. The President's choice for Prime Minister must however be ratified by the Duma, and the Duma may also dismiss the government through a motion of no confidence (or provoke an election if the President chooses instead to dissolve the Duma). The President may veto legislation passed by the Duma and impose states of emergency.

'The defining feature of president-parliamentarism is that both president and assembly can dismiss the government, and given their separate electoral origins, these two branches may differ in their preferences regarding the government.' (Morgan-Jones and Schleiter, 2004). The system provides some other checks in the form of a supreme court which may declare Presidential acts unconstitutional, and in the powers of the Duma, which may propose legislation, and veto presidential decrees if it is able to muster a 2/3 majority.

The institutional arrangements of semi-Presidential systems are sometimes held to have a number of inherent weaknesses, including persistent and unresolvable conflict between executive and legislature when both sides disagree (Shugart, 1996), or the monopolisation of power and the exclusion of legislative influence (Huskey, 2004, Shevtsova, 2004). Other writers conclude that semi-presidential constitutions can take a number of forms, depending on the alignment of political forces at particular times; ranging from 'almost Parliamentary' at one end of a spectrum through to 'Super-Presidential' at the other (Paloheimo, 2003, Siaroff, 2003). In the latter circumstances, the success or failure of the system depends in large part on the person of the President. Where the President is disabled through illness (Yeltsin in the later period), the constitution provides few checks or alternative sources of decision. This inherent institutional flexibility in semi-presidentialism may make it difficult to provide an account based on the qualities of one institutional system. Rather, semi-presidentialism may be seen as providing a range of possibilities for different institutional configurations, which actors may choose at different times under different circumstances – each of which may have different capacities for 'strategic orientation.'

The Presidency in Russia remains responsible for foreign policy, defence, home affairs and security, and the government responsible for the social sphere and the economy. However, despite this formal separation – 'The structure, personnel and internal dynamics of the Presidency may have a decisive effect on the use and distribution of power throughout the political system' (Huskey, 1999 p 43)

The key roles inside the Kremlin include the head of the President's administration (*rukovoditel administratsi*), the members of the Security Council, the pres-

idential assistants (8 pomoshniki) and advisers (sovetniki). However, the formal significance of particular posts in making and co-ordinating policy varies greatly, depending on the post-holder, the circumstances of the time and the incumbent President. Important units for co-ordination in the Kremlin include the chancellery, the state legal administration, and the control commission. These control the flow of papers to the Presidency, the drafting of legislation and decrees, and the monitoring of programmes respectively. Each is formally under the management of the head of the President's administration.

The key feature of the Russian executive system however lies not in specific posts and their responsibilities and inter-relationships. Rather it lies in the high degree of 'path dependence,' and the characteristics of the preceding system<sup>5</sup>. Under communism, the system was highly centralised, with the communist party overseeing every branch of government, but also highly sectoral, with key sectors of the economy having a powerful voice in decision making. Accountability was mainly upwards to superiors. Within such a system the role of the civil service was not 'public service,' but 'state service' (Konig, 1992, Fortescue, 1997, Verheijen, 1999).

Despite the chaos of the early period of transition, many features of the old system may be discerned in the new – perhaps more than in other CEE countries, and certainly more than the reformers themselves might have expected. The Presidential Administration retains many of the institutional structures and functions of the old communist party, but has lost three of the four main pillars which supported communist hegemony; the power to purge, to control ideology, and to indoctrinate (Huskey, 2004).

The party under communism played an important role as initiator of change, and liked to represent itself as cutting through red tape and bureaucracy – a tradition which has been maintained in the rhetoric of the Presidency under Gorbachev, Yeltsin and Putin. As a consequence, a considerable degree of overlap and duplication of the functions of ministries and Presidential administration remains, with the appointment of deputies by the Kremlin in ministries providing a powerful vehicle for oversight much as party secretaries did under communism. The extensive decree powers of the President may also be seen as an expression of historical continuity – the 'bold stroke of the pen' which clarifies, and over-rules government in the wider public interest<sup>6</sup>.

The Russian system tends therefore to be dominated by a Presidential administration, which so far appears to lack stable and formal methods for resolv-

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5 Russia is certainly one of those countries in which historical legacies have had far greater influence on executive formation than party systems or the lure of the 'European model' – see Brusis (2004)

6 As Protsyk (2004) shows, on average the Russian President signs up to 500 decrees annually, of which 300 relate directly to the appointments and dismissals of staff, with the remainder covering a wide range of policy issues affecting polity, economy and society.

ing disputes, and reconciling conflicting priorities, beyond hierarchical processes of personal rule. The Russian cabinet has tended not to function as an instrument of collective rule—co-ordination on contentious issues being achieved through bilateral meetings, often informed by ad hoc inputs of ‘expert’ advice.<sup>7</sup> These can sometimes involve lengthy stalemates, or the production of brokered compromises which express unclear policy preferences. Indeed, public disagreements within the Presidential administration, between ministers, and between Prime Minister and President have been relatively frequent, so much so that it may even be possible at times to conceive of the Presidency and cabinet as a proxy parliament – fulfilling representational as well as executive functions<sup>8</sup>.

In terms of meeting the fundamental preconditions for executive rule, the current constitutional arrangements in Russia seem to be inadequate<sup>9</sup>. Firstly, at the level of providing *incentives to participate* in the game, the complex and overlapping jurisdictions of Presidential administration and ministries reduces the predictability of outcomes for ministers engaging in the ‘game.’ Alternative games are also being played on the same pitch – including a ‘business’ game (involving external sources of income), a local client game (involving selective benefits for local bosses to ensure compliance) and a ‘court intrigue’ game (involving scheming for personal advancement). These alternative games also provide strong incentives which are not compatible with effective strategic policymaking – ministers and officials in the Kremlin will certainly compete to participate in these games, but not to participate in the game that ought to be played.

In terms of the second criteria, that the *rules of the game are credible and enforceable*, the incentive system works very differently for Presidents and for ministers. Whilst ministers can be dismissed by both President and Parliament, Presidents can in reality only be dismissed by the electorate. Ministerial incentives therefore tend to lie in pleasing a strong President. The accountability that should apply to restrict diversion of players into other games is also absent for staff of the Presidential administration; unless a President begins to fear that the actions of members of his staff threaten re-election, there is little incentive to dismiss. The political cost of holding on to a disgraced minister in the face of Duma opposition may be greater. The comparative de-institutionalisation of the Russian Presidential administration, and its tendency to act as a parallel government capable of providing selective opt-outs and privileges also militates against the enforcement of rules. The incentive

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7 Russia lags behind other CEE countries in developing ‘cabinet’ style working: Poland and Hungary for example both have party political cabinets with clear programmes, supported by a career civil service and effective control of public finance

8 In the last year alone, Putin has blamed his prime minister in public for the failure of welfare reforms, fallen out with his economic adviser over changes in Ukraine, and market liberals in the cabinet have come under sustained attack from their ministerial rivals.

9 This is a preliminary attempt at analysis and I would welcome any corrections of fact or interpretation

structures alter as the President's term of office reaches its end, in which case the incentives for ministers shift to those related to either pushing themselves forward as successors or attaching themselves to those individuals likely to be successors. In terms of the third criteria, the *possibility for agreement*, the absence of formal coordinating mechanisms certainly reduces the chances of agreement, as do the profound political cleavages in Russian society, the very weak and clientelistic nature of Russian parties, and the gravity of many of the issues 'up for decision.'

## **Clans and factions as elements of executive rule**

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One important difficulty in understanding post-communist executives has been in assigning significance to informal, and extra-constitutional relationships. All writers agree that these relationships are extremely important. The Russian executive may be seen as occupied by competing 'clans,' whose influence transcends executive institutions through chains of patronage which may reach into administration, legislature, judiciary and beyond into the regions. Whilst key issues in the constitutional pattern may be the relationships between Presidents, Prime Ministers and the Duma, and between Ministers and each of these, key issues in the informal domain include the cohesiveness of members of this executive elite, the interests they represent, and the resources they deploy outside their formal position or rank within the government.

The informal politics of the Yeltsin Presidency was one in which rival factions, representing differing constituencies competed for power in a brutal, de-institutionalised struggle which sometimes erupted in actual violence, or in wider appeals for public support through the various organs of the media attached to particular factions. The informal political map of the Kremlin immediately prior to Putin's rise was dominated by what became known as the Yeltsin 'Family' – Dyachenko, Yumashev, Voloshin – family members and those whose business interests and personal loyalties were so closely intertwined with those of the President as to make them appear almost related. At any rate, members of the 'family' were motivated almost entirely by a desire to protect their own sizeable gains from privatisation, and the power derived from the patronage associated with these.

The other main group, the so-called 'siloviki' or 'powerful' occupied the main ministries within the President's area of authority (Defence, Justice, Interior, the FSB) and were therefore predisposed to defend the interests of these ministries, and the competing vision of a strong, authoritarian state. The Kremlin however was also home to various liberal reformers, ranging from advocates of radical market reform, to more measured technocratic modernisers, such as German Gref, the Minister for Economic Development.

The essential feature of the Putin Presidency in its early period was therefore to be its 'Tsarist style intrigues and succession, elements of soviet style loyalty, new

age utilitarianism and pragmatism – all (which) would become an impetus for mutually exclusive trends and possibilities’ (Shevtsova, 2003 p76). The puzzle therefore becomes to explain how from such a basis of formal and informal weakness, the new President was able to successfully mount a systematic legislative programme of ‘state building.’

### **‘Strategic orientation’ under Putin**

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Putin’s main strategic achievements lie in the design and enactment of his legislative programme, which in turn reflects in detail many of the elements of the strategic plan prepared by German Gref while working at Putin’s election HQ, and some additional elements which reflect the political and tactical vision of the leader. These include:

1. The weakening of the upper chamber Federation Council and removal of the regional governors (2000). New powers to nominate and dismiss regional governors (2004).
2. The creation of 7 federal ‘Okrugs’ to ensure compliance with federal laws in each of Russia’s regions (2000).
3. The ‘revolutionary budget’ of 2001, which established principles for the division of tax income between federal regions.
4. Tax reform establishing a basic flat rate 13% income tax.
5. Deregulation measures to clarify and standardize government inspection of businesses.
6. Legislation on bankruptcy, banking and money laundering.
7. Judicial reform.
8. New laws regulating political parties (July 2001), creating a threshold of 5% for party list representation in the Duma, and requiring 10,000 signatories for recognition. All deputies to be elected by party list – previously 50% of seats were reserved for individual constituency members (Summer, 2004).
9. Following the 2004 election, a complete re-organisation of the central executive which reduced the number of central ministries from 24 to 15, reduced the number of deputy ministers, and devolved some functions to semi-autonomous ‘agencies’.

Despite a number of setbacks and delays (in military reform, banking regulation, civil service reform, Pension reform), the legislative record of President Putin already seems impressive, in terms of the breadth of its ambition and comprehensiveness.

## Explaining strategic orientation under Putin

Where, then, has Russia's improved strategic orientation come from? Although Putin appears to have firm control of the Duma in a way which Yeltsin did not, these changes cannot alone explain improved strategic orientation. The table below seeks to briefly summarise changes between Yeltsin and Putin. What has altered has been the way in which the 'game' has been played by the President, and 'strategic orientation' is thus a function not of the institutions alone, but of institutions which create an opportunity structure for executive leadership.

**Table 1**

<b>Yeltsin</b>	<b>Putin</b>
Duma opposition (veto point)	Control of Duma
Frequent dismissals of government/PM	Ministerial and governmental tenure lengthened
Leader as monarch with supplicants	Leader as ruthless manager of change
Macroeconomic policy not controlled until 1999	Macroeconomic policy controlled

Improvements in 'strategic orientation' may also be attributed to macro-level 'regime' building by the new Presidency, including the mobilisation of support and demobilisation and incorporation of opposition in the Duma, the discovery of new sources of patronage and political credit in the war against selected oligarchs and the extension of 'vertical' power to the regions, the conscious manipulation of the media and electoral process, and the development of a clear 'national developmentalist' vision which has strong electoral appeal to both modernisers and traditionalists amongst the Russian public.

The 'regime' perspective enables us to encapsulate the clear differences between Yeltsin and Putin in a way which concentration on formal institutions does not.<sup>10</sup> The key elements of a 'regime' include:

- a socio-economic support coalition that commands the majority of relevant resources
- a capacity to define and press the central issues in the polity
- a capacity to reward supporters and maintain the growth to do so (Pempel 1990).

<sup>10</sup> A 'Regime' involves something more than the government of the day, but something less than a particular constitutional order. A regime is a 'sustained fusion among the institutions of the state, particular segments of the socio-economic order, and a particular bias in public policy orientation' (Woo-Cummings p157) While governments may come and go (the players), and formal institutions remain fixed (the game), regimes, or non-formal 'rules of the game' lie in between. As such 'regimes are based on the interactions of specific social sectors and key state institutions. ... around commonly accepted principles for organising the nation's political economy and public policy' (p. 158)

The Yeltsin period cannot be considered a regime: it did not have a basis of socio-economic support which commanded the majority of relevant resources. Crucially, Yeltsin lacked the capacity to define and press the central issues. The crisis of 1998 removed his capacity to reward supporters and discredited his claims that reform led to growth. The Putin presidency however has many of the characteristics of a regime; it is electorally dominant, has a distinctive agenda, and has so far managed to maintain sufficient growth to keep its disparate coalition of supporters in place.

Other factors, both exogenous and endogenous have aided the emergence of this regime. These include the disastrous crisis of 1998 which focussed the minds of reformers on the need for a new 'national plan', the historical legacies of communist rule which may have enabled the administration of a complex legislative programme into law, and the dominance of a new, if unstable, coalition in the Kremlin between the 'siloviki' and the 'technocrats', and against oligarchs such as Khodorkovsky who choose to stand outside the umbrella of the party of power.

More generally the case shows that good institutions within the core executive are not always necessary for strategic orientation or good performance<sup>11</sup>. Under the specific conditions which we have identified even south-American style 'desarrolista' regimes<sup>12</sup> can be effective. The challenge for further research is therefore to understand which features of these regimes, and which other conditions are necessary in order to secure continued performance, and to explore their risks and limitations.

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11 In terms of policy outcomes the Putin regime has achieved impressive levels of GDP growth and poverty reduction, though the benefits of this have not been evenly spread. (World Bank, 2005)

12 Such regimes have four features: appointive bureaucracy, politicised capitalism, explicit developmental goals (often expressed in nationalist terms) and a politics founded on exclusion. The picture fits Russia perfectly – see Schneider, B.R. 'The desarrolista state in Brazil and Mexico' in Woo-Cummings, M 'The Developmental State'

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# Involving Parliament in EU Affairs: The New Member States and the Danish Model

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## Introduction

As national law-making is becoming more and more intertwined with European law making in the members states of the European Union (EU), issues of efficiency and legitimacy of the European part of national policy making are becoming more and more important. Legislative activity in the areas where the EU has competences has increased in recent years with the increases in the scope of EU policies and is nowadays a substantial part of domestic legislative activity. How substantial this part exactly is, is still unclear. While some have argued that up to 80 percent of economic regulations now come from Brussels, studies which have attempted to quantify the EU's impact on legislative output have come up with a figure of 20 percent for both Germany and Austria (Töller, 1995, cited in Jenny and Müller, 2005; Jenny and Müller, 2005). Dutch researchers Bovens and Yesilkagit (2004, 16) find that of all the national binding rules in force on 31 July 2003, 25 % originated in Brussels. A comparable study for Denmark yielded the lower number of 9.6 percent (Blom-Hansen and Christensen, 2004, cited in Bovens and Yesilkagit, 2004).

Even if 'only' about 20 percent of domestic legislation originates as a result of the transposition of EU directives, the impact of catching up with the *acquis* in the new member states means this figure is in all probability greater. Furthermore, the founding treaties and directly binding instruments such as regulations also impact on the national legal order and on member states' economies and societies. This development poses a number of questions regarding the readiness of national constitutional and institutional arrangements in the EU member states to cope with a multi level system of governance. Preparing and passing legislation as if all of it

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originates with domestic parliaments is no longer a sound strategy for democracies which aim to preserve their representation and accountability arrangements. A whole range of problems related to democratic legitimacy arise and become more pressing: from a lack of realization that national parliaments are not full legislators when it comes to the transposition of directives. This contributes to the increasing gap between citizens and elites, the former unaware of the extent to which politicians are unable to respond to their aggregated preferences when EU level bargaining overrides domestic politics.

This article will address only one aspect of this complex puzzle of Europeanization, namely, the changing arrangements for the preparation and passing of EU legislation as part of the national legislative cycle. What role have domestic parliaments in the new member states acquired in relation to the EU decision making process? What models can be useful in trying to find the best institutional arrangements for the new democracies? How can the optimal balance be achieved between legislative efficiency and democracy in determining national parliaments' role in the EU policy making? In order to address some of these important normative questions for the new EU states, we shall look at the case of Denmark, an EU member state that has been held up as a model for democratic accountability in EU decision making – especially because of the role the Danish Parliament, the *Folketing*, plays in the EU decision making process.

## **The role of the legislature in EU policy making in the new member states**

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The last EU enlargement has fascinated social scientists with the multiple processes of transformation and adaptation it set into motion. Central and Eastern European (CEE) countries have made an impressive achievement in adapting to the EU, involving the adoption of the often-cited 80,000 pages of *acquis* legislation, under high pressures of conditionality. In the mid-1990s, candidate states preparing to start negotiations with the EU were driven to create new and more effective coordination systems for EU policy making, coordination systems which had to deal with complex and extensive negotiations. As the eight new member states from CEE entered the Union, these systems underwent further adjustment, seeking to secure the administrative capacity needed to take part in the EU policy process in all of its multiple arenas.

This process of high pressure adaptation necessitated the design and institutionalization of rather effective machinery for dealing with the EU's requirements. These systems had two important characteristics. First, already at the negotiations stage, it seemed that the only option for the candidates was to create executive-centered EU coordination systems, given the pressure of negotiations and the unprecedented adaptation requirements for the states acceding in the last enlargement and

Bulgaria and Romania.<sup>3</sup> The executive centered perspective has also been promoted by the European Commission and other international donors (such as the World Bank) as the only way to achieve decision making efficient enough to fulfill the enormous task of EU preparation. A more substantial role for parliaments was seen by advisors to potentially lead to a deadlocked system of preparing European level decision making. Politicians from the CEE states have also expressed doubts that empowering parliaments in EU decision making will work for CEE conditions. In the words of Slovak Deputy Prime Minister Pal Csaky [involving parliament fully] 'is a system that slows down the function of the whole system' (Balogová, 2004). Whether or not this is indeed the case, will be discussed later in this article, but the question why it may be important to consider increased parliamentary involvement should be addressed first. All in all, several authors have suggested that the enlargement process has resulted in an increase of the overall dominance of the executive (Grabbe, 2001, Dimitrova, 2004). To remind the reader of crucial aspects of executive dominance, the preparation of negotiating positions, a central part of the negotiations determining future outcomes, was in the hands of working groups in ministries, negotiation themselves were a matter for the executives.

A second crucial consequence of the huge adaptation challenge was that national parliaments did not have a chance to reject or even debate a great number of the laws they were passing. Driven by a remarkable sense of mobilization, they have functioned like more or less well-oiled machines for adopting EU legislation, which was not up for discussion. To deal with the sheer volume of legislation, many of the accession states created shortened procedures for the adoption of *acquis* related legislation. Fast track adoption procedures were used in Bulgaria, the Czech Republic, Slovenia and Romania (Malová and Haughton, 2002:111-112). This has been a success for efficiency in the sense of passing a large number of laws in a relatively short period 1998 – 2004. At the same time, this strategy created 'the risk of reducing parliaments to little more than rubber stamps', undermining their institutionalization and weakening their legitimacy (Malová and Haughton, 2002:112).

At present, however, the roles of the executive and parliament in CEE countries are open to change again. Now that CEE states are 'in', national machineries dealing with EU policies are being adjusted. The current situation presents the new member states with several opportunities and threats with which they must deal. First, on the positive side, the CEE member states can finally have a say in shaping legislation. Also, on the side of 'taking' EU policies, there is no more role for conditionality, and 'normal' mechanisms and procedures can be used for transposition, application, and enforcement of EU law. There is no reason why rubber-stamping EU proposals has to continue, especially given the less-than flattering transposition records of some 'old' member states.

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3 On the characteristics of enlargement governance and the importance of conditionality, see Grabbe (2001); Dimitrova (2001) and the contributions to Schimmelfennig and Sedelmeier, (2005).

Alongside these opportunities, the newcomers also face various threats. First, even though the absence of conditionality may offer some leeway for the new member states in implementation, there is also the risk of falling back. As speedy transposition is an issue of high prominence on the agenda of the European Commission, the Court of Justice, and increasingly the Council of Ministers, the CEE member states are well-advised to maintain their generally good performance.

Second, and most importantly, their relative efficiency in adoption of the *acquis* may present a new challenge to democracy that could not be resolved by post communist political elites which have already found themselves in a tight place between international organizations' demands and a public weary of reform.<sup>4</sup> Alongside the potential weakening of the institutionalization of committees mentioned by Malová and Haughton, (2002:112), the legislative marathon in the run up to accession has also used up the resources of political parties. Political parties have been directing their resources towards becoming the best at achieving the universally shared and popular goal of accession: a quest that included mobilizing party members with enough knowledge of the EU and finding resources and capacity to keep the negotiations machine going at full speed.

Last but not least, the institutional imbalance and weakening the input of domestic politics into regulation in the domestic arena is far from over with accession. In all EU member states, the abovementioned increase in the volume of legislation which does not originate with national legislatures points towards a tendency of erosion of crucial aspects of good democracy such as accountability and transparency. It has been by now widely accepted that national parliaments have lost in importance as a result of the evolution of the EU system of decision making (Maurer, 2005). A partial remedy for this problem has emerged from the constitutional convention and the Constitution for Europe, yet whether it will lead to the substantial improvement in the role of national parliaments depends on the fate of the Constitution itself.<sup>5</sup> Independently of this development, though, we have to ask how the position of parliaments in CEE member states vis-à-vis EU decision making has changed as the pressing need to catch up with legislation made in the EU is no longer that pressing? What will political elites, and especially parliaments in the new member states, do with EU decision-making, now that they are part of the multi-level legislative system of the EU?

All in all, it is time to reconsider the systems for EU-coordination that have been put into place in the new member states. The question is, to what extent these

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4 The aptly named inflexibility trap (Krastev, 2001), referred to the limited room for manoeuvre of reform elites, stuck between their promises to the electorate for less painful economic reforms and improved quality of life and the demands of international donors crucial for the support of the transforming economies.

5 The content of the changes envisages a role of national parliaments in testing proposed legislation based on the subsidiarity principle, yet whether this will empower parliaments to really debate and influence EU policy making is not clear for us.

are geared towards the current opportunities and threats, or, more specifically, to what extent national parliaments should have discretion over EU related policy-making in the post-accession stage. Are parliaments to be mostly informed about policy positions to be submitted to the Council of Ministers or should they be involved more seriously in debate at the pre-negotiations stage when they can make a real difference to the negotiating position of their country?

## **Existing arrangements for participation of national parliaments in EU policy making**

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One year after enlargement, the question of how the formal rules for parliamentary involvement will be put to use and become institutionalized in the new member states is still an open one. This is due to the fact that legislative arrangements are somewhat vague and open and parliaments have not had much practice in putting them to use in controlling the executive. The section that follows will use the formal legislative arrangements as a start for the discussion of the participation of parliaments in decision making. It must be stressed, however, that the existing legislative provisions can work in different ways depending on how parliaments and executives in the new member states decide to put them into practice.

Current arrangements for parliamentary involvement in the new member states vary, but attention to the role of parliaments has resulted in generally favorable institutional arrangements for their participation in EU decision making, at least on paper. Already at the accession stage, some states gave their Parliaments a range of powers to discuss or approve negotiating positions and these arrangements were adjusted as states prepared to enter the EU.

The main parameters to consider are the level of parliamentary control or scrutiny and the timing of parliamentary control. In terms of scrutiny, the parliament's role may be, in a scale of decreasing importance: 1) to give a mandate (as in the Danish case); 2) to consult and provide overall parameters for the government position in all cases; 3) to be consulted in some cases of perceived larger importance; and 4) to be informed only. In terms of timing, the crucial division is between taking part before a Commission proposal becomes adopted at the Council of Ministers or afterwards, i.e. at the transposition stage.

A quick overview of arrangements based on the legislative acts amending existing arrangements during the pre-accession period shows that a number of the new member states formally have quite extensive involvement of parliament, but none has a system going as far as to require a mandate. States which have, at least on the basis of the legislative arrangements, an obligatory system of consultation with Parliament before a proposal is discussed in the Council of Ministers can be considered to assign Parliament quite strong a role. These are the Czech Republic, Slovakia, Latvia, and Poland.

**Table 1**  
Parliaments involvement in decision making on EU issues

<b>New (CEE) Member State</b>	<b>Parliament</b>	<b>President/Chairman</b>	<b>National Parliament Involvement</b>	<b>Importance</b>
<b>Czech Republic<sup>6</sup></b>	Bicameral: <ul style="list-style-type: none"> <li>• Poslanecká Sněmovna (Chamber of Deputies)</li> <li>• Senát</li> </ul>	<ul style="list-style-type: none"> <li>• PhDr. Lubomír Zaorálek</li> <li>• Premysl Sobotka</li> </ul>	<p>Role of the Committee on European Affairs</p> <p>The Senate deals with concrete initiatives after they are released by the European Commission and presents its opinion to the Government before this decides on the legislative initiative in the Council of the EU.<sup>7</sup></p> <p>Constitution Amendment – article 10b (2000)</p>	Big
<b>Estonia<sup>8</sup></b>	Riigikogu	Ene Ergma	<p>Role of Committees of European Affairs and Foreign Affairs</p> <p>Position on draft EU legislation when:</p> <ul style="list-style-type: none"> <li>• Constitutional requirement for reference to the Riigikogu</li> <li>• Economic or Social Impact</li> <li>• Government initiative or at the request of the European Union Affairs Committee or the Foreign Affairs Committee</li> </ul>	Medium
<b>Hungary<sup>9</sup></b>	Országgyűlés	Szili Katalin	<p>Role of the Committee on European Integration Affairs</p> <p>The Government should provide information to the Parliament<sup>10</sup></p> <p>The Constitutional amendment of December 2002 makes the Parliament responsible for the creation of a new act regulating the Parliament's role for the period after the accession.<sup>11</sup></p>	small to medium
<b>Latvia<sup>12</sup></b>	Saeima	Presidium	<p>Role of the European Affairs Committee<sup>13</sup></p> <p>Can rule on the official positions of the Government before they are communicated to the European Union institutions<sup>14</sup></p>	Big
<b>Lithuania<sup>15</sup></b>	Seimas	Artūras Paulauskas	<p>Role of committees, esp. Committee on European Affairs</p> <p>Parliamentary scrutiny on the activities of Governmental and other institutions related to European Union matters<sup>16</sup>.</p>	medium to big
<b>Poland<sup>17</sup></b>	Bicameral Zgromadzenie Narodowe <sup>18</sup> : <ul style="list-style-type: none"> <li>• Sejm</li> <li>• Senate</li> </ul>	<ul style="list-style-type: none"> <li>• Włodzimierz Cimoszewicz</li> <li>• Longin Pastusiak</li> </ul>	<p>Role of the European Affairs Committee<sup>19</sup></p> <p>Examines documents submitted by the Polish Council of Ministers to European institutions. It is consulted before Government representatives go to the Council of the European Union.<sup>20</sup></p>	Big
<b>Slovakia<sup>21</sup></b>	Národná Rada	Pavol Hrusovsky	<p>Control</p> <p>Role of the Committee on EU Affairs</p> <p>Indirect Role for the Parliament: Being informed<sup>24</sup></p> <p>Before the 1 May 2004 the Government represented the positions of Slovenia to the National Assembly before going to the EU Council.</p> <p>After the 1 May the Government has to provide information to the working bodies of the National Assembly on the appropriate application of the Cooperation Act so that they are able to take positions before the vote of the representatives of the Government in the EU Council at the ministerial level.<sup>25</sup></p>	Medium
<b>Slovenia<sup>22</sup></b>	Bicameral Zbŕnŕ <sup>23</sup> : <ul style="list-style-type: none"> <li>• Drŕžani Svet</li> <li>• Drŕžani Zbŕr</li> </ul>	France Cukjati		small to medium

- 6 <http://www.psp.cz/cgi-bin/eng/sqw/fsnem.sqw>  
[www.senat.cz](http://www.senat.cz)
- 7 <http://www.senat.cz/cgi-bin/sqw/1250.cgi/new/sqw/text.sqw?CID=28&K=konstr> –  
<http://www.senat.gov.pl/aes/a/cz.htm>  
[http://www.fifoost.org/tschechien/EU\\_czech\\_2002/node17.php](http://www.fifoost.org/tschechien/EU_czech_2002/node17.php)
- 8 <http://www.rigikogu.ee/?id=13860>  
<http://www.legaltext.ee/text/en/X70029K2.htm>  
<http://www.rigikogu.ee/?id=14937>
- 9 <http://www.europa.eu.int/comm/enlargement/hungary/index.htm>  
[http://www.mkogy.hu/biz/europa/angol/a\\_index.htm](http://www.mkogy.hu/biz/europa/angol/a_index.htm)
- 10 Article: Enikő Győri, How Can the Hungarian National Assembly Preserve Its Sovereignty After Accession to the EU?
- 11 [http://www.mkogy.hu/biz/europa/angol/menu/index\\_1.htm](http://www.mkogy.hu/biz/europa/angol/menu/index_1.htm)  
Article 6 (2) Act LXI. of 2002 on the amendment of Act XX of 1949 on the Constitution of the Republic Hungary
- 12 [http://www.saeima.lv/index\\_eng.html](http://www.saeima.lv/index_eng.html)
- 13 [http://www.eitoinfo.lv/pages/SEUIC/content\\_list.jsp?category\\_id=260](http://www.eitoinfo.lv/pages/SEUIC/content_list.jsp?category_id=260)  
[http://www.saeima.lv/Likumdosana\\_eng/likumdosana\\_kart\\_rullis.html](http://www.saeima.lv/Likumdosana_eng/likumdosana_kart_rullis.html)
- 14 [http://www.saeima.lv/Likumdosana\\_eng/likumdosana\\_kart\\_rullis.html](http://www.saeima.lv/Likumdosana_eng/likumdosana_kart_rullis.html)
- 15 [http://www3.lrs.lt/pls/inter/w3\\_eng\\_h.home](http://www3.lrs.lt/pls/inter/w3_eng_h.home)
- 16 <http://www3.lrs.lt/c-bin/eng/preps2?Condition1=250564&Condition2=> (Article 61)
- 17 <http://www.sejm.gov.pl/english.html>  
<http://www.senat.gov.pl/indexe.htm>
- 18 <http://www.prezydent.pl/x.node?id=2011993&eventid=2526445>
- 19 <http://www.senat.gov.pl/k5eng/historia/noty/index.htm>
- 20 [http://libr.sejm.gov.pl/oide/dokumenty/ustawa\\_cooperation%20in%20EU%20matters.pdf](http://libr.sejm.gov.pl/oide/dokumenty/ustawa_cooperation%20in%20EU%20matters.pdf)
- 21 <http://www.nsr.sk/default.aspx?lang=en>
- 22 <http://www.dz-rs.si/>
- 23 [http://www.guide2womentleaders.com/Slovenia\\_Parliament.htm](http://www.guide2womentleaders.com/Slovenia_Parliament.htm)
- 24 <http://www.dz-rs.si/en/aktualno/aktualno.html>
- 25 Articles 4 and 14 of the Act on Cooperation between the National Assembly and the Government in EU Affairs – before the 1 May 2004 and after 1 May 2004

Other states, such as Estonia and Lithuania, seem to assign an intermediate role to their parliaments. These countries provide for involvement under certain conditions, e.g. important economic and social impact of legislation, but not for obligatory consultation on all policy positions. In Estonia, somewhat vaguely worded rules of procedure suggest parliamentary involvement in case an EU proposal provides for the amendment of a legislative act, but it is not clear when this would happen. The amendment to the Riigikogu Rules of Procedure Act, which entered into force on 15 March 2004, specifies that the government of Estonia submits legislation to the Riigikogu 1) “if the scope of the legislation requires, pursuant to the Constitution of the Republic of Estonia, adoption, amendment or repealing of an Act or a resolution of the Riigikogu” or 2) “if its adoption would have substantial economic or social impact”. The government can also refer to the Parliament’s European Affairs Committee and Foreign Affairs Committee for an opinion on any other “important affairs of the European Union” as specified in the same law.<sup>26</sup> From this arrangement, it becomes clear that a substantial amount of legislation could pass through the Estonian parliament, yet the actual percentage of laws it would scrutinize is likely to depend on the existing powers of delegation to ministers to pass legislation without an act of parliament. Furthermore, the impact provision can be interpreted broadly or narrowly, thus the field is open for actors to give the new rules meaning and content.

Similarly, the Lithuanian arrangement provides for parliamentary scrutiny, without being too specific. The situation is also ambiguous in Hungary but it appears that the powers of the Hungarian parliament are more limited (Györi, 2004) than for example those of the Polish parliament. Last but not least, legislation in Slovenia seems to involve the Slovenian parliament even less by including only an obligation to inform, which is clearly less than obligatory consultation or even occasional consultation. A short overview of existing arrangements is provided by Table 1.

## **Denmark: a model to emulate?**

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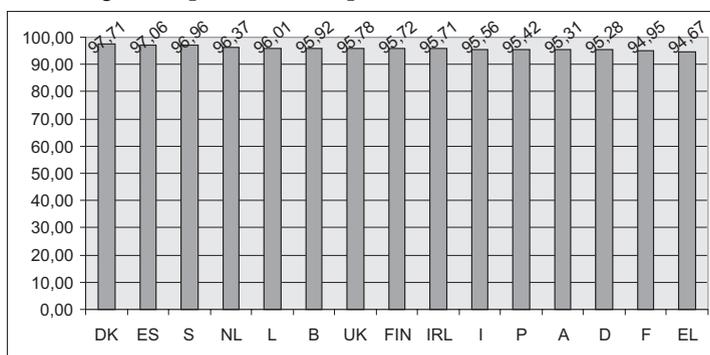
Just like the newcomers, the ‘old’ members pay different attention to the parliamentary scrutiny of EU legislation. The involvement of national parliaments throughout the 1990s and up to the possible adoption of the EU constitution where some far-reaching changes are envisaged, can be plotted on a scale where Denmark is the most involved and France almost the least, although ‘retrospective accountability’ has increased there as well (Harlow, 1999:12). Whereas in most member states, the coordination and transposition of EU policy is a matter of the executive, only in Denmark can one speak not only of scrutiny but of a certain coordinating and leadership role for the Parliament (Harlow, 1999:12-13). This is why Denmark

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<sup>26</sup> Rules of Procedure Act at <http://www.riigikogu.ee/?id=13860>

is the model to look at when considering issues of parliamentary leadership/role in EU law making. Denmark is also a model of efficiency in transposition which is all the more remarkable when we consider the country's record of Euroscepticism. As is shown in Figure 1 below, Denmark has consistently had the best transposition score of the old member states.

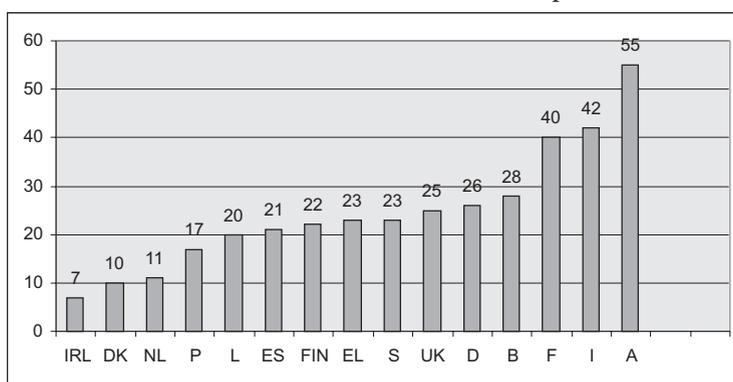
**Figure 1**  
Average transposition rates per member state, 2000 – 2003



Source<sup>27</sup>:  
[http://europa.eu.int/comm/secretariat\\_general/sgb/droit\\_com/archmme\\_en.htm](http://europa.eu.int/comm/secretariat_general/sgb/droit_com/archmme_en.htm)

As shown in Figure 2, Denmark is one of the best states when it comes to correct transposition and application, with only 10 letters of formal notice received over five years.

**Figure 2**  
Number of letters of formal notice for incorrect transposition, 1998 – 2002

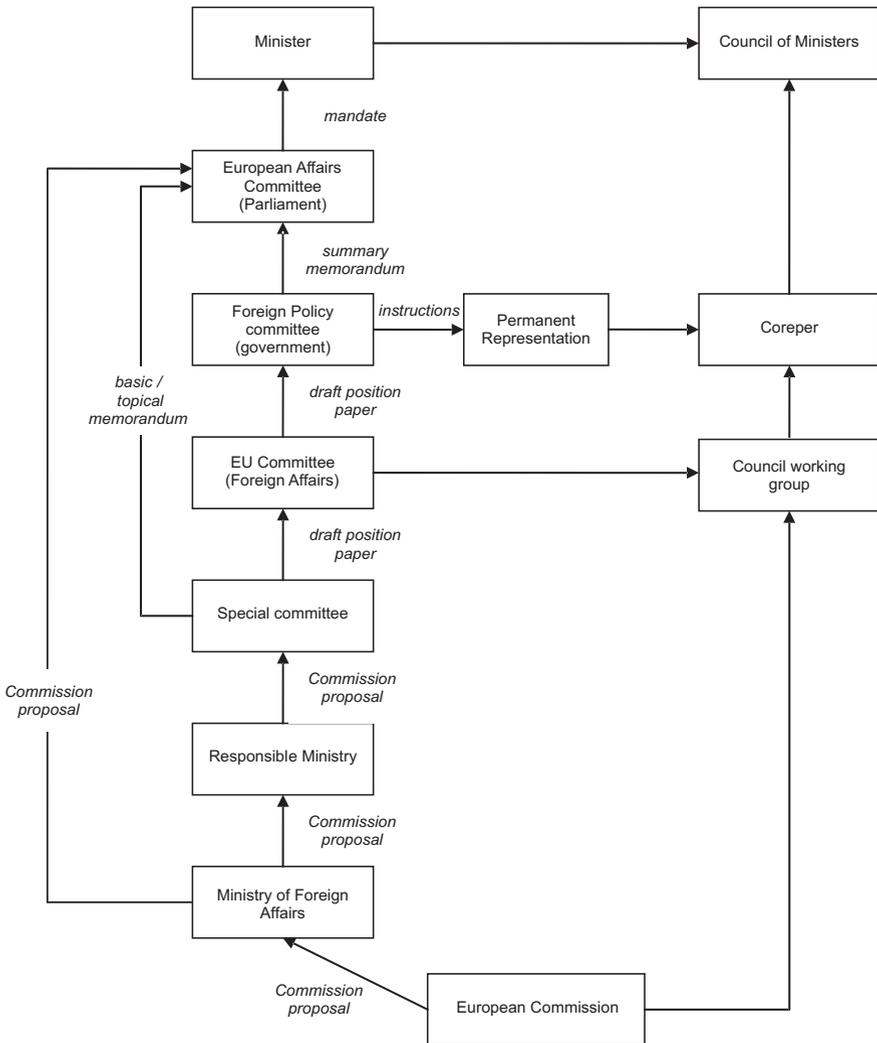


Source:  
[http://europa.eu.int/comm/secretariat\\_general/sgb/droit\\_com/pdf/rapport\\_annuel/annexe2\\_en.pdf](http://europa.eu.int/comm/secretariat_general/sgb/droit_com/pdf/rapport_annuel/annexe2_en.pdf)

<sup>27</sup> From each year, the last report was taken.

While the powers of Danish parliament to give the Danish government an oral mandate for negotiations in the Council (before these negotiations have taken place) are widely commented upon, the implicit coordination role of the parliament in this process has received less attention. In fact, the whole process of EU policy making in Denmark can be said to have two sides: a government side and a parliament side, related to the activities of the Danish Parliament's European Affairs Committee (Danish Ministry of Foreign Affairs). The coordination of EU policy making in Denmark is summarized in Figure 3.

**Figure 3**  
The Danish EU decision making process



As Figure 3 illustrates, there are four levels of coordination of EU policy making: the EU special committees, the EU committee, the government's foreign policy committee and the *Folketing's* European Affairs Committee. What is remarkable is that this tightly organized process is centered around the Friday discussion in the European Affairs Committee of the Danish Parliament, where ministers seek a mandate for the negotiating position they are to defend in the Council of Ministers.

The European Affairs Committee (EAC), previously called the Market Relations Committee, is the most important actor in Parliament, although in recent years it has made an effort to include the special parliamentary committees as well. It has seventeen members, proportionally representing the political parties represented in Parliament. It is mostly comprised of senior MPs, among whom are many former ministers (Von Dosenrode, 1998: 60). It is supported by a secretariat consisting of 22 staff members and some 8 interns, which is the largest staff of all Parliamentary committees (*Folketing et al*, 2002: 23, Von Dosenrode, 1998: 61). The meetings of the European Affairs Committee normally take place on Fridays and deal with all the Council meetings taking place in the following week. The meetings typically take 2 to 5 hours (Eliason, 2001: 200).

Table 2 below shows that far from having separate systems of dealing with the EU matters in the executive and in the parliament, in Denmark the two are working in synergy driven by the principle of the legislators having the final say. This merging of the executive and political coordination systems at the pre-negotiation stages presents important advantages both to democracy and to efficiency. In terms of democracy, even though the mandate which ministers receive in the Parliament is oral and not legally binding, it is very important in the Danish political context and the discussion ensures that all actors are on board and there are 'no surprises later' (interview, February 2005).

**Table 2**

<b>Government</b>			<b>Parliament</b>
<b>Ad hoc</b>	<b>Tuesday (if needed)</b>	<b>Thursday (if needed)</b>	<b>Friday</b>
EU special committees	EU committee	Foreign Affairs Committee	European Affairs Committee

*Source: Own interviews, February 2005.*

Deliberations in the EAC's meeting are structured on basis of a so-called summary memorandum, which is an annotated agenda of an upcoming Council meeting (*Folketing et al*, 2002: 13). This is distributed Friday morning at the latest, eight days before the Council meeting, and a few hours before the EAC meeting (Nedergaard, 1995: 124). For each pending proposal, the responsible minister has two options (Von Dosenrode, 1998: 60). First, he or she may simply brief the com-

mittee, if no decision by the Council of Ministers is to be expected. The second option is to propose a negotiating mandate (*forhandlingsopslæg*). If the latter is the case, the parties proceed by giving their positions, after which discussions may ensue. Finally, the Chairman of the Committee presents the conclusion, after counting the number of votes.

The preparatory work in order for the Parliament to be able to formulate its opinion, is done by the ministries in making the so-called basic memorandum (*grundnotat*). This is a standardized document, composed by the special committees dealing with a proposal in the Parliament, which must be sent to the EAC within four weeks after a Commission proposal is made. Over the course of the negotiation process, the memo may be modified, after which it is called a topical memorandum (*Folketing et al*, 2002: 13). It is usually quite elaborate, comprising 5 to 20 pages and contains: a description of the Commission proposal, its legislative and financial consequences, previous considerations by the EAC, possible compromise proposals by the Presidency, amendments proposed by the European Parliament, its itinerary through the EU institutions, and the opinion of interest groups (*Folketing*, 2002, 7; Pedersen, 2000: 230; Von Dosenrode, 1998: 61). Since January 2005 this memorandum also contains the proposed government position. Independent of this, Parliament also receives all Commission proposals directly from the Ministry of Foreign Affairs, as well as lists of all the proposals received (*Folketing*, 2002: 5-6).

Interview evidence suggests that working on Commission proposals with a view to the parliamentary discussion increases the willingness of civil servants to include special interests in the sectoral committees where much of the initial discussion and negotiation over a proposal takes place. This is in order, to prevent them from 'taking revenge' later, when the proposal goes to Parliament (Interview, February 2005).

Last but not least, when it comes to democracy, Parliament is not the only forum for Danish citizens to express their views. In Denmark, the nearly impossible task of making a democratic success of EU policy is accomplished by combining the parliamentary debate with numerous referenda giving citizens a direct opening to decide on important issues related to the EU.<sup>28</sup> The combination of parliamentary mandate and referenda ensures that the executive cannot run ahead of itself with EU policies without taking into account citizens views.

In terms of efficiency, Danish experts have argued that the fact that the parliament sees and debates negotiation proposals before they become adopted in the Council of Ministers and become EU law, facilitates and speeds up the process of transposition considerably. In fact, the Parliament is hardly involved at the transposition stage, as, in the words of a Danish expert, 'The Danish parliament is not a legislator when it comes to already adopted EU issues' (Interview, February 2005).

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<sup>28</sup> We thank Lars Johansson for alerting us to this point.

Another aspect of the Danish system that increases efficiency by inducing discipline in both legislators and civil servants and which could present an interesting innovation for CEE states is the fact that all bills must be dealt with within one and the same parliamentary year. On the 2<sup>nd</sup> Tuesday in October, the new year starts. All outstanding bills must be withdrawn and submitted again in the new year (Mandrup Thomsen and Pennings, 2002: 6)

Having presented the advantages of the Danish system in terms of democracy and a certain kind of merger between the legislative activities at the EU level and at the national level, the remaining question is to what extent lesson-drawing from the Danish model is possible. What could be the advantages of the Danish model for the CEEs? Is it possible at all to adapt features of the Danish model in such entirely different democracies?

### **Can CEE parliaments function like the Folketing in the EU policy making cycle?**

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The arguments presented earlier suggest that there is a good reason to at least consider a stronger role in EU decision making for parliaments in the CEE member states. Arguably, the best model of such a stronger role is the Danish *Folketing*. The main strength of this model is that it allows for early parliamentary influence over EU decision-making, as well as mobilizing bureaucracy at an early stage. As a side-effect, it sows the seeds for speedy transposition of resulting EU directives. We argue here that such a system could potentially increase CEE member states' leverage over both EU-decision-making and implementation.

What is more, it seems highly suited to improve domestic participation and interest in EU affairs by reorienting the attention of domestic actors towards EU policy debates in parliament. The Danish case shows that a formal orientation of the process around the presentation of legislative proposals to parliament helps in focusing the attention of actors such as interest groups towards the parliament. It is a better and more public forum for debate than the selective participation of organized interests in the drafting of new legislation at ministry level. At the same time, as the Danish practice also suggests, the anticipation of the parliamentary debate helps push ministries towards more involvement of interest groups. Thus, societal actors get two chances to be involved in EU decision making, once in the ministries and later in parliamentary discussion.

Finally, the Danish model very well fits the trend of politicization of EU affairs, which has been taking place over the last years in many old and new member states.

For instance, it is in line with the increasing use of referenda inside the EU as a way to close the gap between citizens and the public. This in itself might force CEE elites, and especially parliamentary parties, to pay more attention to EU issues

and take advantage of formal powers when they exist. Combining parliamentary involvement with referenda is another essential feature of the Danish system which makes it democratic and may be replicated in the recent drive for referenda across the EU. Finally, it seems to fit the current Euroskeptic, or Eurorealistic tone in countries such as the Czech Republic and Poland. One of the reasons for the success of the Danish case is that, due to the high level of Euroskepticism, MPs can make political capital out of EU dossiers, which oils the system, which in a certain way works better when there is an incentive for politicians to address EU issues.

The previous discussion suggests that there are good normative reasons why new EU member states should give their parliaments power of scrutiny of EU legislation. However, practitioners often suggest that what is nice in theory cannot work in practice for several reasons – some general and some linked to the realities of decision making in the new member states. A general problem is that the transfer of institutional models, or separate features, can be highly problematic when other features of the institutional system do not fit the transferred arrangements. For example, the Danish system relies heavily on horizontal coordination between governmental departments, which by and large is weak in the new member states. Second, it remains an open question whether the formal powers of CEE parliaments, possibly enhanced after the constitution, will remain meaningless in the absence of a culture of active participation. Third, several critics have raised the question whether such a far-reaching power as giving a mandate should be given to the allegedly slow and inefficient assemblies in CEE with regard to the dynamic area of EU policy making. Fourth, the system requires that MPs have a decent background in EU affairs; training hence should not be restricted to CEE civil servants.

A fifth problem in adopting the Danish approach and hoping for a similar result is that levels of accountability in both CEE civil services and parliaments are far from the Danish example. It is possible that elites will use information strategically and parliaments will also use the opportunity to blame politically unpopular measures on the EU – something more difficult when they have had an active say in the policies adopted. Yet having one power control the other is a better bet on accountability than leaving the legislature out of the process for the sake of efficiency.

Given these constraints, it is currently unlikely that CEE parliaments would be able to cope as well as the Danish one with high level of scrutiny of all EU related proposals at the pre-negotiation stage. Therefore, we would suggest a less ambitious model that still contains some key assets. First, the crucial issue is not so much the level of scrutiny, but the timing. Even simple powers of consultation can be quite effective before a proposal is passed in the Council of Ministers of the European Union. Such powers would not limit the government's room for maneuver as much as a mandate, but they would ensure that domestic political forces play a role when it matters. Dealing with parliament after a proposal has become law is a recipe for dissatisfaction and populism. For parliaments to be involved at the right stage of the

process, a figurative synchronization of executives and legislative agendas would be very useful.<sup>29</sup> One way to do this is for the executive coordinating body that deals with EU decision making to work on the proposal in preparation in such a way that it arrives on time at the parliamentary committee of European Affairs (see table 1 for an example).

More generally, an argument can be made that increasing parliaments' involvement can be initially achieved with formal institutionalization only and improved later, provided the political will for maintaining such a design exists long enough to allow for further institutionalization. After all, the introduction of the institutional innovation 'formal rules first' is not at all uncommon in the recent practice of post communist transformations.

Following the introduction of the appropriate procedural rules, a crucial condition for meaningful parliamentary involvement will be the provision of quality information about EU policy making by a strong and capable secretariat. Given the numerous demands on their time, even the most committed parliamentarians will not be able to process all EU related issues without administrative support, both in terms of staff members and institutional capacity.

Furthermore, the European affairs committees should be supported by sectoral committees in order to give informed opinions on specific policy issues. Even in Denmark, the role of sectoral committees needs to be enhanced and the coordination between them and the EU affairs committee improved. In CEE parliaments, much will depend on the institutionalization of committees as professional forums and a ground for compromises. But debate needs to also take place openly in public to enhance the input legitimacy which is currently lacking in EU policy making.

## **Conclusions**

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Advice to the candidate states on how to organize their EU policy making systems has focused in recent years more on efficiency than on the overall implications for the decision making system in the new democracies. We argue that there is a pressing need to re-think this post-accession. The argument for making parliaments real players is not a question of the luxury upgrade of the system which is better run by civil servants. Even more than the old member states, CEE member states are prone to deficiencies in their democracies. EU membership, while improving output legitimacy, will exacerbate the gap between elites and citizens and more parliamentary involvement could address this problem by increasing input legitimacy. Thus, making parliaments real, debating participants in the EU decision making cycle has the potential to address this new democratic deficit. In order to do this, however, parliaments need to have not only scrutiny and consultation powers but to be a real

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<sup>29</sup> We thank Wim Voermans for this point.

focal point in the system of EU coordination. This might limit the negotiation mandate for governments in the Council but provided parliaments are responsive to the citizens, would provide the EU project with legitimacy in the years to come.

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# Enhancing Governmental Legislative Capacity? An Analysis of the Effects of Decision-making Reforms in Lithuania and Romania

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Andreas Bågenholm<sup>1</sup>

## Introduction

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Unlike previous European Union (EU) enlargement rounds, developments in the negotiation process preceding the fifth enlargement were to a considerable extent brought to the public, as well as the parties involved, in a language more frequently related to sport activities, implying that some sort of competition between the twelve candidate countries was at hand. In practice, however, it was not competition *between* the candidates, in the sense that the top three or top five would be admitted and the rest left out. Rather the adaptation process was a struggle *within* each applicant state to meet a number of fixed criteria within a limited time frame, the fulfillment of which would give a green light for membership, regardless of the number of countries reaching this level.

The most central actors in this process, and accordingly those most responsible for its outcome, were arguably the governments in the candidate countries (Sigma, 1999:25; Lippert et al, 2001); externally, by heading the negotiations with the EU and domestically by drafting, approving, implementing and monitoring the planning documents. In short, being successful in the EU integration process required committed and efficient governments that exercise strategic leadership. Judging by the continuous statements made by the then applicant countries' governments during the last ten years, the first criterion is of no or minor relevance here. However, judging by the annual reports from the European Commission, the second one leaves much to be desired.

This article is about governmental legislative capacity in transposing EU-related legislation to national law. There are good reasons to believe that governmental legislative efficiency is related to the domestic decision making systems. The most

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apparent indicator of being slow in the transposition process<sup>2</sup> is that EU-related legislation is either not adopted on time, only partly adopted or not adopted at all, i.e. it is to some extent stuck somewhere in the policy process, either in the parliamentary phase or in the pre- or post parliamentary phases. Here, the main focus will be on the governments' role in the transposition process, although the parliamentary phase will also be addressed briefly.<sup>3</sup> The aim is to study whether changes in the governmental decision-making structure regarding EU-integration, actually enhance governmental capacity and efficiency, as was intended by the policy makers, and predicted by the theories in the field.

The focus will primarily be on changes in concentration and coordination in the decision making structures in Lithuania and Romania, during a period of three years, 2000 – 2002. In Romania, major changes in the governmental decision-making structure were made by the newly installed government in the beginning of 2001, while Lithuania made similar changes at an earlier stage and more or less kept that system intact during the period under study. Thus, one would expect Romania to start out with a low governmental capacity and markedly enhance it from 2001, while the Lithuanian governments would be assumed to have a satisfactorily high capacity during the whole period. This is also in line with the opinion of the European Commission (See Regular Reports 1998 – 2002).

Governmental legislative capacity and efficiency is operationalised as the extent to which the governments own deadlines for transposing EU-related legislation is kept, and regardless of how we count, the results point in a very different direction from our expectations. The Romanian government did at best improve its record marginally in 2001, only to fall to its lowest level in 2002. Contrary to the expectation, the Romanian score was kept at a quite constant level throughout the period. In Lithuania by contrast, there was a sharp efficiency increase in 2001 followed by a

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2 Following Bursens the term transposition will henceforth be used synonymously with adoption, and will thus not include implementation and enforcement (2002:175).

3 There are several benefits with studying the transposition process when doing comparative studies of capacity and efficiency. First, all the governments in the region are committed to EU-membership (Schimmelfennig & Sedelmeier, 2004:671), which makes different levels of governmental ambitions in this respect a less plausible explanation. Since the incentives to transpose EU legislation in a timely manner is much stronger in applicant than in member states, a major shortcoming in the previous transposition literature can be avoided and controlled for. Second, the same directives and regulations are to be transposed in all candidate countries, thus making the task in absolute terms equally demanding for all countries, although differences in terms of, for example, financial, human and administrative resources may also have an effect on the process. Third, there is no ambiguity in what needs to be done, i.e. all candidate countries have full information about the content of the directives and regulations to transpose and the EU has pursued more or less the same policy towards them. The transposition process, fourthly, is quite straightforward, in contrast to the implementation process. Finally, the transposition agenda is very large and most of the tasks need to be accomplished within only a couple of years (Schimmelfennig & Sedelmeier, 2004:661). By exposing their policy making and administrative systems to this enormous challenge, the opportunities to test the limit of different aspects of the countries' capabilities are far greater than is the case of the old member states.

limited decline in 2002. Even more surprisingly, Romania actually outpaced Lithuania in 2000, but was then overwhelmingly overtaken in 2001. Hence, the efforts to enhance governmental capacity and promote more strategic leadership from the centre of government seem to have failed in the Romanian case, while Lithuania managed to increase its records considerably without major reforms. There is thus a need for more detailed studies, explaining this unexpected pattern of governmental capacity.

The article is structured in four sections. The first deals with the independent variable, the governmental decision making system, from a theoretical perspective focusing on the lessons from previous research. Thereafter these systems, and the changes thereof in Lithuania and Romania, will be mapped. The second section deals with the dependent variable, governmental capacity. In the third section the empirical evidence of the patterns of governmental capacity is presented and, finally, the results are discussed and a future research agenda suggested.

## **Efficient Decision Making**

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Research on efficient legislative decision making in public policy has two main branches; on the one hand, studies on political systems and constitutional design, which tend to focus on the role of the parliaments in the legislative process and, on the other hand, studies focusing on the pre-parliamentary phase, i.e. the governments' role in a broad sense, comprising the Prime Ministers Offices, the cabinets, the ministries and governmental agencies as well as the relation with the parliament. Both strands are underpinned by much the same theories and principles, but they seldom communicate with one another.

There are above all two aspects that are highlighted in most studies on this subject, namely *concentration* and *coordination* in the decision making process, of which the former is the most contested factor of the two.<sup>4</sup> The prevailing and intuitively the most reasonable view, however, seems to be that concentration in the decision-making process – i.e. few actors and institutions involved – tends to promote efficiency and capacity, compared to systems based on power-sharing and consensus (Zubek, 2001:921; Dimitrova & Maniokas, 2004:11).<sup>5</sup> This view is strongly advo-

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4 The Journal of European Public Policy devoted an entire issue (8:6) on the 'core executives' in Central Europe and the merits of above all concentrated decision-making.

5 The main critic of this view is probably Arend Lijphart who is the main advocate for consensual democracy, i.e. systems in which decision making is based on compromise and consensus. Empirically Lijphart has found that countries with more consensual systems perform better in many vital aspects and very rarely worse than majoritarian democracies. It should also be noted, that a system with more actors involved might be more efficient in the long run, since most decisions are preceded by extensive bargaining and compromises, making the agreement more solid than decisions made unilaterally by one party (Stark & Bruszt, 1998; see also Schimmelfennig & Sedelmeier, 2004:676). Such a decision runs the obvious risk of being overturned once the opposition comes to power.

cated on theoretical grounds by George Tsebelis' veto-player theory, whose central argument is that the only thing that matters in relation to the ability to achieve policy change, is the number of veto players, the ideological distance between them and their internal cohesion. Tsebelis even states that "significant departures of the status quo are *impossible* when (...) veto players are many – when they have significant ideological distances among them, and when they are internally cohesive" (2002:2, emphasize added).<sup>6</sup> Everything else being equal, adding a veto player increases the policy stability and thus reduces the possibility of policy change. In the works of Tsebelis, the veto player theory is limited to the parliamentary phase, but its principles can easily be applied to all types of decision making settings.

The effects of concentrated decision making structures have been analyzed with different types of dependent variables, of which law production, i.e. the amount of legislation drafted and/or adopted, is the most central one for this study. The empirical results of the effects are mixed, however. Kreppel (1997), when analyzing the Italian case, finds that the number of parties in government correlates negatively with the number of laws adopted.<sup>7</sup> Becker and Saalfeld (2004) on the other hand, find no evidence that the number of partisan veto players – i.e. the number of governmental parties – and the ideological distance between them affected the speed of passing legislation. Both Tsebelis (1999) and Döring (2000) have furthermore found that the number of veto players, diametrically opposed to what the theory states, correlates positively with the overall amount of legislation, a phenomenon called law inflation, and only negatively when it comes to important pieces of legislation. Finally bicameralism has been found to be an important factor in explaining legislative stalemates in the US and also for hampering transposition of EU-related legislation (Binder, 1999; Haverland, 1999).

When it comes to coordination, the lack of such mechanisms in a decision making process is frequently pointed out as one of the main reasons for governmental failures and inefficiency. Accordingly, improvements in the coordination structures are often claimed to play a major part when governmental efficiency improves in a country or an organization. In the following section, those changes in terms of concentration and coordination that have been made in decision making structures relevant for the EU-integration process in Lithuania and Romania from 1998 to 2002 will be examined.

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6 For critique against the veto player theory see e.g. Orenstein (2002); Ganghof (2003). It should be noted that these scholars are positive to the theory in principle but critical to it's a bit too abstract aspects which tend to neglect the dynamics of the political process and preferences.

7 Although it is not mentioned explicitly in the study, the amount of legislation relates to governmental efficiency.

## **Governmental decision making systems in Lithuania and Romania**

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During the post-communist period, the laws and regulations that governs the decision making process have been amended several times in both Lithuania and Romania. Instead of mapping all changes and speculating on their potential effects on governmental legislative efficiency, the Regular Reports on Lithuania's and Romania's progress towards accession, annually issued by the European Commission, will be used as the source for whether relevant changes have been made or not. The aim here is neither to describe the decision making structure in great detail, nor the changes thereof. For the purpose of this article, mapping the major changes will suffice as a basis for predicting whether governmental decision making capacity and efficiency should increase or decrease.

### **Romania**

Romania entered the period under study (2000) with a broad multi-party coalition in office, consisting of some five parties – depending on how to count the broad Democratic Convention (CDR).<sup>8</sup> Although parties within the CDR tried to break away from the CDR umbrella, the multiparty majority government remained in office until the parliamentary elections in November 2000.

In the opinion released in November 1999, the European Commission was critical of how the decision making process worked and doubted that the reforms undertaken in December 1998 would be of much benefit (1999:62). Above all, it was the lack of inter-ministerial coordination in practice that concerned the Commission. There were too many agencies reporting directly to the Prime Minister and the agenda of the government's meetings, which is the main instrument for policy coordination, was claimed to be too crowded to promote governmental legislative efficiency (1999:62). As a result, the process with checking the conformity with the Acquis of the drafts adopted was hampered (1999:63). Given the weak coordination functions of the government, in combination with inefficient governmental meetings, one would expect its legislative capacity to be quite limited.

The incorporation of the European Integration Department into the structures of Ministry of Foreign Affairs was the major institutional change in Romanian before the parliamentary election in November 2000. According to the European Commission, the new structure enhanced the inter-ministerial coordination in matters related to European integration, but it was simultaneously stressed that coordination problems still prevailed, since the line ministries were still acting on their own when drafting legislation within their competences (2000:15).

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8 In the 1996 election CDR comprised some 15 parties.

The left-wing Party of Social Democracy in Romania (PDSR)<sup>9</sup> – which came to power following the parliamentary elections in November 2000 by forming a one-party minority government with informal support from all other parties and more formalized support from the Hungarian Democratic Federation of Romania (UDMR) – immediately launched major reform initiatives which took effect in early 2001.

In terms of coordination, the establishment of the Ministry for European Integration (MIE) was one of the main changes in the EU-integration structure. MIE was given coordinating functions and a mandate to screen all EU-related legislation in terms of its conformity with the Acquis (Popescu, 2001:136). At the ministerial level, moreover, a Secretary of State heading departments of European integration was established in each line ministry. A new forum for inter-ministerial coordination was also created, where these secretaries held regular meetings. At the centre of government, the General secretariat was given the task to coordinate the activities of the line ministries and monitor their legislative procedures.

The fact that all ministers belonged to the same party, reduced the number of veto-players within the government and thus increased the scope for efficiency. The potential drawback in relation to the previous government was its minority status which would make the passing of a governmental proposal more difficult. According to the Commission however, the effects of the reforms were positive, in terms of inter-ministerial coordination, legislative efficiency and quality of the drafts adopted (2001:17).

In addition to the reforms in the governmental and ministerial structures, the regulations of the Chamber of Deputies (lower house) and the Senate were adapted, with the aim to speed up the legislative process (2001:16). More important for this study is however the attempts to improve the relationship between the legislature and the executive. A Minister for Relations with Parliament was appointed, as were State Secretaries responsible for parliamentary relations in all line-ministries. This resulted in an enormous increase in laws adopted as compared to the previous period.<sup>10</sup>

During 2002, no major reforms concerning the executive or the parliament was adopted. The Regular Report from November that year states that the gains made in 2001 continued to have a positive impact, although some problems still remained, e.g. the parliaments limited possibilities to scrutinise legislation. To sum up, almost all relevant reforms were adopted in early 2001 and, from the end of

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9 From June 2001, renamed the PSD.

10 From 1996 to 2000 between 142 and 261 laws were adopted annually by the parliament. In 2001 that amount increased threefold to 796 and in 2002 and 2003 more than 600 laws were adopted annually. The number of drafts submitted to the parliament, however, were kept at a constant level during this period ([www.cdep.ro](http://www.cdep.ro)).

2000, a new more cohesive government was in office, which should have enhanced governmental legislative capacity and efficiency considerably.

## **Lithuania**

When Lithuania entered the new millennium, most of the reforms undertaken in Romania in 2001 were already in place and few major reforms were launched during the period under study. Already, in the 1998 Regular Report, the executive was considered to continue to function satisfactorily (1998:7), and that opinion was repeated every year. There are thus reasons to believe that the Lithuanian governmental legislative capacity and efficiency was high, or at least higher than in Romania.

In 1997 and 1998, the management of the integration process was strengthened, not least by the establishment of The European Committee under the government, which took on the responsibility for the coordination of the integration process. Moreover, the European Integration Commission, chaired by the Prime Minister, was reorganised, which from then on included the line ministers dealing with integration (1998:7). Lithuania also moved towards a more centralised system, with an emphasis on the role of the Prime Minister between 1998 and 2000 (Dimitrova & Maniokas, 2004:11). In effect, the functions of the committee for strategic policy-making resembled that of an inner cabinet (Müller-Rommel & Hersted Hansen, 2001:49), something that was missing in Romania at the same time (Blondel & Penescu, 2001:119). The parliament was also considered to operate satisfactorily and the Seimas annually adopted a resolution, supported by all party factions, on the importance of a quick accession and the need to give priority for EU-related legislation in parliament.

In terms of party composition, Lithuania has had three governments between 2000 and 2002<sup>11</sup>, one of which was an outright minority coalition that lasted from October 2000 till June 2001, and which consisted of the Lithuanian Liberal Union (LLS) and the New Union (NS). The previous government – a three-party coalition comprised of the Homeland Union – Conservatives of Lithuania (TS-LK), the Lithuanian Christian Democratic Party (LKDP) and the Center Union of Lithuania (LCS) – was in effect also a minority coalition from mid-spring 2000 until the elections in October that year, due to defections from the conservatives. The period of minority coalition governments ended in July 2001, when the Social Union left the coalition and sided with the Lithuanian Social Democratic Party (LSDP) – the biggest party in parliament after the elections in 2000 – to form a two-party majority coalition. Although some deputies left their original parliamentary group, the government still controlled a majority of the 141 seats in the Seimas at the end of 2002. As in Romania, there has been an overwhelming majority in favor of EU-membership in the Seimas during the whole period in question and despite the fact that mi-

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11 These governments have been headed by five prime ministers.

nority coalitions have been in office for longer periods of time the prediction would still suggest that Lithuanian governments were efficient in transposition activities.

## **Governmental Legislative Capacity and Efficiency**

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Being successful in transposing legislation requires that a large amount of legislation that correctly corresponds to EU-directives and regulations is transposed quickly, and in a timely manner. The amount of legislation, pace, quality and timeliness are four features that relate to legislative capacity and efficiency, which is the dependent variable of this study. In this study the focus lies mainly on the aspect of timeliness, although speed and amount will also be addressed. Quality, however, will not be dealt with at all.

There is hardly any consensus among scholars over how to define capacity and efficiency, let alone how to measure it. In general terms, capacity denotes the ability to do or achieve whatever task comes up on the agenda, while efficiency is more specifically related to the fulfillment of intended goals (See N rregaard & Hersted Hansen, 2000:15-16 for an elaboration of the concepts). In this study, being efficient and having a high capacity is defined as the ability to achieve intended *and* ambitious goals.

Depending on the type of capacity that is to be analyzed, scholars in this field operationalise the dependent variable differently, e.g. in terms of policy outcomes (Lijphart, 1999), policy implementation (Painter & Pierre, 2002), or in terms of important governmental functions (Weaver & Rockman, 1993). This study has a more narrow focus, in the sense that it only considers the adoption of draft laws, not primarily what happens to the drafts in the parliamentary and post parliamentary phases. The flip side of this approach is that there are fewer competing explanatory variables to control for than is the case when explaining implementation performance – let alone policy outcomes, such as macroeconomic performance.

A weak spot in most studies concerned with capacity and efficiency is that they tend to pay insufficient attention to the intention of the actors. Rather, the sheer amount of legislation, i.e. the number of laws adopted during a specific period (Tsebelis, 1999; Binder, 1999) or the speed of the legislative process (Becker & Saalfeld, 2004), are used as indicators of capacity and efficiency, regardless of whether the legislative output corresponds to the governments' intentions. To some extent they may be right. A system, which is unable to process a large amount of legislation within a reasonable amount of time, cannot be considered efficient. But the sheer amount of legislation on the other hand, gives us very little evidence of capacity and efficiency, as long as we do not know the size and the scope of the laws and, most important, whether the laws turned out the way the government intended.<sup>12</sup> A gov-

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<sup>12</sup> Although governments do not have monopoly on initiating legislation, a system's capacity must reasonably be related to the government's ability to rule.

ernment that manages to fulfill a small legislative agenda cannot reasonably be considered inefficient and lacking in capacity, while a government that fails to achieve a much larger agenda cannot automatically be regarded as more efficient and capable. The same argument holds when it comes to the speed of the legislative process. Being slow may be a deliberate choice. The government has a capacity problem only if it is unable to accelerate the process if it is deemed necessary.

In this study, an effort is made to remedy this shortcoming, by using the National Plans for the Adoption of the Acquis (NPAA) in which the governments' legislative agendas are spelled out in detail, including deadlines for the adoption of specific laws as a starting point, thereby including the governments' intention in the analysis. In contrast to most other cases, where this option is not possible<sup>13</sup>, the case of transposition allows for close comparative analysis in this regard, thus making the case also theoretically appropriate. Legislative capacity and efficiency is thus operationalized as the ability to transpose intended pieces of legislation, according to the National Plans for the Adoption of the Acquis (NPAA). The extent to which the governmental ambition is fulfilled equates to the legislative system's capacity and efficiency.<sup>14</sup>

## **Analysis**

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In this section the extent to which the Lithuanian and Romanian governments' ambitions are fulfilled is analyzed. Only legal measures that have to be approved by the parliaments are included in the study. The vast majority of EU-directives and regulations, mainly technical in character, are transposed through secondary legislation however (i.e. government decisions, ministerial orders, etc.), which is not subject to parliamentary approval. All laws that are scheduled for adoption between 2000 and 2002 have been extracted from the NPAA's between 1999 and 2002. Laws that were not adopted on time and that were for that reason included again in the NPAA the following year have not been analyzed.

The deadlines set in the NPAA's are the benchmarks with which governmental capacity could be satisfactorily studied. The deadlines relate however not to when the government should submit the draft to parliament, but when the parliament is to have adopted the draft in question. This specific problem will be discussed more thoroughly below. Quite a few projected laws in both Lithuania and Romania lack a clear deadline. Laws lacking adequate information about deadline are left out of this

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13 The studies that come closest to this approach are those analysing to what extent party manifestos and electoral pledges are fulfilled during the mandate period. These documents are much less detailed and seldom spell out exactly which laws, with what content to adopt in order to achieve the goal (De Winter, 2004). Hence the exact intentions of the government may in many instances be difficult to interpret.

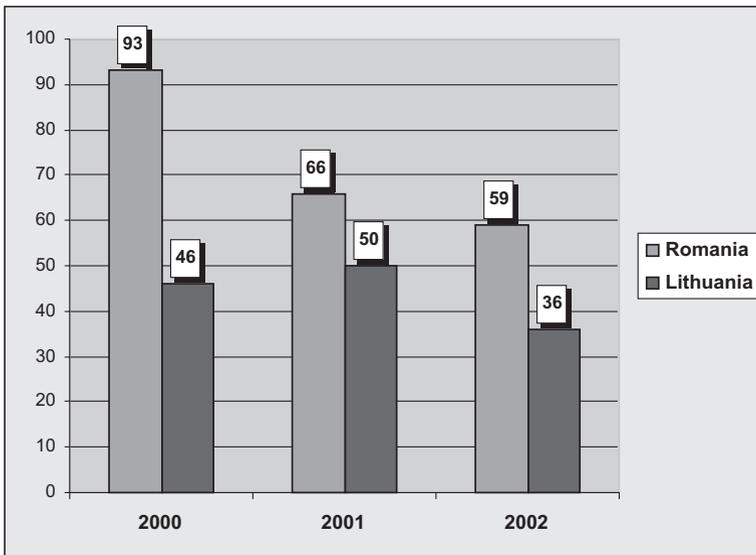
14 Since EU-membership is such a highly desired goal, one can assume that the governmental agendas are ambitious enough to reach the goal, if followed properly.

study. The laws are categorized as adopted on time, delayed or not adopted at all.<sup>15</sup> Thus, in this study only the timeliness in relation to the governments own ambitions are analyzed, while for example the quality of legislation is left out. As mentioned above, both quality and timeliness are necessary components, although not sufficient by themselves, for success in the transposition process. In other words, being slow and missing deadlines cannot be compensated for by the quality of legislation.

The figure below show the number of laws projected for adoption in 2000, 2001 and 2002 in Romania and Lithuania.

**Figure 1**

Number of laws planned for adoption by year in Romania and Lithuania

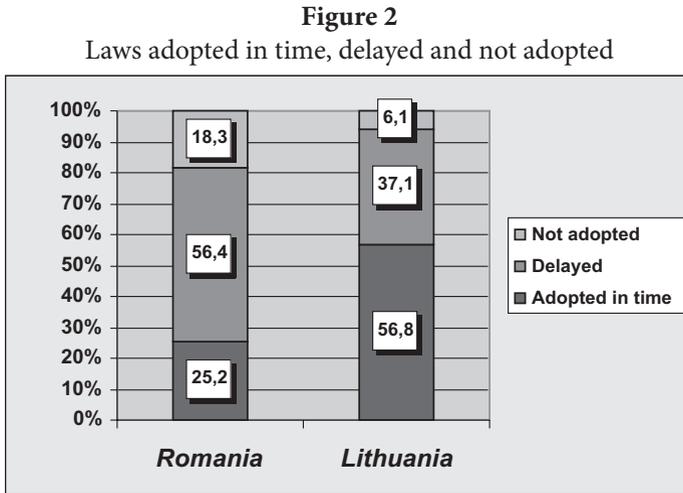


**Source:** *Romanian and Lithuanian National Programmes for the Adoption of the Acquis 1999 – 2002.*

As shown in figure 1, the number of projected laws included in the NPAAs between 1999 and 2002 differ considerably between Lithuania and Romania. In Lithuania, a total of 132 laws were scheduled for adoption during the period in question, while the Romanian figure is 218. The year 2000 accounts for the biggest difference, during which Romania scheduled twice as many laws as Lithuania. The agenda thus seems to be much larger in Romania than in Lithuania. The next step

<sup>15</sup> It should be noted that ‘not adopted’ does not equal rejection. Not adopted only denotes laws which so far have not been adopted. They could have been rejected, but they could also be somewhere in the policy process. Moreover, laws could have been delayed due to rejection of earlier versions of the law.

is to see to what extent these schedules are kept, i.e. to establish whether the parliaments did adopt the drafts in time.



**Source:** Own compilation based on Romania's and Lithuania's NPAA and Governmental reports 1999 – 2003 and TAIEX database.

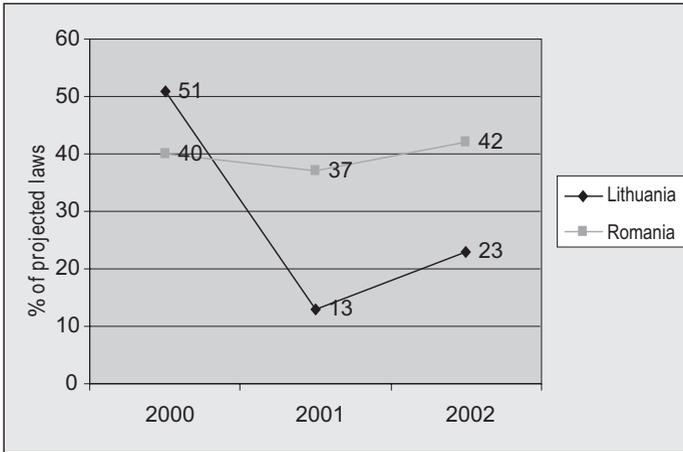
Figure 2 reveals that more than half of the projected laws were delayed in Romania and only a quarter of them were adopted on time. In Lithuania, by contrast, almost 57 percent of the laws were adopted on time and a little more than one third were delayed. In addition, more than 18 percent of the Romanian laws were not adopted at all, while that was true for only six percent of the Lithuanian laws.<sup>16</sup> It is thus quite clear that the transposition process has been more efficient in Lithuania than in Romania, although one has to take the larger Romanian agenda into account. But what role do the governments play in this process? To make a preliminary assessment, those laws that were not adopted are omitted, since we do not know whether it is the government that failed to submit those drafts to the parliament or if they have been rejected or stuck in parliament. A fair guess is that the majority of those drafts for different reasons never made it to the parliaments in the first place.

The calculations in the figure below are thus based on the projected laws that eventually was adopted by the parliaments. The total number of such laws in Romania is 178 (2000 – 82; 2001 – 51; 2002 – 45) and in Lithuania 124 (45-48-31). Figure 3 shows the share of the projected laws that were submitted to the parliaments *after*

<sup>16</sup> It should be noted that there are some uncertainties regarding the laws that were not adopted. Some may have been transformed into other legal measures and others may have been incorporated into laws that were broader than was first planned for. There is however, no indication in the sources that it would have been the case.

the deadline for parliamentary adoption had expired. It should be pointed out that this is a necessary but not a sufficient condition for handling the transposition in a timely manner, since the parliament must be given a reasonable amount of time to adopt the draft. This will be discussed in more detail below.

**Figure 3**  
Share of projected laws submitted to parliament after parliamentary deadline expired



**Source:** Own compilation, based mainly on the Romanian and Lithuanian Governments' Report on the Progress of Accession to the EU 1999 – 2003.

**Comment:** The Romanian N is 178, of which 82 were projected for adoption in 2000, 51 in 2001 and 45 in 2002: The Lithuanian equivalent is 124 (45 – 48 – 31).

As shown in figure 3, the Romanian government was more efficient than its Lithuanian counterpart in 2000. In Lithuania more than half of the projected laws were submitted to parliament after the deadline for parliamentary adoption had expired, compared to 40 percent in Romania. Taking the larger Romanian agenda into account, the gap is even wider in practice than this figure show. In 2001, Lithuania dramatically increased its governmental legislative efficiency, submitting as many as 87 percent of the projected laws ahead of the deadline. In 2002, the Lithuanian government continued to be efficient, although not to the same extent as the previous year. Romania, by contrast, did not manage to improve its efficiency rate very much, despite the fundamental reforms in the decision making structure that year. The Romanian record further deteriorated in 2002, reaching its lowest level during the period under study. One can thus conclude that the results contradict both the European Commission's verdict of the policy making process in Romania and what the theories predicted. Most surprising however, was perhaps the weak Lithuanian showing in 2000.

As mentioned above, submission of a projected draft before the parliamentary deadline expires is not enough for the governments to be considered efficient in their dealing with transposition. The drafts must be submitted with such margins that the parliaments have a reasonable chance of adopt it in time. Neither the Romanian nor the Lithuanian governments' give any guidelines as to how they assess the time needed for the parliamentary proceedings. However, it is reasonable to assume that the governments have a rough idea of how long time draft laws spend in parliament and that they act on the basis of this knowledge. Table 1 shows the average amount of time a projected EU-related draft law spent in the parliamentary and post-parliamentary phases<sup>17</sup> in total and, in the Romanian case, it also shows the time spent in the two chambers separately and in mediation.<sup>18</sup>

**Table 1**  
Time in Parliament (minimum, maximum and average number of days)

	N		Minimum		Maximum		Mean		Std. Deviation	
	Romania	Lithuania	Romania	Lithuania	Romania	Lithuania	Romania	Lithuania	Romania	Lithuania
<b>Total number of days</b>	178	124	13	2	1868	995	329.76	112.48	321.16	128.13
<b>Days in the first instance</b>	178	-	5	-	1406	-	151.85	-	213.26	-
<b>Days in the Senate</b>	178	-	0	-	1406	-	138.83	-	225.67	-
<b>Days in the Deputies' Chamber</b>	178	-	2	-	1471	-	165.53	-	224.74	-
<b>Days in mediation</b>	99	-	0	-	359	-	44.93	-	45.65	-

Source: Own compilation based on data from the Lithuanian and Romanian parliamentary databases.

**Comment:** Only laws, which were eventually adopted by the parliaments, are included. Non-adopted laws are accordingly omitted.

Given the big differences between the Lithuanian and Romanian parliamentary structure, it comes as no surprise that the parliamentary procedures are much quicker in Lithuania, where a draft law on average spent 112 days.<sup>19</sup> The Romanian parliament by contrast needs almost three times as many – 330 days – in processing an EU-related draft. The bicameral system severely slows the process down. But not even when the chambers are analyzed separately are the Romanian chambers as efficient as their Lithuanian counterpart. A draft law spent on average 152 days in

17 The latter mainly relates to presidential consideration of the draft.

18 A draft goes to a mediation committee if the two chambers cannot agree on the wordings of a draft law. The committee's proposal is then approved by both chambers.

19 All days, working days as well as holidays, are counted.

the first instance<sup>20</sup>, i.e. more than a month longer than in the Seimas. The legislative process was considerably speedier in the Senate than in the Chamber of Deputies, but it was still slower than in Lithuania. The laws, on which the two chambers could not agree, spent on average 45 days in mediation.<sup>21</sup>

It is thus obvious that the parliamentary system has an effect on the speed of processing legislation and that the sluggish Romanian pace of transposition at least partly is a product of its bicameral system. The fact that both chambers individually use more or less the same amount of time, which cannot be said to be excessive, indicates that no particular instance of the parliament is particularly slow, but rather that it is the 'double command' that causes the sluggish overall pace. That is not to say that such a system is doomed to be inefficient and marred with missed deadlines. As long as the government submits its drafts in good time, there should be no problems keeping the deadline. Conversely, it is not at all certain that an efficient parliamentary system results in a fast and timely transposition. It all depends on how the pre-parliamentary phase is structured.

In Table 2, a more detailed picture is given concerning timeliness in the Lithuanian and Romanian submission of draft laws to parliament.

**Table 2**

Comparison of the timeliness of submitted drafts between Romania and Lithuania

Number of days after or before deadline drafts are submitted to parliament	Romania			Lithuania		
	N	%	Cum. %	N	%	Cum. %
- 731	9	5	5	1	1	1
366 - 730	21	12	17	9	7	8
184 - 365	9	5	22	9	7	15
<b>after</b> 91 - 183	15	8	30	4	3	18
31 - 90	15	8	38	9	7	25
1 - 30 N	2	1	39	4	3	28
0 - 30	6	3	42	3	2	30
31 - 90	12	7	49	12	10	40
<b>before</b> 91 - 183	18	10	59	24	19	59
184 - 365	17	10	69	31	25	84
366 - 730	32	17	86	14	11	95
731 -	22	12	98	4	3	98
<b>N</b>	178	98	-	124	98	-

Source: Own compilation.

20 A draft law can be initiated in either chamber first.

21 The median time a draft spend in Western European legislative process (concerning working hours and social security benefits) varies between 32 days in Ireland and 620 days in Italy. Only Italy, Switzerland, the Netherlands and Portugal have more protracted legislative processes than Romania. Lithuania in contrast is 'beaten' by seven countries (De Winter, 2004:58).

The table shows above all that the delays have been much more pronounced in Romania than in Lithuania. Romania has a constant share of drafts submitted more than 90 days after the deadline expired which is twice as high as Lithuania. The Lithuanian governments on the other hand submitted 58 percent of their drafts more than 90 days ahead of deadline, which would almost be sufficient for a timely parliamentary adoption in the average case. The corresponding figure for Romania is 49 percent, but since the parliamentary process takes 330 days on average, the Romanian government must submit their drafts even earlier to guarantee a timely parliamentary passing.

If we take the average time a draft law spend in the Lithuanian and the Romanian parliament as a benchmark as for when a draft should be submitted, the Romanian government does even worse in comparison. Every estimation of when a draft should be submitted in the Lithuanian and Romanian case respectively will of course be arbitrary. It would however be reasonable to argue that the Romanian government should submit their drafts at least 100 days in advance of the parliament deadline and even that would be a quite generous margin. Since the Lithuanian procedure is three times as fast the equivalent minimum would be around 30 days.

**Table 3**  
Timeliness of submitted drafts by the Romanian government 2000 – 2002

Number of days after or before deadline drafts are submitted to parliament		2000		2001		2002	
		N	%	N	%	N	%
	- 731	9	11	0	0	0	0
	366 - 730	13	16	5	10	3	7
	184 - 365	3	4	4	8	2	4
<b>after</b>	<b>91 - 183</b>	5	6	5	10	5	11
	<b>31 - 90</b>	2	2	5	10	8	18
	<b>1 - 30</b> N	1	1	0	0	1	2
	<b>0 - 30</b>	2	2	3	6	1	2
	<b>31 - 90</b>	5	6	2	2	5	11
<b>before</b>	<b>91 - 183</b>	8	10	4	8	6	13
	<b>184 - 365</b>	7	8	5	10	5	11
	<b>366 - 730</b>	17	20	10	20	5	11
	<b>731 -</b>	10	12	8	16	4	9
	<b>N</b>	82	98	51	100	45	99

Source: Own compilation

**Table 4**  
Timeliness of submitted drafts by the Lithuanian government 2000 – 2002

Number of days after or before deadline drafts are submitted to parliament		2000		2001		2002	
		N	%	N	%	N	%
	- 731	1	2	0	0	0	0
	366 – 730	5	11	3	6	1	3
	184 – 365	6	13	0	0	3	10
<b>after</b>	<b>91 – 183</b>	3	7	1	2	0	0
	<b>31 – 90</b>	6	13	1	2	2	6
	<b>1 – 30</b> N	2	4	1	2	1	3
	<b>0 – 30</b>	1	2	0	0	2	6
	<b>31 – 90</b>	2	4	5	10	5	16
<b>before</b>	<b>91 – 183</b>	6	13	12	25	6	19
	<b>184 – 365</b>	7	16	17	35	7	23
	<b>366 – 730</b>	6	13	5	10	3	10
	<b>731 –</b>	0	0	3	6	1	3
	<b>N</b>	45	98	48	99	31	99

Source: *Own compilation*

Taking these limits into account, one could note that exactly 50 percent of the drafts are submitted with too small margins (less than 100 days in advance) in the Romanian case, with 47 percent in 2001, 49 percent in 2000 and as much as 56 percent in 2002. In Lithuania, by contrast, only 31 percent of the drafts are submitted too late (i.e. less than 30 days in advance of deadline), with the peak in 2000 reaching 53 percent, but then dramatically dropping to 13 percent in 2001 and 29 percent in 2002. When taking these ‘parliamentary facts’ into account, the differences in real governmental legislative efficiency between the two countries are thus much more pronounced.

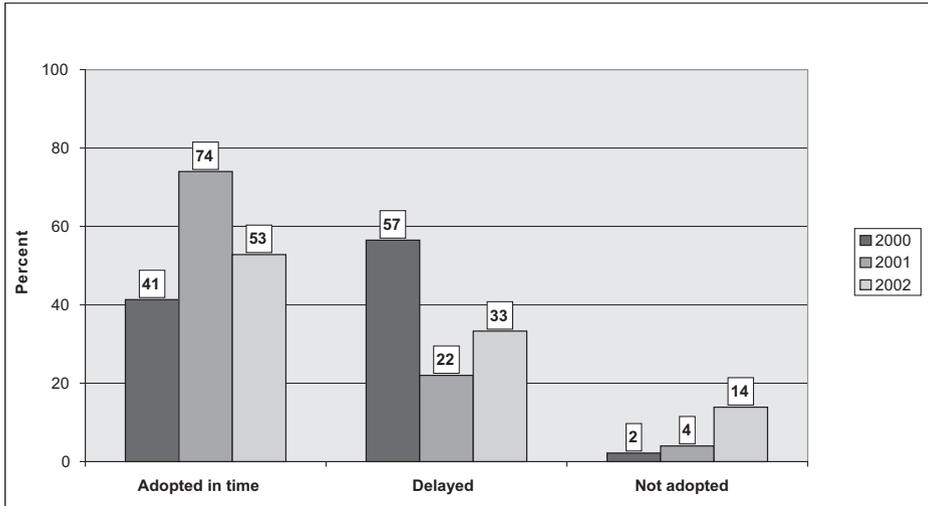
Turning to the cross temporal variation in Romania, it has already been noted that there is not much variation over time. Table 3 reveals however, that a quite large amount of the drafts – 27 percent – were submitted very late in 2000, i.e. more than a year after deadline expired. Compared to 2001 and 2002, the largest numbers of delayed drafts were submitted somewhat closer after the deadline date. It could also be noted that a large amount of legislation is submitted in good time.

In the Lithuanian case, there are much bigger fluctuations over time, which are also mirrored when taking into account the extent of the delays. Thus, more than a quarter of the projected laws in 2000 were submitted more than six months after the deadline expired, compared to 6 and 13 percent in 2001 and 2002 respectively. One may also note that the Romanian higher efficiency rate compared to Lithuania’s

in 2000, is somewhat diluted if the extent of delays which are much more severe in Romania are taken into account (27 percent submitted more than a year after deadline expired compared to 13 percent in Lithuania). The final part of the analysis will discuss whether the relationship between the parliaments and the governments improved over time. The indication of this would be that the projected laws would be adopted in time by the parliament.

**Figure 4**

Laws adopted in time, delayed and not adopted in Romania on an annual basis



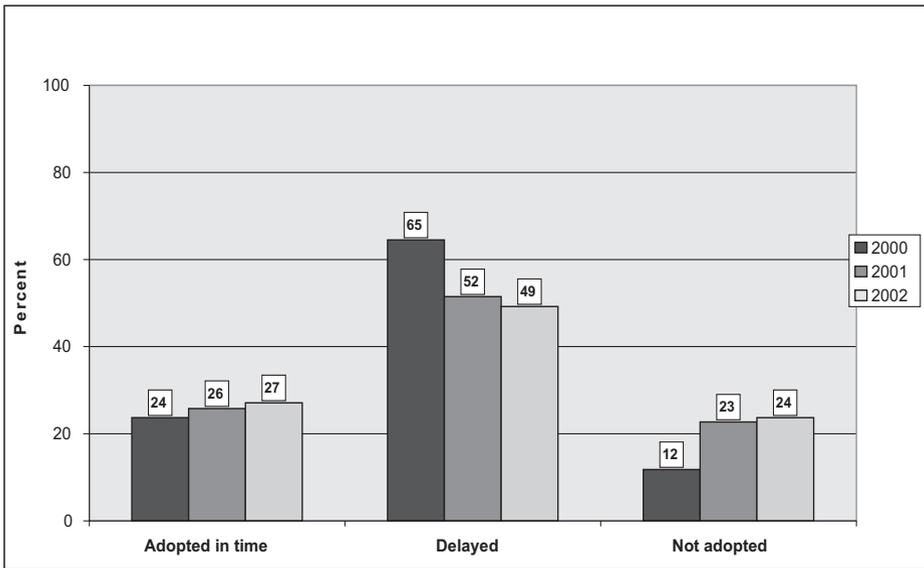
Source: Own compilation.

Figure 4 suggests that there are changes in the legislative capacity and efficiency, with a slight successive improvement, at least concerning laws adopted by the parliament. In 2000, i.e. during the multi-party coalition, 65 percent of the scheduled laws were delayed and only 24 percent of them were adopted on time. The share of delayed laws dropped markedly in 2001, to 52 percent, while the laws adopted on time only rose by two percentage points – the reason is the increasing number of not adopted laws, a category which is a bit uncertain. If this category is included, there is almost no change in terms of legislative capacity and efficiency. If it is excluded from the analysis, there is a marked increase, especially between 2000 and 2001. Between 2001 and 2002, there is not much change regardless of whether we include the laws that were not adopted. The legislative capacity and efficiency has certainly not decreased over time and there perhaps has been a slight, if not powerful, increase. If that is true, it implies that the reforms made in 2001 might have been efficient, but whether it is the intra-parliamentary reforms or the reforms concerning the relationship between the executive and the legislature is impossible to tell on the basis of this analysis. The increase in legislative capacity and efficiency

notwithstanding, the overall picture is quite bleak. There has been a big gap between what is scheduled and what is achieved every year.

**Figure 5**

Laws adopted in time, delayed and not adopted in Lithuania on an annual basis



Source: *Own compilation*

Figure 5 shows again that there is much more variation over time in Lithuania than in Romania. The most striking feature is the huge increase in legislative capacity and efficiency in 2001, compared to the previous year. The drop in capacity the following year is also sharp. Starting with the overall level, it seems that much of the Lithuanian success with the transposition could be referred to 2001, when 74 percent of the scheduled laws were adopted on time. This stands in stark contrast to the previous year, when only 41 percent was adopted on time and as many as 57 percent of the laws were delayed, which is a bigger share than in Romania in 2001 and 2002. In 2002, by comparison the share of delayed laws is markedly lower and the share adopted on time higher, which indicates that 2000 was an exception, had it not been for the share of not adopted laws, which increased compared to previous years. Governmental and parliamentary capacity thus seems to go hand in hand and its fluctuations do not seem to correspond to any specific reform initiatives. It thus seems that the legislative capacity and efficiency only reached an acceptable level in 2001, since the delayed or not adopted laws added together outnumber the timely adopted ones in both 2000 and 2002.<sup>22</sup>

<sup>22</sup> It should perhaps be remembered that figure 4 and 5 do not say anything about the extent of the delays.

## **Conclusions**

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The main result of this study is that the reforms, aimed at making the decision making process more efficient, especially in the EU integration process, and which took effect in Lithuania in 1997 – 98 and in Romania in 2001, do not seem to have had any particular impact on the timeliness of submitting EU-related draft laws to the parliaments. First, in Romania the level of governmental legislative capacity was quite stable between 2000 and 2002 and, one may add, at a quite low level. There is no evidence of a considerable improvement in 2001, let alone 2002, as would have been expected. Second, in Lithuania the governmental efficiency was characterized by large variation, with a huge increase in efficiency in 2001, although no major reforms were launched during this period. Third, the Lithuanian government scored very badly in 2000 and was surprisingly enough outpaced by its Romanian counterpart, despite the fact that Lithuania – but not Romania – had made fundamental changes in its decision making system. The efficiency in the parliamentary phase mirrors to a large extent the governmental score. In short, one may conclude this far that stability and change in governmental capacity seem to happen without any obvious connection to reforms in the field.

When comparing the efficiency rate between Lithuania and Romania, it is clear that Lithuania is coming out much more favorably, both when combining the governmental and parliamentary capacity, and also when looking at these two phases separately. Moreover the extent of delays in the Romanian case is more pronounced, widening the efficiency gap between the two countries.

How can the pattern of governmental legislative capacity and efficiency be explained then? It should be pointed out that the analysis of the reforms undertaken is too sketchy to completely rule out the possibility that their impacts are negligent. A more detailed study of the changes in the decision making system is necessary. There may, for example, have been minor reforms that turned out to be more important in practice and there may also have been counteracting forces in play that erased the effects of the reforms. By measuring efficiency solely in terms of timeliness we might in addition miss other efficiency gains, such as enhanced quality.

As mentioned above quality has not been dealt with here, but even if there was a quality increase in Romania in 2001, it still cannot compensate for the too many and too long delays with submitting the laws. One may also suggest that the type of legislation could have an effect on the timeliness of draft submission. Technically complicated, financially burdensome or politically sensitive legislation would naturally be more prolonged than simple, cheap and apolitical legislation. In this study, the type of legislation has not been checked, but it seems farfetched to assume that the legislation to be adopted would differ very much between Lithuania and Romania. Moreover, the logic of the negotiation and transposition process has been to start in the easy, non-controversial parts, leaving the more demanding items until

last, which would then result in a declining trend in terms of efficiency. That has not been the case in neither of the countries. On the contrary Lithuania increased its capacity considerably during the last two years of this study.

Another possible explanation of the pattern is changes in the veto player constellation. However, this factor too seems to be uncorrelated with efficiency gains and losses. In Romania, the legislative capacity has lingered at a low level, despite a favorable veto player constellation and there was no improvement when the conditions got even better following the parliamentary election in 2000. In Lithuania, the sharp shifts between low and high legislative capacity over time do not appear to correspond to similar shifts in the veto player constellation.

The future research agenda requires even more detailed analysis. It is obvious that more detailed data needs to be utilized if this pattern of governmental legislative capacity and efficiency is to be explained. As mentioned above, reforms in the decision making process must be studied in more detail, more aspects of efficiency needs to be taken into account, and above all, the quality of the legislation and the policy making process must be studied more closely, preferably on a process-tracing basis whereby the fate of every single draft could be followed.

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<http://www3.lrs.lt/n/eng/DPaieska.html> Lithuanian parliament.

<http://lad.taix.be> Technical Assistance and Information Exchange unit of Directorate-General

Enlargement of the European Commission

# Commitment of Slovenian Civil Servants and Politicians to Democratic Values and Norms

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## Introduction

How can a complex contemporary state be governed in a democratic manner? This question has long been of vital concern to political science researchers. Elitist theorists have argued that “every system of leadership is in fact incompatible with the most essential postulates of democracy” (Michels, 1962: 364). More expatiating reformers have conceived a long list of institutional devices made to ensure government responsiveness towards the general public. But the even more rapid expansion of bureaucracy, and its apparently increasing insulation from popular control, seem to render the underlying dilemma ever more difficult (Aberbach et al, 1981: 170). Many researchers have come to the conclusion that the central piece of the puzzle involves the norms and values that guide decision makers. For instance, Ronald Pennock (1979: 244), has argued that “a commitment of the elite to democratic principles and procedures and a willingness to do all in their power to support the democratic regime is virtually a necessary condition for a stable democracy”.

In contemporary democracies, civil servants have outgrown their classic role of mere implementors of orders given to them by politicians (their nominal masters). The civil service has outgrown its instrumental role as a personnel system, and is now playing an increasingly important role in the exercising of authority – a role that heavily depends on politicians. Heady (1991: 448) defined the relationship between civil servants and politicians using six configurations – later combined by Hojnacki (1996: 144) into two basic configurations: in one, politicians, in the pursuance of their political aims, dominate civil servants who have lost much of their

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independence and are only a tool in their hands. In the other, civil servants have maintained a high degree of their independence and power, which they use in the pursuance of their own aims as opposed to those of politicians.

Throughout the processes of democratic transition and consolidation, civil service systems in the Central European countries have been, above all, marked by the need for the rapid depolitisation of public administration, a lack of legal instruments to safeguard civil servants against political abuse, significant dependence upon legalism and the application of employment legislation without regard for the specifics of civil service (Verheijen, 1999: 2–3). We will base our analysis on the hypothesis put forward by Aberbach, et. al. (1981: 171) that “the level of democracy (also) depends on the commitment of high-ranking civil servants and politicians to democratic principles”.

The idea that democratic ideals and values affect the development of democratic tradition and democratic institutions is manifested in the history of western constitutional democracy. Each important institutional development was preceded by philosophical exploration of the underlying social and moral principles. Such ideals and values then gradually spread to the general public and were finally embodied in institutional form. The democratic institutions themselves have made a powerful independent contribution to government responsiveness, and democratic practice has influenced the theory, as well as other way around (Aberbach et al, 1981: 171–174). We can note that much of the discussion about democracy in theory and practice can be cast in terms of two fundamental themes. From the philosophical perspective, we can point out that Pennock (1979: 16) stresses that “liberty” and “equality” comprise the basic elements of democratic beliefs.

Both liberty and equality are often used as symbols of democracy, as standards of judging the policies of government. But our concern here is with standards for judging the process of government – political liberty and political equality. In this sense, liberty refers to those freedoms of political thought and action that had been broadly proclaimed in the West by the 19<sup>th</sup> century – though not universally implemented. Political equality refers to the distribution of access to these political freedoms, the sharing of the opportunity to influence political processes among all citizens (Aberbach et al, 1981: 172). Dahl has drawn a distinction between two somewhat theoretical dimensions of democratisation from a more institutional perspective. The first (contestation) refers to the extent to which at least some members of society are guaranteed those political rights that enable them to contest the conduct of government. The second dimension (participation) refers to the proportion of the general public entitled to participate on a more or less equal plane in controlling and contesting the conduct of government (Dahl, 1971: 5).

In our research on the commitment of Slovenian political and bureaucratic elites to democratic principles, we will focus above all on two key dimensions of democracy, i.e. political freedoms (or contestation) and political equality (or par-

ticipation). Given that all countries included in the study<sup>3</sup> are representative democracies, we can assume that their (political) leaders generally support these two basic democratic values.<sup>4</sup> Both civil servants and politicians serve the same democratic state, and both are heirs to the democratic evolution. Our hypothesis is based mainly on the historically developed division of labour between bureaucracy and politics. As several studies have pointed out,<sup>5</sup> the growth of electoral democracy and the growth of professional bureaucracy are more or less coeval processes.

However, several indicators lead us to expect politicians to be more enthusiastic supporters of democratic values. First, civil servants have never been tasked with creating the conditions for more democracy in the state, but instead with creating the conditions for a more effective and successful state. Given that political bodies in which politicians operate have been established as the institutionalised personification of democracy, the basic task of politicians is above all promotion of democracy, its values and norms. Second, this assumption is expected to be even more valid in a country with a relatively short political tradition; in a country, where democratic ideals, values and institutions were non-existent for over 70 years. Third, elected political bodies are designed as an institutional embodiment of democracy, but bureaucracy on the other hand, is supposed to make the state more efficient and effective, not more democratic. Politicians seeking another election may be more likely to appreciate the rights to contestation. Bureaucrats bear responsibility for carrying out policies that are being contested, so they may see less virtue in contestation and conflict. To verify our hypothesis, we will use several mutually complementary methods and techniques, among them also detailed empirical research.

Participants in our Slovenian empirical study on the national level were divided into two main groups, one consisting of senior civil servants and one of politicians. The purpose of this division was to establish whether there existed different images and perceptions about the role these two groups of actors played in the political process, and to find out about the relationship between them. The senior civil servants group consisted of 469 persons, i.e. of all secretaries general of ministries and of all undersecretaries. Under the Civil Servants Act (2002: article 80), both groups occupy the highest positions within the Slovenian civil service system.

The politicians group consisted of 228 persons, of these ninety were in the legislative branch and 138 in the executive branch of government. We were mainly interested in the executive branch for two reasons: first, because it also employs

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3 For the comparative aspects we have also included some data on elites in several Western European countries and the USA according to the empirical research made by Aberbach et al (1981).

4 However, we must point out that the length of democratic tradition significantly differs among western countries with long democratic traditions on one side and Slovenia as a relatively new democracy on the other. Also political freedoms and political equality are not absolute but relative dimensions, matters of a degree, and are as such not equally accepted among individuals.

5 See Aberbach et al (1981), Page (1988) or Stillman (1996).

senior civil servants, and second, because research on the relationship between senior civil servants and politicians usually focus on this branch (Peters, 1988). We conducted the survey towards the end of 2003 and at the beginning of 2004.<sup>6</sup> We also conducted empirical research on the local level of Slovenian government (i.e. municipal level), where the group of senior civil servants group consisted of 193 persons<sup>7</sup> and the same number of politicians.<sup>8</sup> We were mainly interested in the local level because of the possibilities of comparison with the central government.<sup>9</sup>

## **Measuring Support to Political Freedoms and Competition**

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Freedom of political expression is the oldest in the set of democratic values. The nominal commitment to freedom of speech is wide-spread in democratic states; in one of the studies made by Aberbach et al (1981: 175), which involved a sample of adults from Great Britain, all respondents agreed with the following statement: "The possibility to ever learn the truth decreases without the freedom to express different views." The majority of Western European countries have lasting experiences with democracy, but the historical experience of democracy in Slovenia is very brief. Slovenia gained independence from the former Yugoslavia and established the democratic political system only back in 1990 – 1991. With this distinction in mind, we seek to estimate the attitude of the general public towards democracy and democratic norms and then, at least indirectly, compare it to the attitude of administrative and political elites.

Table 1 examines the attitudes of the general public towards political freedom and equality. Clearly, the majority of the Slovenian population is supportive of political freedom (76.8 percent believe that democracy and political freedom should go hand in hand), social equalities, multi-party system and equality of all people before the law. Another survey (Tos, 2004: 465)<sup>10</sup> has investigated the attitudes of the Slovenian public towards different forms of the political participation. The findings were not surprising. The Slovenian public (91.3 percent of respondents) does not agree with revolutionary activity as the possible form of society transformation, but general elections as the form of political participation are generally accepted by the majority (84.3 percent of respondents) of population (Tos, 2004: 513).

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6 The response rate (numbers in brackets) was very good: we received 342 completed questionnaires (49.1%), of these 233 came from high-ranking civil servants (49.7%), 64 from politicians employed in the executive branch (46.4%), and 45 from politicians employed in the legislative branch of government (50.0%).

7 According to Article 80 of the Civil Servants Act (2002) the only high-ranking civil servants in Slovenian municipalities are the local administration managers.

8 I.e. mayors of Slovenian municipalities.

9 The response rate (numbers in brackets): we received 134 completed questionnaires (34.7%), of these 66 came from high-ranking civil servants (34.2%) and 68 from politicians (35.2%).

10 The question was »Do you agree or disagree with the following forms of political participation« (N=1042).

**Table 1**  
Attitude of the general public towards the political freedoms and political equality (in %)

I think that democracy should include...	Strongly agree with	Agree with	Disagree with	Strongly disagree with	Do not know
...political freedoms	37.7	39.1	11.9	1.1	10.1
...higher social equality	14.0	44.4	26.6	4.9	10.2
... equality of all people before the law	36.3	36.6	14.1	3.5	9.5
... multi-party system	29.1	34.9	17.5	4.7	13.8

(N=1073) Source: Slovenian public opinion survey, see Tos (2004: 455).

Of course, all these questions to the public are very general in its nature, so it is not possible to compare them directly with the much more specific questions we posed to the administrative and political elites. We merely sought to explore the general attitude of the Slovenian public towards democracy and the values it represents fifteen years after the political system change. With this in mind we have successfully demonstrated that the majority of general public is strongly in favour of democratic values and norms. Table 2 shows the statements that Slovenian administrative and political elites were asked to agree or disagree with. Our intention was to establish how firmly they defended the right to express an objection, to criticize, and to have a different view.

**Table 2**  
Support of administrative and political elites to political freedoms and pluralism (in %)

Statement	Answers in selected western countries (in %)**		Slovenia National level		Slovenia Local level	
	HCS	P	HCS	P	HCS	P
* "Some maintain that certain extreme organizations use dishonest or illegitimate measures. Is enhanced control over such measures necessary in your opinion?" Yes, unconditionally necessary. Yes, under certain conditions. No, no control is required.	26 43 31 (N=242)	23 41 36 (N=249)	50 45 5 (N=226)	37 57 6 (N=107)	- - -	- - -
"Freedom of political propaganda shall not be unlimited; it shall be carefully controlled by the state." 1) I agree. 2) I disagree.	40 60 (N=254)	27 73 (N=277)	37 63 (N=218)	39 61 (N=102)	35 65 (N=60)	51 49 (N=65)

**Table 2**  
... continued

Statement	Answers in selected western countries (in %)**		Slovenia National level		Slovenia Local level	
	HCS	P	HCS	P	HCS	P
* "Conflicts in a society are negative." 1) I agree. 2) I disagree. 3) Can't say.	24 44 32 (N=373)	19 50 31 (N=388)	23 71 6 (N=232)	30 63 7 (N=109)	30 70 - (N=63)	49 51 - (N=65)
* "Modern societies develop mainly as a result of social conflicts." 1) I agree. 2) I disagree.	55 45 (N=256)	64 36 (N=263)	45 55 (N=225)	45 55 (N=103)	43 57 (N=63)	33 67 (N=61)

**Table 2**  
... continued

Statement	Slovenia Executive branch	Slovenia Legislative branch
*	P	P
"Some claim that certain extreme organizations use dishonest or illegitimate measures. Is increased control over such measures necessary in your opinion?" b Yes, unconditionally. Yes, under certain conditions. No, control is not required.	41 51 8 (N=63)	32 66 2 (N=44)
"Freedom of political propaganda shall not be unlimited; it shall be carefully controlled by the state." 3) I agree. 4) I disagree.	41 59 (N=59)	37 63 (N=41)
"Conflicts in a society are negative." 4) I agree. 5) I disagree. 6) Can't say.	31 62 7 (N=64)	29 64 7 (N=45)
"Modern societies develop mainly as a result of social conflicts." 3) I agree. 4) I disagree.	43 57 (N=60)	47 53 (N=43)

Source: Aberbach et al (1981: 177); Hacek (2004).

\* HCS = high civil servants; P = politicians.

\*\* Evenly distributed samples from Great Britain, Germany and Italy were included in the first two questions; evenly distributed samples from Great Britain, Germany, Italy and the Netherlands were included in the third question; evenly distributed samples from Great Britain, Germany and the Netherlands were included in the last question.

The first statement refers to the possibility that certain extreme organizations use “dishonest or illegitimate measures”. The question that administrative and political elites were asked was whether increased control over such measures was necessary. The question was intentionally formulated in this way in order to explore whether respondents thought such destructive measures should be left uncontrolled. In fact, they were asked whether subversives should be allowed free play. The aim was to press support for civil freedoms to the breaking point. The second question explored whether respondents thought the freedom of political propaganda should be let unlimited. Similarly as in the previous question, the table also enables comparison with some western European countries.

We can see that the majority of European elites rejected the possibility of control over political freedoms, however without expressing an anti-liberal attitude. Only a minority of their elites (though a slightly larger proportion of members of the administrative elite) did express an anti-liberal attitude.<sup>11</sup> Three quarters of European leaders (at least partly) opposed the restricting of the right to different views, even in the case of extreme organizations. We can see that the attitude of Slovenia’s administrative and political elite is slightly more anti-liberal, in particular as regards members of the administrative elite, half of whom speak in favour of unconditional restriction of political expression. Further, slightly more Slovenian politicians than their European colleagues are of the opinion that the freedom of political propaganda shall be controlled by the state.

The next two questions measured the support of administrative and political elites to political freedoms and pluralism and explored the desirability or harmfulness of social conflict. Table 2 shows that more than half of members of administrative (55%) and political (64%) elites in four Western European countries thought that, in a modern society, social conflict suggested development. In Slovenia, a slightly smaller proportion (45%) of administrative and political elites share the same opinion. We can also see that Slovenian politicians give slightly more support to political freedoms and pluralism than Slovenian senior civil servants. It goes without saying that with the four variables used, we were not able to determine the absolute support to political freedoms and pluralism, but were still able to highlight some differences between the two Slovenian elites and between Slovenia as a relatively new democracy and some traditionally democratic western European states.

## **Measuring Support to Political Equality and Participation**

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As when measuring support for political freedoms and competition, we used several questions to measure the support of administrative and political elites for political equality and participation. The simplest was the first question which explored the

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11 As Aberbach et al (1981) found out later, “anti-liberals” are well represented in particular among Italian civil servants.

role the public should play in politics in general and in the policy-making process. We can see that Slovenian elites (when compared with western European ones) give relatively high support to direct public involvement in politics, with practically no differences between the views of senior civil servants and politicians. As one could expect, the administrative, and especially the political elites on the local level of government, are even more inclined towards direct public involvement in politics; but this is hardly a surprise in a county where “local democracy” has been the primary guidance in reforming and reinventing local self-government system (Brezovsek and Hacek, 2004: 76).

**Table 3**  
Support of administrative and political elites to political equality  
and populism (in %)

Statement	Answers in selected western countries (in %)**		Slovenia National level		Slovenia Local level	
	HCS	P	HCS	P	HCS	P
* “What role shall the public play in politics in general and in policy-making?”						
1) Its role shall be limited to participation in elections.	16	9	2	2	3	0
2) The public shall take interest in politics and communicate its opinions to its representatives.	45	30	36	32	10	3
3) The public shall be directly involved in politics.	39	61	62	66	87	97
	(N=388)	(N=434)	(N=227)	(N=104)	(N=62)	(N=63)
“For several years now, there has been an ongoing debate in some countries on increased control of the public over authorities and increased public participation in the exercising of authority. What is your opinion in this regard?”						
1) Favourable	44	66	87	87	-	-
2) Undefined	26	18	13	11	-	-
3) Not favourable	30	16	0	2	-	-
	(N=478)	(N=532)	(N=232)	(N=109)		
Elitistic index***						
1) high	15	6	18	13	30	29
2) medium	46	36	51	52	34	40
3) low	39	58	31	35	36	31
	(N=330)	(N=361)	(N=159)	(N=77)	(N=47)	(N=46)
“We are interested in your opinion on your own role. In comparison with the broader public, how do you feel as regards your knowledge, skills and sense of responsibility?”						
1) very superior	20	8	6	3	3	12
2) superior in a limited sense	58	42	36	38	31	37
3) not superior	22	50	58	59	66	51
	(N=481)	(N=539)	(N=232)	(N=108)	(N=64)	(N=65)

**Table 3**  
... continued

<b>Statement</b>	<b>Slovenia Executive branch</b>	<b>Slovenia Legislative branch</b>
<b>*</b>	<b>P</b>	<b>P</b>
"What role shall the public play in politics in general and in policy-making?" 1) Its role shall be limited to participation in elections. 2) The public shall take interest in politics and communicate its opinions to its representatives. 3) The public shall be directly involved in politics.	2 28 70 (N=61)	2 37 61 (N=43)
"For several years now, there has been an ongoing debate in some countries on increased control of the public over authorities and increased public participation in the exercising of authority. What is your opinion in this regard?" 1) Favourable 2) Undefined 3) Not favourable	86 12 2 (N=64)	89 9 2 (N=45)
Elitistic index*** 1) high 2) medium 3) low	14 51 35 (N=49)	11 53 36 (N=28)
"We are interested in your opinion on your own role. In comparison with the broader public, how do you feel as regards your knowledge, skills and –sense of responsibility?" 1) very superior 2) superior in a limited sense 3) not superior	0 42 58 (N=64)	7 32 61 (N=44)

Source: Aberbach et al (1981: 182–183); Hacek (2004).

\* HCS = high civil servants; P = politicians.

\*\* Evenly distributed samples from Great Britain, Germany Italy, Sweden and France were included in the first question; evenly distributed samples from Great Britain, Germany, Italy, the Netherlands, France and Sweden were included in the second question; evenly distributed samples from Great Britain, Germany, Italy, the Netherlands, France and Sweden were included in the last question.

\*\*\* Elitistic index is an aggregate index composed of answers to six statements, whereby the inclusion in the index is conditional upon an affirmative answer ("I agree.") to the last two questions.

- 1) In a complex world like ours, it makes no sense talking about an increased control of citizens over authorities.
- 2) There must always be strong, qualified individuals capable of leading the country.
- 3) Some people have better qualifications for leading the country because of tradition and family.
- 4) Few people know what their long-term real interest is.

- 5) All people shall be given an equal opportunity to exercise influence over authorities.
- 6) All people shall be given an opportunity to vote, although they may not be capable of doing this competently.

The first category, which comprises members of administrative and political elites who are least enthusiastic about political equality, is almost undetectable in Slovenia, both at national and local levels. In Western European countries there are almost twice as many senior civil servants as politicians among the “opponents” to political equality (who are also less favourable to direct public involvement in politics). Their answers suggest that Slovenia’s administrative and political elite is more in favour of – in comparison with their Western European colleagues – a fairly active role of the public in politics in general and in policy-making. Politicians (as compared with senior civil servants) both in Western European countries and in Slovenia are the most supportive.

In the next part of the study, which involved exploring support of administrative and political elites to political equality and public participation, we asked a less philosophical question, probing the attitude of respondents towards participatory democracy.<sup>12</sup> Looking at the results obtained in Western European countries, we can see that more than three fifths of politicians and almost half of senior civil servants are favourable to increased public participation and control over authorities. Those more in favour of changes are members of the administrative elite. The results obtained in Slovenia are quite different; a great majority of administrative and political elites are favourable to increased public participation and control over authorities, with practically no differences between the views of senior civil servants and politicians.

The third part of the study exploring support of administrative and political elites for political equality and public participation utilized an “elitistic index” (Aberbach et al, 1981: 183). The “index” is composed of affirmative answers to six statements. A high elitistic index suggests that administrative and political elites feel superior to “ordinary” citizens. Both in Western European countries and in Slovenia the proportion of those holding such feelings is larger among senior civil servants.<sup>13</sup> Compared with their Western European colleagues, slightly more members of Slovenia’s elites are included in the high or middle elitistic index, whereby there are practically no differences between senior civil servants and politicians.

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12 The question was: “For several years now, there has been an ongoing debate in some countries on increased control of the public over authorities and increased public participation in the exercising of authority. What is your opinion in this regard?”

13 Interesting are the answers obtained in Slovenia from local-level elites who were included in the high elitistic index, at a much higher rate than their national-level colleagues. Most probably, this is the result of the reform and process of local-self government reinvention that have been in course in the last eleven years, and consequently of the change in local-level elites.

The only difference worth mentioning was observed in connection with the last statement which reads as follows “all people shall be given the opportunity to vote, although they may not be capable of doing this competently.” In Slovenia, 85 percent of senior civil servants, 86 percent of Members of Parliament, and 92 percent of politicians employed in the executive branch agreed with this statement. More politicians (87%) than senior civil servants (84%) also agreed with the statement that “all people shall be given an equal opportunity to exercise influence over authorities” but, as said, the differences are relatively small. Full political equality is a commendable ideal, still very alive in a relatively new like Slovenia, but results from traditional and long-lasting democracies are more realistic. People cannot be equally competent to deal with the complexities of public issues. Some efforts to increase public access to government are useful, but firm leadership from the top will always be a necessity. In stating this modal view, we can expect also that more and more bureaucrats in Slovenia will start to emphasize the “realistic” need for competence and leadership, whereas politicians will always be more in favour of the “idealistic” goals of ever greater political equality.<sup>14</sup>

The last part of the study explores support of administrative and political elites to political equality and public participation and inquires whether members of the elites feel superior in comparison with the broader public on account of their roles.<sup>15</sup> The answers suggest that the majority of members of Slovenia’s elites both at national and local levels do not feel superior, but in any case they feel less superior than their Western European colleagues. Those who feel most superior are politicians at local level and Members of Parliament, although their proportion is very low and completely comparable with Western Europe.<sup>16</sup>

## **Final Observations**

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In exploring the commitment of both elites to democratic principles, we focused on two key dimensions of democracy, i.e. political freedoms and pluralism on the one hand and political equality and populism on the other hand. Our analysis gave the following answers: both Slovenian senior civil servants and politicians are generally favourable to political freedoms and equality, even more so than their Western European colleagues who were included in the study by Aberbach, et. al. (1981); also the general attitudes of both elites are not much different from the general attitudes

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14 See also Aberbach et al (1981: 182–187).

15 The question was: “We are interested in your opinion on your own role. In comparison with the broader public, how do you feel as regards your knowledge, skills and feeling of responsibility?”

16 In western European countries, the proportion of those who feel superior is the largest among members of the administrative elite (20%). The proportion of those who do not feel superior is the smallest among members of the administrative elite (22%).

of the general public, who is, in large proportion, very much in favour of democracy and its ideals and values.

The differences between the two elites are relatively small and are most noticeable with regard to the question about control over certain extreme organizations. Here, more than half of senior civil servants expressed their support to unconditional restricting of political expression.<sup>17</sup> Further, we established that slightly more Slovenian politicians as compared with their western European colleagues feel superior in comparison with the broader public. At the same time, the similarity of democratic values of both elites points towards the etatistic model of relationship between civil servants and politicians (Peters, 1988), but there is not enough evidence to confirm that presumption. Based on their perception of their own role, Slovenian senior civil servants feel slightly more superior. These findings are based on the elitistic index, where respondents had to answer a set of indirect questions and, to a much smaller degree, on the question directly asking about their feeling of superiority.<sup>18</sup>

To conclude, politicians are slightly more favourable to political freedoms and political equality than high-ranking civil servants. However, the difference is very small so that the general impression that both elites are favourable to political freedoms and political equality prevails.<sup>19</sup> The question remains, however, why both Slovenian politicians and senior civil servants differ from their colleagues in western democracies. The final answer will require further data collection and in-depth analysis, but we can suggest that the differences are as follows: a) the consequences of a half-a-century long undemocratic tradition and enthusiasm about a relatively new democratic political system, and b) of a semi-consolidated political system, and especially bureaucratic elites, that are still not fully prepared to be fully responsible for dealing with realistic and complex public issues.

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17 The same support was expressed by 37% of politicians. Members of Parliament (32%) were less supportive to unconditional restricting of political expression, whilst politicians employed in the executive branch were more supportive (41%).

18 The question was: "We are interested in your opinion on your own role. In comparison with the broader public, how do you feel as regards your knowledge, skills and feeling of responsibility?"

19 Aberbach et al (1981: 205–208) made the same conclusion, i.e., that politicians were slightly more favourable to political freedoms and political equality than high-ranking civil servants, with the only difference that differences between the two elites were slightly bigger in western European countries than in Slovenia.

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# Section II

The Bureaucracy as an  
Instrument of Democracy





# Nomenklatura Versus Civil Service in Poland Defining Politico-administrative Relations Under Leszek Miller's Government

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Tatiana Majcherkiewicz<sup>1</sup>

*Poland is not a country that appreciates the civil service or its good work. The idea that effective public administration is the foundation of an efficient state is not recognized [...]*

*There is still not an acceptance of the administration being the partner of politicians rather than their servant. In fact, civil servants serve the state and not the ruling party*

*[M. Kulesza, (2004: 11) one of the man reformers of public administration].*

The aim of this article is to investigate the personnel policy of Leszek Miller's government (Oct 2001 – May 2004). One reason for presenting his policy is the short period of time that has elapsed since his resignation as prime minister in 2004. Thus, the policy of his government naturally has a significant impact on the current shape of Polish politics and public administration. However, the principal reason for this analysis is his policy *per se*. None of the eight governments which ruled since the collapse of communism in 1989, until Miller came to power (apart maybe from the political purges of Prime Minister Waldemar Pawlak 1993 – 1995) was as strongly inspired by the communist past (as reflected in the culture of strict political control over public administration).

Miller's personnel policy rejected the principle of separation of politics and administration. Rather – he was in favour of direct supervision of public administration by politicians, to be achieved by promoting the *old communist guards* to senior administrative posts. On the contrary, the political barriers were raised against the employment and promotion of professionals in public administration (for example graduates of the elitist National School of Public Administration). This policy of politicization of the Civil Service was adopted by Prime Minister Miller

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despite the growing impact of EU cooperation. There were formal institutional and procedural changes such as the adoption of the Code of Ethics of the Civil Service, but the political culture was in strict contrast to these changes.

The Prime Minister, Leszek Miller, a former communist *apparatchik*, had to act within the new institutional order and the rules of building the civil service defined and adopted in the 1998 Civil Service Act. However, the approach of Miller's government aimed at delaying the civil service development and adopting temporary measures, which would create a loophole for the politicisation of administration. In analysing the civil service under Prime Minister Miller and his policies of delaying the reform, five main issues can be discerned: 1. the policy towards senior positions in public administration especially of director generals, 2. employment with *in proxy status* to senior administrative positions which blossomed under *Article 144a* – the Amendment to the Civil Service Act of 1998, 3. dismissal of personnel on the grounds of organisational restructuring, 4. the position of the National School of Public Administration and 5. the role of EU integration in his policy towards the Civil Service.

Among Miller's actions, particular emphasis was given to employing for the most senior positions in public administration, people with *in proxy status*, omitting competition procedures (including regulations laid down in the amendment article 144a of the Civil Service Act of 1998). This so-called temporary measure underlined the stability of public administration, which is crucial in preserving professional standards and political neutrality. The amendment introduced by Miller's government had to be removed after the decision of the Constitutional Court, which decided in December 2002 that it breached the Constitution. The removal of competition for those posts undermined the constitutional right of equality, as the best candidates were not selected. Rather, political appointees who did not fulfill the professional criteria of being civil servants usually were promoted. In proxy status allowed people to be employed who had not worked in public administration nor passed procedures to receive the status of Civil Servant (Passing qualification procedures should guarantee professionalism in those positions).

Finally, the fate of public administration under Miller's tenure underlined in this paper, is extremely negative. Nevertheless, it seems to be only a temporary feature which should not be generalized as applying to the whole period since the fall of communism.

## **Miller's government and political background**

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The autumn 2001 parliamentary election was won by the post-communist Alliance of the Democratic Left (SLD). The majority of SLD members of Parliament (MP's) were grass-roots activists, often with a communist past (many had degrees from political science departments in Moscow or the Warsaw Higher School of Politi-

cal Sciences which specialized during the communist period in courses for political activists). Henzler in the prominent weekly *Polityka* no 41/2001 in the section: *Dział kadry* – “personnel reshuffling” suggests that *nomenklatura*-type candidates were favoured as it mentions that surprisingly they were elected even if they were in the middle or even lower in the SLD parliamentary list. Prime Minister Leszek Miller, had a similar background. He had been a blue-collar worker, who started his political career from grass-roots level as the chairman of the communist party in his factory. It appears that his style of rule and attitude were shaped by his experience of being a former communist party apparatchik, who achieved the prominent position of regional secretary of the communist party in Skierniewice and that he was not able in his government policy to break with the socialist style of direct political supervision.

On 26 October 2001, the ninth coalition government of Leszek Miller was formed. The post-communist SLD and Peasant Party (PSL) remained in the coalition until 1 March 2003 when the prime minister decided to form a minority government. However, the collapse of the coalition did not bring coherence to its agenda but rather a slow, nearly year-long agony of government and on 26 March 2004 the prime minister announced his resignation. The political agony was accompanied by unprecedented social unpopularity. Since Poles usually do not trust their government (a public opinion survey conducted immediately after his resignation showed 92% of Poles had an unfavourable opinion of his government). No doubt the crucial reason was numerous corruption scandals in which the accused were senior ministerial officials and some of his close colleagues and advisers.

The personnel policy in public administration has to be seen as part of a wider personnel policy. After the post-communist parliamentary victory in 2001, the political pool of spoils was generously divided among public companies (Grzeszak, *Polityka* 5, January, 2002). In press articles on the personnel policy of Miller, the role of informal networks is often raised. The role of these informal groups illustrates the “Polish Watergate affair”, known as Rywin-gate. Film producer Lew Rywin demanded a bribe from Adam Michnik, editor in chief of the *Gazeta Wyborcza* suggesting that he was sent by the prime minister and that he had connections with an undetermined “power group” (*grupa trzymająca władzę*). Rywin claimed that he could cause novel media laws imposing restrictions unfavourable for newspaper publishers. Similarly, Pytlakowski, (*Polityka*, 25 January 2003) suggested that the Treasury Minister, Sławomir Cytyski, belonged to a group called “the colleagues from Independence Street” – members of the communist intelligence service, among whom numerous worked in very prominent positions as secretaries of state. Finally, questions are currently being raised about informal networks between business and politics, with sensitivity strengthened by the engagement in some of these affairs of former Soviet Intelligence officers.

## The post-communist transition and building of the civil service

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To understand the shape of the Polish administration it is good to start with the presentation of a few numbers – which underline how small and vulnerable is the professional civil service. However, first we have to start with the development of Civil Service reforms after the collapse of communism, to eliminate possible misunderstanding about the shape of the Civil Service in Poland, as certain terms applied to its description have a specific meaning in the Polish context.

Successful work on the formation of a professional civil service was started quite late. During the first post-Solidarity government's rule (1989 – 1993) two attempts were made to introduce civil service acts. They were unsuccessful for two reasons. The first was political fragmentation and instability and, the second, a lack of recognition of the importance of the civil service after the period of socialism.<sup>2</sup> However, one successful administrative reform of that period was the formation in 1990 of the National School of Public Administration (KSAP) aimed at the training of senior administrative officials. After the fall of communism, the shortage of professional and politically neutral civil servants was extremely severely felt. Thus, the idea evolved of concentration on a new administrative elite that would be young and dynamic, with a high standard of education. Moreover, it was felt it should be open to foreign cooperation (graduates were fluent in two foreign languages, as this was one of the most serious shortcoming among administrative officials).

The post-communist period (1993 – 1997) brought a change of policy towards public administration. The central administrative reform was adopted (and introduced in January 1997). Also, the Civil Service Act was adopted in 1996. Officially, it was regulated which positions were political and administrative. For example, institutions of political cabinets in ministries were introduced. The Chancellery of prime minister was divided into clearly distinguishable political and administrative sections. However, beneath the surface negative phenomena were seen as these reforms were accompanied by the high politicization of public administration and personnel purges (Prime Ministers Pawlak in 1993, Oleksy 1995/1996 and Minister of Internal Affairs, Leszek Miller in 1997 – for more details, see Majcherkiewicz 2004). Legal regulations were also favourable for the post-communist elite. For ex-

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2 However, these two projects require a brief mention. Already, by 1991, Jan Krzysztof Bielecki's government had prepared a Civil Service Act but it was rejected by the *Sejm* (Lower House of Parliament). The next attempt was prepared by Hanna Suchocka's government in 1993, and it included a comprehensive set of public administration reforms, including decentralisation of competencies to *powiaty* (the new stage of local government to be reformed). It is worth mentioning that the Civil Service Act, which was part of a thorough administrative transformation was evaluated by SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries), with the OECD as the model (Izdebski and Kulesza 1999: 218). However, when the post-communist government of Waldemar Pawlak came to power the whole set of administrative reforms was rejected.

ample, emphasis was given to administrative experience in the promotion to senior positions in public administration. Somehow that was defined in such a manner that those who started work in administration after the collapse of communism did not fulfill these conditions. Similarly, the promotion of KSAP graduates was restricted.

The coming to power by post-Solidarity in 1997 again brought a change of policy. The Civil Service Act of 1996 and the procedures of its introduction, that were seen as being politicized, were replaced by the new Act of 1998. Civil Service nominations according to the old Act were annulled or withdrawn. The new Act introduced competition procedures for senior administrative positions. The concept of the civil service was completely different. According to the Civil Service Act of 1998, all those employed in public administration are members of the civil service corps – defined as Civil Service employees. However, within the Civil Service the special category of officials – professionals fulfilling the highly defined expectations of government, were distinguished and named Civil Servants. This group of Civil Servants was expected to rise within the Civil Service corps, with nominations for those positions applying to those who were Civil Service employees with at least two years' work experience, holding Master's Degree, knowing one foreign language and then passing the qualification procedure.

The language requirement was one of the main points of criticism, especially during Miller's government as there were arguments that highly experienced public administration cadres who did not fulfil this criteria had no chance of gaining the status of officials. No doubt the Miller government trusted the *old guard* – administrative officials who often worked in this capacity during socialism. Nevertheless, the issue of foreign language created a barrier to the faster development of a professional Civil Service. It was estimated in 2001 that in the next two years only ten per cent would be able to fulfil this criteria and be able to receive the status of Civil Servant. By the end of Buzek's rule there were advanced plans to form an additional category of lower rank Civil Servants and the parliamentary election enabled the passing of this amendment (Paradowska, *Polityka* 2 June 2001). However, it is also necessary to remember the opposite argument: in this period of intensive European integration and cooperation, knowledge of foreign languages is necessary for the Civil Servants.

In 2002, during Miller's rule, the Polish public administration had 117,035 employees. However, there were only 1,551 Civil Servants. This number is an estimate of those who are really professional civil servants, according to data for 31 Dec., 2003. The slow pace of increase in the number of Civil Servants emphasizes the additional fact of the low number of candidates who wish to go through the necessary examination procedures to be appointed officials: January 2000 – 240;

August 2000 – 218; July 2001 – 324; July 2002 – 374<sup>3</sup>. In addition to lack of qualifications, political instability was to blame for this. The other important source of professionals are alumni of KSAP, who after graduation are automatically assigned the status of Civil Servants. In 2001, the number of KSAP alumni exceeded eight hundred (830) and they comprise 0.8% of central administration employees. Every year there are around 60 alumni of KSAP.<sup>4</sup>

## **Civil service under Leszek Miller**

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Prior to the Miller government, Polish governments had drawn the line between politics and public administration (which should guarantee the apolitical character of the civil service). They had adopted a wide definition of the political sphere, thus guaranteeing numerous pools of spoils as with the change of government around two hundred positions were vacated.<sup>5</sup> Nevertheless, during Miller's government the line was often seriously breached and the scale of the politicisation of public administration was high.

The concept of the civil service was not questioned by Miller's government as such; he neither rejected it, nor paid it much attention. The prime minister rather used the excuse that it was not the right time to follow this policy as there were shortages of professional cadres and, thus, temporary measures were justified. The post-communist elite also argued that the criteria of qualifications, especially in relation to proficiency in at least one foreign language, were too high. In analyzing the civil service under Prime Minister Miller, and his policies of delaying reform, five main issues are highlighted:

1. the policy towards senior positions in public administration, especially of director generals,
2. the employment of those with *in proxy status* for senior administrative positions, which blossomed under *Article 144a* – the Amendment to the Civil Service Act of 1998,
3. the dismissal of personnel made through the excuse of organisational restructuring,
4. the position of the National School of Public Administration,
5. the effect EU integration on Miller's policy towards the Civil Service.

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3 Data presented in *Sprawozdanie Szefa Służby Cywilnej o stanie służby cywilnej i o realizacji zadań tej służby za rok 2003 – część główna* (the Report of the Chief of the Civil Service for 2003 – the main part)

4 According to the Commission of the European Communities, Regular Report On Poland's Progress Towards Accession 9 September 2002, <http://europa.eu.int/comm/enlargement/report2002/#report2002>.

5 The Civil Service Acts of 1996 and 1998 and especially Article 38 of the Council of Ministers and Ministerial Terms of Reference Act, 8 August 1996.

**The policy towards senior positions in public administration:** In the politicisation of public administration, the director generals play a crucial role in Poland as they hold the most senior administrative positions in ministries, other central institutions and regional offices. They are also responsible for personnel policy in their agencies or institutions. Thus, one can expect that political changes in these positions will lead to a snowball effect below.

The prime minister and ministers (and regional governors) wanted to preserve direct control of public administration and so the positions of director generals were critical. After the shift of power to Miller's government, the incumbents of these positions were directly rejected, and sometimes dismissed, without any explanation. This was despite the fact that, according to the Civil Service Act of 1998 (and also the previous Civil Service Act of 1996), they were the most senior administrative positions, which should guarantee the stability of their employment independent of changes in government.

However, the stability of these positions requires politicians to understand and accept the professional status of the civil service, which seems to be a very serious challenge for them after forty years of a socialist *nomenklatura* system. Burnetko (2002: 67-69) mentions that many ministers did not make time to see their director generals and when they finally saw them for the first time they began with a declaration that they saw no chance for good cooperation. A widely-publicized case was that of the Minister of Treasury, Wiesław Kaczmarek, who personally chose his director general. Similarly, the controversial and hard-core post-communist activist, Minister of Health, Mariusz Łapiński, dismissed his director general during their first meeting.

By the end of 2002, only three people who were employed by the last post-communist government of Cimoszewicz (Feb 1996 – Oct 1997), and three of the previous government of Jerzy Buzek (there were 15 ministries at that time), were still in their positions as director generals of ministries (Pardowska *Polityka*, 19. October 2002). Similarly, at the end of 2003, out of 16 regional offices only in two of them were directors generals employed from the period 1997 – 2001<sup>6</sup>.

Among all directors of central institutions, the majority (58%) had been working for less than two years.<sup>7</sup> However, these data on the tenure of Polish senior civil servants are not strikingly different from those in Western countries. According to

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6 *Sprawozdanie Szefa Służby Cywilnej o stanie służby cywilnej i o realizacji zadań tej służby za rok 2003 – część główna*, 2003: 3. (the Report of the Chief of the Civil Service for 2003 – the main part)

7 In addition, 17% had been working for between two and four years, 7% for between four and six years and 17% for more than six years. The data were presented in *Sprawozdanie Szefa Służby Cywilnej o stanie służby cywilnej i o realizacji zadań tej służby za rok 2003 – załącznik 12* (the Report of the Chief of the Civil service for 2003, appendix 12)

Kudrycka (1998: 34),<sup>8</sup> in Great Britain the average tenure in senior civil servants' positions was three years; in the USA 3.7 years and in France, on average directors of central institutions were employed for four years and their deputies for between four to five years.

However, two features distinguish post-communist Poland from these countries and create a culture of politicisation. The first is the fragmentation and instability of the political sphere and the second is the appointment to administrative positions not of civil servants but of political appointees without administrative professional qualifications (intensified by the adoption of Article 144a of the Civil Service Act of 1998 and employing by in proxy status).

In Poland, the intensity of personnel changes in public administration was not only affected by Miller's policy, but also by instability and fluctuation of the political sphere in general. Although Miller's government was dominated by experienced politicians – the *old guard*, a striking feature of Poland is the high fluctuation in the composition of successive parliaments compared to Western countries. For example, in the current government, 55% of MP's have been elected for the first time. In addition, these newly elected MP's, often take senior positions as chairmen of parliamentary commissions. It is worth emphasising one other feature of this instability phenomenon – the disappearance from the political scene of parties which formerly formed governments (but in the next parliamentary elections have not even been able to pass the parliamentary threshold). It is expected that in the next election, in autumn 2005, the ruling post-communist Alliance of Democratic Left (SLD) of Miller and Belka, which forms the current government, will be the third political force since the collapse of communism in 1989 which will meet this fate (Wesołowski, *Studia socjologiczne*, 2004 no 3). In periods of particular political instability and fragmentation, politicisation and direct supervision of public administration intensify and political appointees increase.

**Employment with “in proxy” status to senior administrative positions:** The most significant negative feature hindering the development of a professional civil service and its stability was the wide-scale adoption of employing in senior positions in public administration those with “in proxy” status. The primary reason for adoption of “in proxy” status employment in the Civil Service Act of 1998, article 144 – was to create the opportunity to employ experts in these positions, where there was no such specialists among civil servants, because the civil service was in its nascent stage. The Act was incorporated as a temporary measure to be applied for the next five years, allowing those who were not civil servants to apply for senior positions in public administration.

The investigation of proxy status is particularly interesting as it can also be seen as a measure of politicization – as a job was offered to a person whose main

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8 Quoting 1997 PUMA Report Work on Human Resource Management entitled *Managing the Senior Public Service: A Survey of OECD Countries*.

virtue was having political patronage. The issue became additionally sensitive for Polish public opinion when the new incumbents were former communist *apparatchiks* – as was the case with numerous nominations during Miller’s government. Furthermore, the wide-scale employment of those with “in proxy” status contradicts one of the most important ideas of administrative neutrality, which according to classical theories is based on the assumption of stability of employment.<sup>9</sup>

This type of employment was already a political feature of the previous government of Jerzy Buzek, who despite introducing quite an ambitious Civil Service Act of 1998 had difficulty fully adapting to it. In December 2001, among 1700 senior positions in public administration, 500 were employed “in proxy”.<sup>10</sup> During Miller’s government the pace speeded up. Within less than a year, among 1400 senior positions (Prime Minister Miller reduced the number of these positions when he came to power, but they later rose again to a similar level), 660 people were employed “in proxy” (Burnteko 2002: 56). Furthermore, during Buzek’s government, there were two significant cases in Spring 2001 when article 144 was used for promotion of political appointees to positions of director generals in the Office of the Committee on European Integration and in the Committee of Scientific Research omitting competition procedures. Nevertheless, it could be argued that, at that time, article 144 was treated as a temporary and rather exceptional measure occasionally used to fulfill political aims.

In the case of Leszek Miller’s government, this type of employment to senior positions in administration became the rule. In December 2001, clause *a* was added to article 144 to further facilitate employing “in proxy” (although the applicability of the temporary procedure was shortened till the end of the year 2002). The article stated that people who were not employees of the Civil Service could be employed in the senior positions and that they would be employed by the Chief of the Civil Service. Already, the old article 144 was allowing ‘outsiders’ to be employed but it was not clear if that could be done with or without a competition procedure. The Council of the Civil Service’s interpretation was that it was allowing people to be employed from outside the Civil Service, but not without a competition procedure. In other words, employing “outsiders” should be rather an exception and competition should be the method of employment guaranteeing objectivity, with the stability of the Civil Service limiting the politicisation of administration. Adding the new article which stated that those “in proxy” were employed by the Chief of the Civil Service legalized the omission of competition procedures and gave Miller a particu-

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9 In the modern model of the civil service, the idea of employing managers and more flexible procedures of employment similar to those adopted in private business is promoted. However, this model seems to have a much more limited applicability to post-communist countries, where public administration was directly subordinated to the communist party for more than forty years.

10 On 26 Oct. 2001, Miller’s government was formed – thus statistics referring to the situation in December should be interpreted as reflecting that left by Jerzy Buzek.

larly free hand in the politicization of administration. Furthermore, the proxy status in general assumed employment only for six months, although this rule was reinterpreted by politicians in relation to the position of director generals who received permanent employment (Żakowski, *Gazeta prawna*, 14 April 2003).

In January 2002, after the introduction of the amendment, the chairman of the Civil Service, Jan Pastwa, in a press interview (Potkaj, *Tygodnik Powszechny*, 6 January 2002) said: “the situation which in recent weeks has existed around the civil service seems to be critical, but does not threaten its basis”. On the contrary, the Prime Minister was rather satisfied, arguing that the amendment was caused by exceptional conditions and it was only a temporarily measure to fulfil vacancies for senior positions – although the number of vacancies was relatively small, at around 400 out of 1700 senior administrative positions (1200 were filled by position holders before the Civil Service Act was adopted). Moreover, sometimes there was no information sent to the Chief of the Civil Service to start the competition procedures and people with “in proxy” status were directly employed (Burnetko 2002: 36).

In June 2002, the Ombudsman sent the document to the Constitutional Court for its opinion on whether it abided by the Constitution of the Third Republic of Poland. The Ombudsman raised serious questions about whether this Amendment was endangering the process of the formation of a professional and politically neutral civil service. The opinion of the Constitutional Court in December 2002 stated that the Act was a breach of the Constitution (Article 153) as it created the danger of its politicization. The competition procedure should be obligatory as it guarantees transparency of recruitment and selection of the best candidates. Finally, the Court assumed that Article 144 was sufficient as a temporary measure.

Article 144a was cancelled from 1 January 2003. Nevertheless, in the meantime as a result of Article 144a, the proxy status mushroomed everywhere in administration. There were 63 positions of director generals, of which eight were vacant, as well as 70 directors of departments and their deputies. What is particularly interesting in the Chancellery of the Prime Minister, is that the position of director general was vacated and only in three out of 22 positions of directors were the procedures of the Civil Service not omitted. In the Ministry of Internal Affairs and Administration (which should be a model institution), 10 out of 17 directors were employed with so-called “in proxy” status (Burnetko 2002: 56-57 and Czaputowicz *Służba cywilna*, 2004/2005: 36-38). In addition, there was no director general in the Ministry of Foreign Affairs, the incumbents of which is also the chief of the Civil Service for Foreign Affairs (Burnetko 2002: 56-58).

The Polish Civil Service under Miller began to be a “Civil Service in proxy”. On 1 April 2003, of 1515 senior positions (directors) there were 799 vacancies among which 705 were taken by people working “in proxy” (Burnetko 2002: 43). Especially high was the proportion of “outsiders” among director generals in regional offices. There followed snowball personal changes – for example, the Regional Office of

Kujawy and Pomerania where, among 24 senior positions, 21 were occupied by “outsiders”, with a similar proportion in three other regions (Western Pomerania, Lubusz and Podkarpackie) (Burnetko 2002: 58).

The necessity of withdrawing the controversial article 144a in January 2003 raised the dissatisfaction of the post-communist elite. The SLD politician Andrzej Brachmański, the chief of The Parliamentary Commission of Public Administration was angry after more than half a year and insisted on removing competition for senior positions (Burnetko, *Tygodnik Powszechny* 3 August, 2003). The Chief of the Chancellery of the Prime Minister, Marek Wagner, declared that although the competition procedures were legally binding for the senior positions in public administration this, was not always a good idea. He added that the experience was more important than the winning of the competition<sup>11</sup> (Uhlig, 7 Oct. 2004, *Gazeta Wyborcza*). However, the government had to concede, and the cancellation of Article 144a meant that the competition procedure could no longer be omitted.

The next stage of policy involved organising competition at a very slow pace or even sabotaging procedures (by not informing about vacancies the Chief of the Civil Service and/or prolonging defining job descriptions for position for which competition was organised). There were a few serious tendencies aimed at politicisation of the competition procedure itself. Filipowicz (2004) in his report on competition practices identified some of the main problems:

The first one was “time manipulation”. An extreme illustration of this is the case of a job advertisement for the position of Director of the Education Department in the Regional Office of Mazovia where there was just one day between information being given about competition and the deadline for sending applications. In relation to this issue, Filipowicz mentions that this procedure was a breach of the law (the constitutional principle of equal rights as well as the Code of Administrative Procedures). However, nobody intervened: not even the supervisor of that institution, the Regional Governor, nor the Office of the Civil Service. In other cases, between job interviews and decisions on the selection of candidates there were delays of several weeks.

The second serious abuse was related to “issues raised in interviews”. Those who were working in proxy, and then stood in the competition, were much less surprised by them than other candidates. Filipowicz suggests that in numerous cases such candidates knew details in advance. The third irregularity was the construction of job descriptions tailored for qualifications of particular candidates. Similarly, the compositions of recruitment commissions were also often political and biased (Henzler, *Polityka* 22 January 2005). Finally, the lack of transparency of these competition procedures intensified politicisation (to some extent the recently intro-

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11 This also brings our attention to another problem; Wagner was the right-hand man of the prime minister, making a strong political declaration. However, he was employed in an administrative position.

duced privacy clause was misinterpreted and often used to justify why information could not be publicised).

**The dismissal of personnel made with the excuse of organisational restructuring:** Another method for preserving political control was administrative reorganization of ministries accompanied by personnel changes. Such personnel changes were introduced at the regional level by the Minister of Internal Affairs and Administration, Krzysztof Janik, who conducted purges of director generals of regional offices and directors of departments in the regional administration under the guise of creating uniformity of administrative structures. As a result, directors who were selected by competition procedures, which should at least in theory lead to the selection of the best qualified candidate, were replaced by political appointees. The Minister Janik declared that one third of directors' posts would be eliminated (which in the post-communist propaganda was justified by budget savings – “the concept of a cheaper state”). The scale of the purges is exemplified by changes in positions of Directors of Education Departments (*kuratorzy*). Out of 16, 13 were dismissed (among them was Andrzej Sygut of Kielce, who had been in his position for twelve years and had ‘survived’ ten prime ministers) (Henzler, *Polityka*, 19 January 2002).

The role of the civil service was also limited by changing the status of public administration institutions into so-called “national budget units”, to which the Civil Service Act did not apply. One such transformed institution in 2002 was the Office for Registering of Medicines and Biological Types of Poisons. The argument raised against this policy was that in institutions like this, where there was a strong business lobby, it could cause a serious temptation of corruption and thus the employment of professional and stable civil servant cadres would be particularly important. The other two institutions, where a professional civil service was critical, but which nevertheless were similarly transformed were: the Government Centre of Strategic Studies and the Government Centre of Legislation (Burnetko, 2002: 44-45 and 64). No doubt, the limitation of institutions to which the Civil Service Act applied was itself negative.

**The position of the National School of Public Administration:** The role of Miller's socialist past in attitudes towards the civil service was also very evident when we analyze his actions against the National School of Public Administration (KSAP). Due to its high standards of education, its graduates automatically became civil servants without going through qualification procedures (as was the case with those who were employees of public administration). The young and professional alumni of this school, could be seen as a contradiction of the *nomenklatura* style officials and as the best candidates to fight against the administrative culture of the socialist period: passivity and political subordination. Miller's animosity towards the school may also have been strengthened by the fact that the school was seen as sympathizing with the political right (post-Solidarity). The continuous audits

of this institution suggest a political motivation for these actions. Also, the press (weekly *Przegląd*) started attacking the school, accusing it of incompetence. Pardowska (*Polityka*, 19 October, 2002) even suggested that after Poland entered the EU in 2004, when monitoring of its accession progress would no longer be conducted, Prime Minister Miller would have a free hand and these actions were just preliminary attacks before closing down the school. This was despite the fact that prime minister supervised the school curriculum and its functioning.

Burnetko (2002: 63) wrote about another option of linking the School with the National Centre of European Education (the institution being under the political patronage of the SLD). Under Miller in 2002 the school's alumni, for the first time since the beginning of transition, could not find jobs relevant to their qualifications. He also emphasized the double standard of the government, which on the one hand proposed lowering the standards for civil servants, arguing that there was a shortage of cadres, while at the same time making it difficult for KSAP graduates to find jobs relevant to their qualifications. However, the situation improved in 2003 as 51 graduates of KSAP received 118 offers<sup>12</sup>.

**The effect EU integration on Miller's policy towards the Civil Service:** An important factor that must be mentioned is the role of the EU or the lack of it. It seems that entering the EU did not have a serious impact on Miller's personnel policy, although it was used in government propaganda. Instead Miller's policy contradicted the traditional European approach towards the civil service. Certain formal actions were influenced by the EU like the signing of the the Code of Ethics of the Civil Service or preserving the Office of the Civil Service (although in the first stage Miller's electoral slogan of "a cheaper state" included the proposal to eliminate the office)<sup>13</sup>, (Pardowska *Polityka*, 19 October, 2002). However, the main force shaping his policy was his socialist *apparatchik* origins. In successive EU opinions on progress towards accession the public administration was seen as one of the weakest points in Polish strategy. Successive reports repeated the slow pace of the formation of a professional civil service. In the 2002 report, the accent was put on the issue of employment of people "in proxy" instead of selection thorough competition procedures. During Miller's tenure atypical action took place as EU reports singled out the Ministry of Infrastructure, due to its low administrative performance despite its importance (it supervised over one third of structural funds in Poland).<sup>14</sup>

Finally, it is worth mentioning the extremely negative opinion of public administration under Miller's rule. An opinion poll conducted in February 2004 by

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12 *Sprawozdanie Szefa Służby Cywilnej o stanie służby cywilnej i o realizacji zadań tej służby za rok 2003 – część główna 2003: 6* (Report of the Chief of the Civil Service for 2003 – the main part)

13 Miller's resignation was accepted just after Poland entered the EU, so even if he had the strength to introduce this policy, he did not have enough time.

14 However, the position of the minister of infrastructure was kept by Marek Pol, the leader of the Labour Union, the weak but loyal coalition partner.

the Centre of Research of Public Opinion (CBOS) showed that 7% of Poles believed that civil servants are not corrupt while 90% believed that they are (Burnetko *Tygodnik Powszechny*, 3 August 2003).

## Conclusion

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The style of ruling and priorities imprinted by the communist past are most evident when analyzing the last government act – Amendment of the Civil Service Act of 1998 – prepared by the outgoing Leszek Miller government in April 2004. The proposed Amendment aimed at preserving the political pool of spoils. The proposal was to delay the introduction of the law, which limited the opportunity to stand in competition for senior administrative positions to those who work in public administration and have the status of Civil Servants thus cutting off political candidates. The Civil Service Act of 1998 already assumed some temporary measures in Article 144 (but it was ending in July 2004) aimed to facilitate recruitment in the situation of a shortage of cadres. The government wished to extend the temporary regulations for two more years (until July 2006). Moreover, political appointees' tenures were to be prolonged as the three years span of their employment was to be expanded.

This Amendment was particularly important as, among 1500 senior positions, only two hundred passed exams. In addition, the new amendment intended to introduce more direct control of politicians (ministers, regional governors) over competition procedures instead of the supervision of the Chief of the Civil Service (Kołakowska, *Rzeczpospolita*, 29 April 2004 and Uhlig, *Gazeta Wyborcza* 29 April 2004).

However, the widespread publicity directly preceding the last government meeting forced the government to withdraw this unpopular draft. At the same time, the Chairman of the Civil Service Office, Jan Pastwa, publicly criticized the project, emphasizing that the demand that he sign the proposal in such an urgent manner would mean that not all the necessary legal procedures would be fulfilled, resulting in breaches of the law. He added that there were numerous applications by very highly qualified candidates even for lower rank positions. This seems to suggest that the government proposal to prolong special temporary regulations for directors' positions due to the lack of competent candidates was not convincing. Moreover, Jan Pastwa added that these candidates knew at least one foreign language, which would be especially important after accession to the EU. However, the government defended the interests of the old generation of officials, most of whom did not know any foreign language (Uhlig, *Gazeta Wyborcza* 29 April 2004).

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## Politicians and Senior Civil Servants in Former Yugoslav States: Back to Discarded Traditions?

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The former Yugoslavia retained traditions of a professional and impartial civil service well into the period of the Communist regimes. However, the collapse of Yugoslavia led to a period of hyper-politicization, due to the polarization that came with the Yugoslav wars and the growing pains of the new states. With the possible exception of Slovenia,<sup>3</sup> this hyper-politicization was a major contributing factor in the virtual collapse of civil service systems across this part of the Southeast European region. Civil service systems across the sub-region were in a state of strong decline by the early years of this decade, in particular in Serbia and Montenegro, but also in Bosnia and Herzegovina, Macedonia and Croatia. The deep politicization of civil service structures made public administration unattractive for young graduates and stifled career perspectives for those already employed. The negative image associated with the political regimes in place in many states further affected the image of the civil service.

The regime changes in the region, starting with Montenegro, and followed by Croatia and later Serbia, as well as the gradual stabilization of Bosnia and Herzegovina, provided an opportunity for reform. In Macedonia reforms started in the mid 1990s, stalled in the years around the Kosovo conflict, but were re-launched following the conclusion of the Ohrid agreement, which ended a brief civil conflict. However, even if conditions for reform in the region had improved, the rapid development of civil service reform policies in the last two years has come as something of a surprise to outside observers. This article will examine the nature of civil service reform in former Yugoslav states and seek to answer the question of why reforms

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3 Even though Slovenia did not show the same patterns of extreme politicization as other states, the development of a professional civil service system in Slovenia continues to lag behind other new European Union (EU) member states

were initiated at this specific time across the area, and what are the common elements and risks to the reform process.

## **Politicization and the decline of civil service systems**

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Politicization is one of the key causes of the decline in civil service systems in the Central and East European (CEE) states. The lack of job security brought by politically based decisions on recruitment, promotion and dismissal, and the lack of career perspective for young staff due to the ever increasing number of posts subject to political appointments were key factors in reducing the quality of staff in the civil service. In addition, inadequate employment conditions, in particular low wages was a factor. In Serbia, for instance, appointments down to the level of department head were decided on political criteria (Review of the Pay and Benefits in Serbia, 2004). The lack of clear provisions on merit-based recruitment and promotions in civil service legislation, or the lack of enforcement of rules where they existed, made it easier for politicians to use their office to reward loyal supporters with government positions.

In addition, the drive for more political appointments led to an expansion in staff numbers in the civil service, notably in small states with limited employment opportunities, such as Montenegro (World Bank, 2004) and Macedonia. This in turn led to a further decline in competitiveness of the civil service as an employer. The scope for improvement in wage levels was reduced due to the need to fund an ever increasing number of staff from stagnating public funds.

The emerging turnaround of this situation, though only in its initial stage, is somewhat surprising to outside observers. The political situation is not much less polarized now than it was a few years ago. Serbia, Montenegro, Croatia and Macedonia are all governed either by governments that hold slim majorities in parliament, or are minority governments. In addition, government-opposition relations tend to be highly polarized. Finally, the prospect of EU membership, which has often driven attempts at professionalization of the civil service in other parts of the region (in particular in states like Bulgaria) is still rather far removed in most of this region, except for Croatia. However, even in the latter state, civil service reform is still a relatively low profile aspect of the accession process, as political criteria for now overshadow institutional reform issues. There are several hypotheses that could explain the recent flurry of reform initiatives in former Yugoslav states.

The first is a *determinist or historical* hypothesis. It would assume that the historically developed pattern of strong law-based civil service systems would re-emerge once the initial stabilization of the political situation in the different republics would have taken place. This approach has been underlying much of the analysis of Central and East European governance systems in the last decade, and driven (often flawed) assumptions on reform paths in individual states (i.e. predict-

ing smooth and rapid reforms in the Czech Republic, but reform failure in Slovakia after independence, an assumption repeatedly over taken by reality).

A second hypothesis is the *integration* hypothesis. This would assume that, the long term prospect of EU accession, combined with the developing notion of the European Administrative Space (as first coined by Fournier in 1998) acts as a magnet for European states and will help drive reforms in public administration even without direct pressure from the EU.

A third hypothesis is the *reform dynamic* hypothesis, according to which politicians interested in furthering economic and social sector reforms realize that reforms do not deliver results unless the institutional capacity to implement and sustain the reforms is created. A politicized and weak administration prevents the implementation of economic and social reforms. Therefore, those that support this hypothesis would expect politicians with a reform agenda to eventually pay attention to the quality of the civil service. In this line of thinking it matters less whether governments have a majority in parliament, but more whether the overall political climate is conducive to the implementation of a reform agenda. This hypothesis is built to some degree on the literature on growth and governance (see, for instance, Barro, 1991, Knack and Keefer, 1995, Rauch and Evans, 2000), that has successfully argued that there is a causal relation between the quality of governance (including bureaucratic quality), the quality of policies and progress in economic development. Whereas this article does not seek to shed new light on this issue as such, the hypothesis that bureaucratic collapse would have become an impediment to policy reform and economic development is nevertheless a powerful one.

The analysis here will help answer the question of what has been the most likely driver of the rapid initiation of reforms in former Yugoslav states over the last three years. This will be based on an analysis of the reforms and their political context.

## **The Reversal of trends: how serious?**

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The last three years have seen a flurry of reform initiatives in civil service systems in Serbia, Montenegro, Croatia, Macedonia and Bosnia and Herzegovina. All these states and republics have either adopted, or are close to adopting, new legislation on the civil service, or have revamped reform processes that had previously stalled. Without exception, the motivation for the new legislation has been the need to professionalize and depoliticize the civil service. New legislation in the above states and republics imposes enforceable restrictions on political appointments in the top level of the Civil Service. At the same time, in the majority of these cases, special provisions have been included in this legislation that govern the employment conditions of top civil servants, often based on Anglo-Saxon approaches. This constitutes a departure from traditional approaches to civil service management in the former

Yugoslavia and may represent a compromise solution essential to ensure depoliticization while guaranteeing broad based political support for reforms.

Among the states and republics discussed here, Montenegro, Serbia and Croatia are the most straightforward. They are all in a process of fundamentally altering the legal basis for the management of appointments, promotions and dismissals in the civil service. In each of the cases, new or draft legislation also includes provisions for separate treatment of senior officials, even if they are part of the new civil service legislation, and subject to the same rules as other civil servants.

**Origins of the problems:** The Croatian case is possibly the most complex. In 2000, Croatia launched a radical reform of its civil service and public administration legislation, which aimed, on the one hand, to modernize the existing legal framework, but, on the other, to contain the cost of the civil service. A key element of the reform was the move of previously senior civil servants out of the civil service system and into the framework of a new Law on Rights and Obligations of State Officials. This included Secretaries-General of Ministries as well as Assistant Ministers, previously the most senior management and substantive ranks in the civil service. All of these posts became subject to political appointment, and professional (merit) criteria for appointment to these posts was dropped.

One of the main reasons for this move was the perceived need to reduce civil service wages, since Croatia had (and still has) one of the highest level of expenditure on public sector wages in Europe.<sup>4</sup> A new wage system introduced in 2001 under a new Law on Salaries (2000) effectively reduced wages by a significant percentage across the civil service. However, the rate of reduction varied between ministries, due to the inconsistent application of the salary law (World Bank, 2004). Moving a relatively small group of top officials out of the salary system for civil servants was seen as a pragmatic way of addressing the need to reduce the level of civil service wages (which in 2000 were still significantly higher than wages in the private sector), while at the same time allowing the retention of senior officials. The linkage between the wages of those employed under the Law on Civil Servants and Employees and those employed under the Law on Officials was severed, allowing for higher salary payments to state officials.

What started as a pragmatic solution to a problem subsequently became an instrument for the politicization of top level professional positions, as the coalition government in place used the new arrangements to put in place party control mechanisms in individual institutions. Furthermore, the new rules raised resentment in the broader civil service, and were among the main reasons why talented officials left the administration. Finally, the politicization of top level appointments was seen as one of the factors in the weakening of policy coordination mechanisms, as professional capacity at the senior level declined (World Bank, 2004).

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<sup>4</sup> The wages to GDP ratio is 12.5% and wages to public expenditure over 27%, only Bosnia and Herzegovina has a higher ratio among European states

The widespread politicization of senior appointments in Serbia and Montenegro had slightly different origins, but led to a similar result. In both republics, the lack of rules on professional criteria governing the appointment and dismissal of senior officials was to blame for increasing levels of politicization. The formal status of government officials is regulated by the Law on Labor Relations in State Bodies. The law recognizes three classes of Civil Servants: 'elected', i.e. ministers; 'appointed', i.e. members of service who have been appointed by the government; and all the other 'employed' personnel, who are 'ordinary' civil servants, i.e. 'career civil servants'. Positions of Deputy Minister, Assistant Minister and Secretary of Ministry fall within the category of appointed personnel. They are appointed by the government for four years, but with any government reshuffle changes tend to occur, especially at the level of Deputy Minister and Assistant Minister and, to a lesser degree, Secretary General (Rabrenovic, 2003). The category of appointed personnel thus institutionalized the right of interference by politicians in the very top layers of the administration, mainly to ensure that politicians get policy advice delivered by civil servants they consider reliable.

It should also be noted that top administrative appointments have been the subject of intensive political bargaining within governing coalitions, restricting the influence of ministers in making the appointments. All this implies a strong 'political' nature for the 'appointed personnel' category. A similar arrangement in place in Montenegro was exacerbated by the process of gradual expansion of the civil service as a result of political pressures to create additional posts (World Bank, 2004). In both cases, the shift in political climate is largely seen as responsible for the enhanced level of politicization in top level positions. The authoritarian regime of the 1990s, and the fragile coalitions that succeeded this in both Serbia and Montenegro, led to politicians using the possibilities inherent in existing legislation to make the civil service a largely political tool in the hands of the ruling party or coalition.

**Initiation of changes:** The initiation of reforms in all three cases started in and around 2003. In Montenegro, previous attempts at administrative reform, launched in 1999, stalled, due to political instability, until more conclusive elections and constitutional reform reshaped the political landscape and created the political opportunity to re-launch the process.

In Serbia, the need to stabilize the economy and the political system following the overthrow of the Milosevic regime prevented any serious discussion of administrative reform in the first years after the regime change – despite numerous efforts to launch a reform of the obsolete administrative system. Following a period of political uncertainty after the assassination of Zoran Djindjic in March 2003, the new Government, installed in early 2004, announced institutional reform as one of its main political priorities.

Croatian reforms were relaunched in 2003 as part of the process of preparation for the EU accession bid. However, they were also the consequence of the wide-

spread realization that the 2000 and 2001 reforms had neither reduced the public sector wage bill, as had been intended, nor helped in moving forward the intended administrative renewal process.

**Nature of changes:** Whereas in Serbia and Montenegro reforms were defined largely in the context of adopted public administration reform strategies, civil service reforms in Croatia, though part of the government program, have proceeded in a relatively stand alone fashion.

Montenegro adopted its strategy on public administration reform in July 2003, providing a clear programmatic basis for reforming the over-expanded and largely unreformed public administration system. Whereas the strategy contains elements of new public management (separating policy from delivery functions, reliance on contracting out, etc.), it was relatively incremental in its approach to the reform of the civil service. New laws on civil service and on civil service salaries were adopted in April 2004, including provisions to open top level positions to competition. The separation of management and career positions, with the former to be filled based on five year appointments and the latter on a permanent basis, continues to some degree the previously highlighted trend of separating provisions for recruitment, promotion and dismissal of top management and other positions in the civil service. At the same time, however, the provisions in the new law should help enhance transparency on top level appointments, as secondary legislation on competition and recruitment has also been put in place and a new Civil Service agency has been created to oversee their application. Whereas the provisions on appointments for senior officials continue to raise concern, the clarification of their position is nevertheless an important step forward.

The adoption of the new legal framework for politico-administrative relations in Serbia is still largely on the drawing board. The new Law on State Administration includes important provisions on the management system in the state administration – defining political and non-political positions, including the definition of the Assistant Minister and Secretary-General posts as civil service positions. The law is still under discussion in Parliament, and may therefore be subject to change. The new draft Civil Service Law has not yet been discussed in the government and any discussion of its provisions is therefore still tentative. Similar to the Montenegrin case, the draft law separates appointment and career management provisions of managing staff (Secretaries-General, Assistant Ministers) and executive civil servants (all other professional posts), defining the former as appointments by the government and the latter as appointments by the ministries. In both cases, appointments are based on results of open or internal competition, which should provide transparency, professionalism and, to some extent, political impartiality. Whereas appointments by the government as a whole carry less risk of politicization compared to appointments by a minister, it remains to be seen as to what degree professional criteria will be written into secondary legislation to safeguard the merit ele-

ment of senior level appointments. A further point for concern is the fact that career management and dismissal provisions are also separated out between management and executive positions, which may carry further risks of a continuation of current practices. Still the clarification of appointment and career management provisions is important in its own right, as it is to a large extent the loopholes and lack of clarity in legislation that allowed politicization to become as engrained in the political culture of Serbia as it is today.

The Croatian case is the most complex of the three cases discussed in this section. As noted above, the reform process in Croatia began with the re-drafting of the 2001 Civil Service Law, with the aim to better enshrine merit principles in the civil service system and to reduce levels of politicization. However, the approach to the reform process has made it prone to last minute reversals, as was proven in December 2004, when the government decided at the last moment to remove from the draft law all provisions on the de-politicization of senior posts. The fact that this could happen is, in itself, proof of the weakness of the policy coordination mechanisms in Croatia, as the law had supposedly passed all previous consultant hurdles. Consequently, amendments as significant as the ones made at the government session should have arisen earlier in the consultation process. Furthermore, the use of transitory provisions in the civil service law to force amendments in the Law on Officials and the Law on State Administration was not deemed acceptable from the perspective of legal drafting technique, which required changes in the approach to the reform process. The process of adopting new legislation therefore stalled and, as yet, no satisfactory solution has been agreed.<sup>5</sup>

The level of political controversy over the law can be illustrated by the degree of detail to which depoliticization is being discussed. Whereas, crucially, agreement has been reached on the need to move Assistant Minister and Secretary-General posts to the civil service law, agreement on a number of other posts, including all head of department positions at the office of the government (OG) and the Secretary General and Deputy Secretary General of the OG, has still not been reached. In view of the weaknesses in policy management and coordination systems inherent in the Croatian public administration, the conversion of these posts to career posts, with appointment based on merit, is essential for systemic changes to have the expected impact on the quality of public administration.

The Croatian process proves above all that political interest in controlling the appointment and dismissal of key office holders remains strong. To a large extent, this is due to the polarization of politics and the coalition dynamics in the country, which makes politicians nervous about any reduction in their ability to control the policy process. At the same time, the fact that the debate has come down to a dis-

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5 A further problem arose as the Law was to enter the parliamentary debate, which was delayed due to coordination problems between government and parliament, which led to the Law being introduced on the agenda much later than planned

cussion of a relatively small number of specific posts also is an indication that the acceptance of the principle of merit and professionalization is growing even in the difficult political context of Croatia.

Finally, it is interesting to note the relative absence so far of any direct pressure from the EU. In previous accession rounds, the EU took a pro-active stance on depoliticization in several instances (e.g. Slovakia, Lithuania), even if it was often inconsistent in the use of the administrative capacity criterion.<sup>6</sup> In the case of Croatia, which is an EU candidate state, a more pro-active role could have been expected, especially when taking into account the general EU policy towards South-east European states, which includes a strong focus on institution building. This applies to a lesser degree to Serbia and Montenegro. However, the high proportion of institutional development and public administration reform in technical assistance projects has not been matched by a strong political engagement on public administration reform. In particular, in Croatia, the EU has not intervened in the discussion on the civil service law, even if the issues concerned related to a core aspect of the EU membership criteria. This could be mainly due to the ongoing political dialogue on other, more political issues, but it is nevertheless surprising. Whereas EU membership ambitions are often used to motivate civil service reforms internally, so far there has been little emphasis on this issue from the EU side.

## **Macedonia and Bosnia and Herzegovina, driven by ethnic considerations?**

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Reform patterns in Macedonia and Bosnia and Herzegovina are different from those in the other three states and republics in a number of ways. Macedonia has seen the most long term reform path among the states discussed here, and whereas serious issues remain – in particular turnover levels, inadequate wages and problems with professionalization – gradual progress in reform has been made. Consequently, the civil service agency has been gradually emerging as a guardian of professional standards and merit. In addition, the implementation of the Ohrid agreement, including affirmative action for the Albanian minority in filling public positions, has changed the discussion on civil service reform, including how to adopt affirmative action while upholding merit principles.

**Macedonia: Origins of problems:** The Macedonian case has reflected strong waves of politicization of the civil service ever since Macedonia gained its independence in 1991. There has been an obvious distrust between political parties in power and the civil servants who served the previous governments and a tendency to appoint political supporters to senior civil service positions and, to a lesser ex-

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6 The Czech Republic, which has not by any means resolved politicization and administrative quality issues, was allowed to defer the entry into force of its civil service law several times, and it is now due only for 2006

tent, middle management and lower civil service positions. Given the peculiarities of Macedonian society, politicians have often managed to reward not only their political supporters, but also their relatives and friends, blatantly misusing the public office for personal gain (Psaltirov, 2002). The politicisation trend has been pointed out on many occasions as a major obstacle of the development of Macedonian public administration: “The politicization of the administration, through appointment based on party affiliation, continues to pose a major constraint on the development of a modern, professional civil service” (European Commission, 2002).

The increasing politicization has brought about of expansion of staff in the civil service and exacerbated the problem of a fairly large scope of Macedonian public sector. Similarly to other ex-Yugoslav republics, Macedonia has preserved a very extensive public sector, which has put strong pressure on its budget and expenditures. Instead of decreasing the number of employees in public administration, the government has gradually increased the number of personnel,<sup>7</sup> which has created even more pressure on limited budgetary funds. At the end of 1990s, it became obvious that Macedonia could not sustain its rate of employment in the state sector, including the civil service, which needed to be considerably downsized.

Escalating problems have triggered the need for deep reforms of public administration, which started in 1999. However, the initial reforms were stalled in 2001 due to the outbreak of an armed conflict in the country. The conflict was settled in 2001, with the signing of the Ohrid Framework Agreement, which stipulated adoption and implementation of constitutional and other reforms to improve the rights of ethnic minorities. The Albanian language became an official language in areas where it is spoken by more than 20% of the population. Equitable representation of ethnic communities in public bodies has been guaranteed. This has further complicated the unstable politico-administrative interface, adding a strong element of ethnic considerations to it.

**Nature of changes:** Macedonia was the first ex-Yugoslav state to adopt a public administration reform Strategy in 1999. The adoption of the civil service law followed quickly in 2000. It is based on modern principles of a professional, politically neutral, efficient and accountable civil service which provides high quality and timely services to citizens. Civil servants, depending on the official tasks they perform, are classified into three groups: managerial, expert and expert-administrative. Managerial civil servants posts are: State Secretary, State Advisor, Head of Department, Assistant to the Head of Department and Head of Unit. All three groups of civil servants have the same status regarding recruitment, promotion and dismissal procedures, except for the post of a state secretary, which has a special status.

The position of a state secretary can be considered as a mainly political post, as a state secretary is appointed by the government on the proposal of a minister

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<sup>7</sup> For example, in 1998, the Government has employed 4000 people in overstuffed public administration. (Psaltirov, 2002).

and his/her term in office is linked to government's term of office. A certain level of depoliticisation of the post is perhaps secured through the civil service law which provides that state secretaries are selected from the managerial civil servants in the ministries and other bodies of state administration. Nevertheless, most of the features of this position imply a political nature to the post. This, however, should not be considered problematic, as most European administrative systems have one politically colored layer of administration which brings the political and administrative worlds together.

All other managerial posts, including heads of departments, are clearly civil service posts, which are permanent positions and fall under the same legal regime – in terms of recruitment, promotion and dismissals – as all other career civil service posts. This is a very positive development, which makes the Macedonian civil service, at least *de jure*, substantively depoliticized.

The implementation of the new civil service system has been entrusted to the Civil Service Agency, responsible for implementing and coordinating human resource management policies within the civil service, developing secondary legislation and introducing organizational and performance standards for the entire public administration.<sup>8</sup> In a short period of time, the Agency emerged as an important actor in safeguarding the principles of merit and professionalism in the civil service.

However, the Agency has been faced with many difficulties in the implementation of a well designed legislative framework. The main difficulty lies in the lack of sufficient means to enforce existing legislation. This leaves considerable leeway to state bodies to circumvent the application of the law, especially for most politically sensitive senior civil service posts. In this sense, the director of the Agency has on a number of occasions pointed out that officials in ministries and other administrative bodies ignored the role of the Agency and breached the Law on Civil Servants. Instead of decreasing of the number of civil servants, more personnel have been employed disrespecting the envisaged procedure. Many of the senior civil service posts have been occupied by ruling coalition parties members, who did not have the relevant degrees or professional experience required for their posts and managed to get around the prescribed recruitment and promotion procedure (Psaltirov, 2002).

The politico-administrative interface has become even more complex after signing of the Ohrid Framework Agreement in August 2001, which introduced eq-

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8 It is interesting to note that the Agency is an autonomous body of the parliament and not of the government. This rather unusual solution has been introduced in the amendments of the law on Civil Service in 2001, in order to secure the independence of the Agency against the executive. Although some international observers consider this as a breach of the principle of division of power that could increase politicization (SIGMA, 2003), we do not share this view and think that placing the Agency under the parliament has only strengthened the autonomy, independence and overall performance of the Agency. The director of the Agency is appointed by parliament for seven years

uitable representation in state bodies. Shortly after the agreement was signed, the Civil Service Law was amended in 2002, declaring the principle of proportional national representation, which holds that the:

*“Principle of adequate and equitable representation of citizens belonging to all communities, in all positions established by this Law, and respect of the expertise and competence criteria, shall apply to the employment in all Government bodies....”<sup>9</sup>*

The key emerging question is how to combine the two apparently conflicting principles of equitable representation and expertise and competence. Furthermore, given the large scope of the Macedonian public sector, it is questionable how to achieve adequate ethnic representation without further increasing the number of staff in the civil service and burdening the limited budgetary resources, unless an extensive reduction of the number of civil servants is undertaken.

The answers to these questions are not easy and solving them will require considerable effort over a long period of time. It would be quite risky to try to achieve proportional ethnic representation in all public bodies as a short term measure since it would bring about further unnecessary surpluses in administration. Instead, equitable representation should be an important part of the long-term plan of development of overall public administration.

The positive affirmative ethnic action has, in the short term, further complicated politico-administrative relations in Macedonia, which have a strong ethnic feature. In the first years of implementation of equitable representation, ethnic characteristics have dominated those of competence and professionalism. This has had an additional adverse effect on the development of Macedonian civil service and the stabilization of relations between civil servants and politicians. It is hoped that in the next years a more suitable balance between ethnic and professional considerations will be found, with the ultimate triumph of the values of the latter.

**Bosnia and Herzegovina: Origins of the problem:** Bosnia and Herzegovina (BiH) is undoubtedly the most specific case among all former Yugoslav Republics. The 92 – 95 war caused tectonic changes in the demographics of Bosnia and Herzegovina and its institutional setting. Since after the war, public administration of BiH has grown substantially, with both local and international power holders creating new government structures – each according to its own vision and resources. The absence of a strategic institutional plan had many drawbacks, as institutional structures were fragmented across as many as 14 administrative systems. This resulted in a high degree of institutional duplication and a tendency to multiply chairs and portfolios as an expression of the ethnic coalition nature of government majorities.

Public administration of Bosnia and Herzegovina has three main levels: the state level and two main entities: the Federation BiH and the Republika Srpska (RS).

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9 Article 3a of the SCL.

In addition, the district of Brcko in the north-east is a self-governing administrative unit under the sovereignty of the central state. The Federation is further divided into ten cantons, of which two are ethnically mixed, five have a Bosniak majority, and three a Bosnian Croat majority. Under the Dayton agreement, and until two years ago, elections have been held every two years. This has resulted in frequent and high turnover of senior civil service and, hence, increasing politicization. Now that there is a 4 year mandate, more stable politico-administrative interface should be easier to sustain.

In 2001, all three levels of administration initiated public administration reforms, partly due to the increasing pressure of international donor community. The reforms were quite well coordinated between the three levels and resulted in drafting of fairly similar civil service laws, adopted in 2002 in Republika Srpska and the state level, and in 2003 in the BiH federation. One of the key objectives of the reform process has been to separate the political from the administrative sphere and the three civil service laws are well on the way to achieving that. Nevertheless, the ethnic elements remain strongly entrenched in the system and continue to shape the politico-administrative interface, especially at the state level and in the Bosnian-Croatian federation and, to a lesser extent, in the Republika Srpska as well.

**Nature of changes:** In Republika Srpska the Civil Service Act<sup>10</sup> came fully into operation on 1 January, 2003, although a number of provisions were operating before than. Top level positions (Assistant Minister, Secretary of Ministry) became civil service positions open to a competition procedure, in which a special role is given to the civil service agency.

Similar to other ex-Yugoslav republics, the civil service law makes a distinction in the recruitment process between management and other civil service posts. Whereas managerial civil servants (assistant minister, secretary of ministry, head of administrative organization, deputy and assistant of head of administrative organization) are appointed by the government (for an indefinite period of time), other civil servants are entering employment on the basis of a minister's decision. All other conditions of promotion and dismissal are the same for both categories of civil servants, which is a positive development that strengthens career civil service nature of senior posts.

The key role in human resource management has been given to the civil service agency of Republika Srpska. It is interesting to note that the powers of the agency in the recruitment process for both management and other civil service posts were stronger in the first version of the law. A government/minister was required to accept the proposal of the agency in selection of candidates, based on open/internal

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<sup>10</sup> Full name of the Act is: The Law on Administrative Service in the Administration of Republika Srpska. It is a fairly comprehensive document, containing provision on organization of administration, civil servants and salaries of civil servants, which are usually regulated by a number of different laws: on state administration, civil servants and salaries of civil servants.

competition. This position was changed by the 2004 amendments, which significantly reduced the powers of the agency in the recruitment process. The amendments of the law have enabled the government, i.e. head of administrative organs, to reject the proposal of the agency, obliging them only to inform the agency of the reasons for such a rejection.

Nevertheless, the introduction of the civil service law which is granting the civil service status to senior officials and creation of the civil service agency have undoubtedly had a positive impact on the civil service professionalism and politico-administrative stability in Republika Srpska. The recent change of the government, initiated by the international High Representative, has not led to substantial turnover of senior civil service staff, which could be at least partly attributed to the improved politico-administrative framework.

Ethnic considerations have not been very much visible in the senior civil service of Republika Srpska (RS). Recent estimates made by the civil service agency show that 95% of all employees working in the RS public administration are Serbs. On the other hand, the administration of Brcko District recorded a significant step towards the 1991 census figures (taken as the desired state of things by every administrative system in the country) and continues a positive trend (EC, 2005). In 2003, the civil service law was amended requiring Republika Srpska authorities to aim to achieve the national structure of civil servants based on the statistical census of 1991. The same goes for the state level administration which, in the formation of different institutions, took into consideration the need for a nationally balanced workforce, which has created a unique, ethnically balanced senior civil service administration.

At state level, the civil service law also started to be implemented successfully in 2003. The civil service agency is pushing ahead with all the necessary changes. New recruitment and selection procedures are in place, training has taken place across the civil service, human resource units in ministries are developing their new functions and the new database of staff is being developed (DFID, 2003).

Although the structures at the state level are much simpler than in RS and BiH, with only nine ministries and a maximum of 700 civil servants, ethnic considerations at this level are much more apparent and are the cause of deeper concern. Even the state organizational structure is conditioned by issues of ethnic proportion, with an informal requirement that each of the ethnic groups receives the same number of ministerial appointments.<sup>11</sup>

The number and nature of senior civil service posts is also the subject of ethnic considerations. There exist two different posts of a secretary of ministry – secretary and secretary with special assignment- simply in order to allow for two different

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<sup>11</sup> Thus, the Dayton Peace Agreement initially provided three ministries in 1995, and in the following years the new ones were added proportionally so that in 2004 the Council of Ministers numbers nine ministries, where each community has 3 Ministers.

ethnic communities to obtain one of the secretaries posts (whereas the third ethnic group is represented in the post of minister). The assistant minister is also a senior civil service post and the number of such posts is always proportionately divided between the three ethnic groups. Whereas all other civil servants are appointed to their posts directly by the civil service agency, the appointment of senior officials is left to respective institutions, on a proposal of the civil service agency. Although there are no determined quotas for the civil service recruitment, the informal, strictly followed rule is that one ethnic group cannot be more strongly represented than the other. In this way, professional standards and merit obviously give way to ethnic considerations.

At the federation level, the position is even more complicated. With the civil service law passed in July 2003, no substantive progress has been made yet. The biggest single difference lies in the definition of the civil servant, which has been extended to include relevant people not just in the Bosnian-Croatian federation but also in the ten cantons established by Dayton, as well as in the municipalities (SIGMA, 2004).

Following the examples of the two other levels, the civil service law envisages that the prime responsibility for the development of personnel policy and for personnel management lies with the civil service agency of the Federation BiH. However, since this agency is in the process of being established in the Federation BiH, it has not yet started to implement tasks within its area of competence.

Until Annex 7 of the Dayton Peace Agreement (which provides for free return of refugees and displaced persons to their places of origin) is fully implemented, at least fifteen per cent of the members of the government have to be from one constitutive people and at least 35 per cent from two constitutive peoples combined, while at least one member of the government has to come from among the Others. The similar proportional structure should also be reflected in the composition of the civil service, especially for the senior appointments.

The generally accepted opinion at all three levels of administration goes very much against the imposition of quotas in the civil service, as it endangers the merit based selection process. Even without any formal system of quotas, the professionalism criteria for senior appointments are strongly endangered, as ethnic considerations are clearly prevailing over merit ones. This problem needs to be tackled seriously to enable the development of a truly professional and depoliticized civil service in which merit criteria will be given priority over other factors, including ethnic ones.

### **Drivers for reform: which hypothesis fits?**

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All of the five former Yugoslav states discussed in this paper have in the last two years initiated significant reforms in their civil service system. All of them are at

different stages of preparation for EU accession and the EU has engaged with all of them on reform issues, though in different ways. However, one common point in their relations with the EU is the prevalence of political criteria, in particular those related to human and minority rights. In all states, the issue of civil service professionalization, and the need to strike a new balance between political and professional criteria in civil service management, has been a core issue on the reform agenda. However, progress has been made in all states, even if political opposition has at times been strong. This contrasts strongly with the hyper-politicization that characterized the 1990s.

The question to which we have tried to find answers to in this paper is how we can explain the relatively rapid reversal of what was an extremely strong, and often destructive, process of polarization and politicization in the 1990s. Is it that traditions in the end do matter and the return to relative normality simply initiated a re-balancing process that led politicians to reconsider the moves they made? Is the 'pull' of the European Union so strong as to have an impact even in states that are rather far removed from membership, or did deterioration in administrative capacity paralyze policy management systems to such a degree that reforms in key socio-economic areas became endangered.

At first glance, the *integration hypothesis* would seem to have the strongest validity. The EU has in recent years stepped up its rhetoric on the need for administrative reform, and in the previous accession process did put strong pressure on some of the candidates to put in place the basis for the professionalization of administration. The strong emphasis on political criteria in discussions with Southeast European states would seem to imply that civil service reform issues could also play a major role in the dialogue in this part of Europe. However, upon closer examination the EU factor would seem much less valid as an explanation than might have been expected. Even if the Commission has at times made statements on the need to move forward on professionalization of the civil service, in reality this has not gone much beyond formal statements.

The Croatian 'avis' make little mention of the administrative capacity deficient in the country and the dialogue since its issuance has been fully dominated by other issues. In a similar way, discussions with Serbia and Montenegro have been dominated by this issue and the question of the future of the Union, while the dialogue with Macedonia has focused largely on inter-ethnic issues (even if this has of course an impact on civil service development) as has been the case with Bosnia and Herzegovina. Interestingly, the international financial institutions, and in particular the World Bank, have in most cases taken a stronger position in favor of civil service professionalization than the EU. Therefore, even if one could argue that the notion of future EU demands in the area of civil service professionalization may have impacted politicians, at this point, this is not necessarily plausible, and the

integration hypothesis therefore would appear to be rather less plausible than could have been expected.

The *influence of traditions* is the second possible hypothesis. In this interpretation of events, the ongoing processes in former Yugoslav states are rather a return to some kind of normality. The specific tradition of an impartial and professional civil service, having survived, to some degree, even the Communist period, influencing current reform patterns is also potentially plausible. In this reading, the wars of the 1990s and the ensuing problems in state building caused a temporary deviation from what was otherwise a well established tradition of professional civil service. The ongoing dialogue in some of the states would seem to support this hypothesis.

While reforms in Serbia are very rarely directly linked with EU accession, the main initiators of the reforms often argue their case with the need to bring back the previous tradition of a professional and relatively impartial civil service systems. Similar references to home grown traditions and the need to use these as a basis for reform have also been used in the Croatian debate on civil service reform, and are often seen as at least at par with, or even more important than the need to meet EU requirements. At the same time, Macedonia and Montenegro provide evidence to the contrary. In both states the EU imperative has been strong, and in Montenegro an explicit institutional linkage between reform and EU accession is being built through a UNDP-managed Capacity Development Program.

Finally, the contents of the initiated reforms can also tell us more about their driving force – especially as to the extent to which, in terms of substance, we are seeing a return to traditional notions of impartiality and professionalization based on the Austro-Hungarian model, or whether innovations from elsewhere have been taken on board. In this respect, reforms in both Serbia and Croatia are aimed at creating a mixture of traditional continental career notions and more Northern European position based systems, with complexity of work starting to play an increasing role in the classification of civil service posts. However, regardless of the introduction of some innovations, the draft civil service laws of Croatia and Serbia, as well as the new laws in Montenegro, Macedonia and Bosnia and Herzegovina, still strongly have their roots in the traditional Yugoslav model.

Finally, *reform dynamic* constitutes a third alternative explanation underlying the direction and nature of civil service reforms in the former Yugoslav states. Under this explanation, reforms cannot proceed beyond a certain point unless the institutional infrastructure of the state is adequate. This explanation is rooted in the literature on governance and growth, which has attempted to prove a causal relationship between the quality of governance and level of economic development. Whereas several key studies (Barro, 1991, Knack and Keefer, 1995, Rauch and Evans, 2000) have made a powerful case providing proof that this linkage does exist, most of the evidence is based on large multi-country regression analysis, carried out over long periods of time (usually around twenty years). The study of the

debate on civil service and public administration reform in former Yugoslav states provides some evidence of awareness among politicians that significant progress in economic reform could not be made without addressing the institutional crisis that resulted from the virtual collapse of administrative systems. Again, the linkage has been made most directly in Serbia and Croatia, in the former case by the last two Ministers of Finance. The growth and economic reform argumentation has been less pronounced in the other states, with the exception of discussions on the need to reduce the size of the civil service wage bill, as a way to 'free up space' for private sector development.

An examination of the reasons behind the emerging civil service professionalization efforts in former Yugoslav states proves above all that there is no single explanation for this. Whereas in the larger and more self-conscious states, like Serbia and Croatia reforms appear to be driven and defined to a very large degree by a return to traditional models and, to a lesser degree, by competitiveness and growth arguments, Montenegro and Macedonia, in particular, have built their reforms much more on an integration rationale, in particular, Macedonia. Still, even in these two states the substance of reforms is still very much influenced by tradition. The relatively limited impact of EU accession, at least for now, is probably somewhat of a surprise to those that follow the enlargement debate. The EU has strengthened its rhetoric on administrative capacity, but has not in reality given much attention to administrative capacity issues in its interactions with former Yugoslav states, apart of course from providing significant funding to administrative reform efforts. Therefore, whereas in the new EU states we may have seen a rather strong direct influence from the EU on the way administrative systems shaped up (Verheijen, 2004), this is unlikely to be the case for the former Yugoslav states treated in this paper, or at least to a much lesser extent. From the current direction of reform, a return to traditions of professional, strong and impartial civil service systems based on the system of the former Yugoslavia (or at least as held until the late 1980s) seems a rather more likely explanation.

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# **Bureaucratic Incapacity in Transition Democracies: A Case Study of Decision Behaviour in Hungarian Central Government Organisations**

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## **Introduction**

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From the forties and fifties on there has been an increasing body of scholarly work – and corresponding research results – on the unintended and/or undesirable aspects, or outcomes, of bureaucratic organisations. Whether called bureaucratic dysfunction or bureaucratic paralysis (Merton 1968 Chapter 8), or labelled “unresponsiveness”, “red tape”, “goal displacement”, or “bureaucratic personality” (March and Simon 1993 pp. 55-65, cf. Selznick 1949; in the context of the NPM discourse see e.g. Hughes 2003), these depictions of today’s large organisations exert a rather significant effect on how people – either researchers or clients – perceive bureaucratic organizations.

Despite this commonality of critical perspectives on (public) bureaucracies, the key factor motivating the present study is the devastating bureaucratic paralysis in some government organisations. The extent of this paralysis seems vastly exceeding that described in the classical, well-known critiques of bureaucracy. Most impressions come, understandably, from the Hungarian context; still it seems that to a significant extent other countries in, as well as possibly even outside, the CEE region share in these problems. There are some interesting attempts – for example, by Kovryga and Nickel (2004) – to identify the structural, historical, and cultural factors underlying the dysfunctions of public bureaucracies in transition countries (see also Cooley 2000).

Kovryga and Nickel’s work is a useful point of reference in starting to map the conceptual terrain, on which the fundamental questions of the present study can be located. The authors present a tangible and specific example of the mechanisms possibly leading to an institutionalised, systemic, and built-in “incapacita-

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tion” of central governmental bureaucracies. In analysing Ukrainian decentralisation reforms, they provide insight into the coordinated networks of social practices functioning as a powerful tool of subverting central government policies. “Ancient” Soviet techniques and mechanisms, such as falsifying official statistics and reports (by both public and private actors), of institutionalised corruption, and of shadow economy are specific manifestations of this subversive role. Formulated in a functionalist language, from the perspective of stated goals and policies and the rule of law, this “incapacitation” of (central) government policies and activities appears severely dysfunctional. However, it is highly functional at the level of (local) social actors since doing so is a basic and immediate precondition to the survival of individuals and their groups linked together by social/occupational/economic ties: “[i]t simply is not possible [...] to survive by blindly following centrally made decisions and centrally defined rules” (Kovryga and Nickel 2004 p. 626).

Clearly, the presence of an “incapacitating” central governmental bureaucracy and policies is not universally applicable to the entire post-communist/transition countries’ experience, or is it identical to the problems found in Hungary. Still it is clear that this kind of incapacity exists and it is quite different from the types of bureaucratic failure identified by the classics of bureaucratic theory. Classical failures of bureaucracy result from – or are closely associated with – the overly meticulous nature of procedural prescriptions, and/or the overly meticulous adherence to these (“bureaucratic”) rules. In short, classical failures of bureaucracy are failures of bureaucracy as a (Weberian) ideal type; they result from the very fact that the affected organisations are, in the Weberian sense of the term, bureaucratic.

The key propositions serving as the conceptual framework of this study are the following:

- a) State incapacity in the sense discussed above is, clearly, different from other types of problems exposed in relation to government bureaucracies in general, and transition democracies’ government apparatuses, in particular.
- b) Bureaucratic incapacity is different from bureaucratic dysfunctions described by the classic critiques of bureaucracy. It results from, or at least seems closely associated with, the non-existence of (sufficiently) detailed procedural prescriptions, and/or the lack of their tedious observance. In other words, this type of incapacity is not a failure of bureaucracy but, rather, a failure resulting from the lack of classical features (or even virtues?) of bureaucratic organisation.
- c) It is different from organisational problems resulting from the lack of financial and human resources, or those associated with administrative expertise and know-how.
- d) Bureaucratic incapacity is neither a kind of problem resulting from “unfortunate” chance events/circumstances or the specific mistakes committed by leading politicians or high-ranking officials. To the contrary, bureaucratic incapacity has, like other phenomena of (central) governmental bureaucratic paralysis, a

largely predictable and structural character – as opposed to being merely the result of some chance errors, or of some arbitrary deviations from an otherwise valid and effective ideal (hereinafter, the first interpretation of decision problems will be referred to as “structural failure”, while the latter approach will be referred to as “chance error”).

Despite a few attempts to explain the pre-programmed/predictable, systemic and significant nature of the bureaucratic incapacity of many transition countries’ central government, it seems that there is a huge scholarly void even as regards the mere description of this phenomenon (for some interesting examples in a variety of policy fields in Romania see Ionita 2005; for an example in the field of civil service training see Gajduschek-Hajnal 2003). Most attempts at analysing and evaluating public managers’ decision behaviour in transition countries are usually characterised by either or both the “lacking resources” or the “chance error” view. An illustrative example of this “chance error” interpretation of decision behaviour is presented by Evans and Evans (2001) in their study of ministry compliance with deadlines for major items of Lithuania’s government programme (p. 940). In only 10% of the cases is the deadline respected, while in about 2/3 of the cases the delay amounts to six months or more. Although the authors admit that inherent institutional and political uncertainty seriously impede ministerial effectiveness in, say, preparing policy proposals, they seem to retain the view that the primary source of delayed or lagged ministry response is of a “chance error” character: “A major cause of departmental unreliability occurs when policy proposals are unreasonably delayed or simply not brought forward” (ibid. p. 939; emphasis mine).

The predominance of this perhaps rather naive interpretation of the is nevertheless understandable. The scarcity of resources, and the resulting insufficiency of organisational capacity is, indeed, an everyday problem of government administrations not only – but especially – in transition countries. Therefore, it is by no means illogical – moreover, in many respects probably right – to identify undevelopment and limited organisational resources as major sources of organisational underperformance.

The systemic and structural character of a wide array of bureaucratic failures in transition democracies is, most probably, a multi-faceted, complex problem. The present study focuses on a narrow, specific and theoretically more easily manageable subset of these problems related to decision making; with particular attention to problems of decision incapacity. The term “decision incapacity” refers, in the sense used here, neither to the imperfection of the bureaucratic machinery, nor to the personal characteristics of public managers such as some deficiency in their skills or knowledge, or psychological limitations<sup>2</sup>.

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2 Nevertheless it is noted that Merton’s (1968) concept of bureaucratic personality – focusing on bureaucrats’ specific stimulus-response patterns emerging in bureaucratic settings – forms a border-line between subjective, psychologically rooted and structural factors of decision behaviour

Now how can the phenomenon of decision incapacity be related to the received concepts of bureaucratic theory? Not only the classical, Weberian view of bureaucracy (Weber 1980), but also its functionalist critiques (Selznick 1949, Merton 1968), as well as those rooted in cognitive science (Simon 1971, Tushman and Nadler 1978) or contingency theory (Burns and Stalker 1961, Lawrence and Lorsch 1967), hold, either implicitly or – mostly – explicitly, some assumptions regarding the array of procedural norms prescribing the rules of supervision, decision competence, and the division of labour. First, it is assumed that these rules cover all, or at least most, decision situations the organisation might confront. Second, it is also assumed that this array of procedural norms is reasonably unambiguous.

However, these assumptions together imply that – as a general rule – bureaucrats can be/are held accountable only for (not) respecting the procedural norms underlying the organisation, irrespective of any further consequences of the observation of these norms. That is, they are freed from any personal responsibility as long as they adhere to the procedural norms underlying the bureaucratic organisation. In the above-mentioned critical models of bureaucracy it is mostly this strict adherence to the given set of procedural norms that leads to the well-known problems of bureaucratic dysfunctions.

Clearly, the problem of decision incapacity seems unlikely to emerge under these conditions of (classical) bureaucracy: bureaucrats can reasonably be expected to be both willing and able to take the decisions/actions they are expected to take. It is only the “information processing system” view of the organisation, rooted in cognitive science, that recognises the threat of bureaucrats being unable to process all the information they need in order to perform the functions they are assigned to perform (Simon 1971). But, to be sure, underperformance in processing information and reaching the necessary decisions is, even under such circumstances, still treated as an erroneous deviation from the effective model of bureaucratic organisational processes.

The concept of decision failure (or decision incapacity) can be located, in the context of the present study, within the following cornerstones.

- a) The term “decision” is used in a sense much broader than in, say, decision theory. It involves practically all acts of information processing performed regularly in administrative organisations; for example, the elaboration or the review of a proposal or of another type of document, the appointment of a committee member, the convening of a committee meeting, and so on.
- b) Decision incapacity is present when an act of decision is not performed (i) by the entity, and/or (ii) within the deadline, and/or (iii) with the content or quality prescribed, or customarily expected.
- c) Decision incapacity is distinctly different from the classical dysfunctions of bureaucracy. Classical dysfunctions of bureaucracy primarily occur when – and usually because – bureaucratic procedural prescriptions are followed, mean-

while decision incapacity occurs when these prescriptions are not followed. This may happen either because these norms (i) are violated, or (ii) don't give guidance for the given situation, or (iii) are contradictory or ambiguous in the given situation.

Thus, the central question of the present study regards civil servants' underperformance in terms of decision failure in taking appropriate administrative actions within the expected deadline and in the expected quality. It is (i) to give a rough insight into the prevalence of the problem of decision incapacity in Hungarian central governmental organisations; and, (ii) in order to gain a deeper understanding of the phenomenon, to explore its relationship with some basic organisational phenomena – most of all, its effect on some aspects of organisational performance.

## **Method**

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It has to be emphasised at the outset that asking evaluative questions regarding one's own work performance in a survey based on personal interviews is often a waste of time. No one could reasonably expect respondents to give an unbiased and critical view of their work effectiveness. To the contrary, in many cases there is probably even a systematic bias in that respondents who are more critical and conscious about the nature and scope of work related problems, while delivering higher work performance, might report lower levels of satisfaction than those lacking in these qualities.

While the above can be accepted as a general rule of thumb, it is especially true in the case of Hungarian central governmental agencies. Hungarian central governmental organisations are highly fragile, politicised, and ambiguous. Moreover, they are characterised by periodically appearing across-the-board personnel "rationalisation" campaigns, and sweeping changes in management induced by changes in government or even by changes in top ministry management, which reach as many as three to four levels down from the top. Consequently, it would be unrealistic to expect even modestly unbiased answers to any direct, easy-to-recognise evaluative questions asked in relation to one's own work performance. This serious limitation had to be kept in mind when setting the specific goals/ambitions of the survey, and elaborating the instruments to be used. Clearly, it would have been entirely useless to ask questions of the type "how often do you (or does your supervisor) fail to perform the administrative tasks prescribed or regularly expected?" Instead, a more limited, but more realistic approach was chosen in order to find/create a workable proxy measure of decision incapacity.

Rather, an effort was made to capture one specific manifestation of decision failure: i.e., the extent, to which civil servants attempted to "push decisions up one level", as opposed to making decisions autonomously. Specifically, management level respondents who possessed autonomous decision competences (hereinafter:

ADC) were asked to state the frequency, with which they consulted their supervisor in acting on issues of ADC<sup>3</sup>.

The rationale for choosing this proxy measure was as follows:

- Since the concept of ADC is, in a public administration organisational context, precisely defined by Hungarian administrative laws and regulations, it can reasonably be expected to have a rather general and uniform understanding both across respondents and between respondents and the researchers.
- An ADC means that, according to the administrative regulations in effect, the person entitled with the given competence has the full right (in the legal sense) to perform the given administrative act on his or her own, i.e. without consulting any superiors. Therefore “consulting the supervisor” in such matters can be assumed an equivalent – or, rather, a euphemism – of pushing the given decision up to the superior’s level.
- Finally, it was assumed that the formulation used (that is, “consulting the supervisor...”) seems sufficiently “innocent and harmless” not to provoke respondents’ suspicion and thus it enables the researchers to yield relatively valid and unbiased responses.

In line with the Hungarian Law on Administrative Procedures effective in the time of the survey, the term “decision” used in the preceding paragraphs refers to a broad spectrum of administrative acts, including the review or commenting on a draft piece of legislation, personnel decisions, and so on. High frequency of refraining from taking such an administrative act autonomously and, instead, relying on the supervisor’s approval means, in general, a lower efficiency of the bureaucratic organisation perceived as an information processing system. A lower frequency of avoiding autonomous decision making shows, to the contrary, a less widespread presence of this type of decision failure.

**Organisational performance:** As noted earlier, beside offering a descriptively oriented insight into the prevalence of decision incapacity in Hungarian central governmental organisations, it was also an objective of the research to examine its effect on organisational performance; after all, the starting point of the investigation was exactly the insufficiency of organisational performance. But analysing performance, or effectiveness, of public organisations involves a number of difficulties. Three central difficulties are emphasised here, listed in a descending order of abstraction.

First, organisational performance is a conceptually very broad and vague notion. For example, Quinn and Rohrbaugh (1983), in their seminal work on the meaning of organisational performance, differentiate between about thirty possible

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3 Note that the term “competence” refers, in its current usage, not to the personal abilities or skills of the manager, but – as a fundamentally legal term – to the existence of a legal ground for performing a specific (administrative) act

meanings and “sub-concepts” of the organisational performance (or, as they call it, organisational effectiveness) concept.

Second, an additional difficulty stems from the limited operationalisability of whichever concept of organisational performance is picked. In the case of business enterprises financial indicators (e.g. return on investment or on assets: Gordon and DiTomaso 1992, Newman and Nollen 1996) or market indicators (share and growth indicators) etc. are relied on. Operationalising performance – and especially performance change – in the case of public administration organisations is a distinctively more complex task (Pollitt and Bouckaert 2000, Chapter 5).

Finally, the very method of the current study – which was a questionnaire survey based on personal interviews – implied a third obstacle. Measuring/operationalising phenomena on the basis of the subjective assessments/perceptions of respondents is a relatively sound method only if the phenomenon under study relates mostly to the inner world of the respondent. However, in this case a phenomenon – which is in itself a complex and difficult-to-interpret theoretical construct – lies outside of the inner world of individual respondents is studied. In such cases there is a high risk that individual perceptions and responses are, possibly, biased by an innumerable number of contextual factors unrelated to the phenomenon studied in an uncontrollable way.

In the view of these difficulties it was decided that primarily those measures of organisational performance will be relied on which (i) can either reasonably be expected to be approximated by, or (ii) are, conceptually, part of, the respondent’s subjective experience. Such measures might include, for example, morale/job satisfaction, perceived quality of team work, or the perceived value of human resources within the organisation. Clearly, such measures seem to be quite “soft” in the sense that don’t consider “the number of units produced in a given time (productivity) and the number of units produced for a given number of input units (efficiency)” specific for the “rational system model [characterised by a] mechanistic, instrumental bias” (Quinn and Rohrbaugh 1983 p. 364). Nevertheless, they are an integral part of the natural system approach of organisation considering “not only the production function, but also the activities required for the unit to maintain itself ... from this organic view, attention is focused on such properties as morale and cohesion” (ibid.).

In order to increase the validity of the measures applied – i.e. to lessen the threats to the validity of measurement – instruments already in widespread usage were used, since it was assumed that these measures have to some extent been validated and thus possess a somewhat greater extent of credibility. Therefore, with a few exceptions, instruments applied in various U.S. federal employee surveys, like e.g. in the U.S. Office of Personnel Management’s “National Partnership for Reinventing Government Employee Survey (1999)” (U.S. Office of Personnel Management 1999), were utilised.

In order to increase the validity and the reliability of data on organisational performance, individual level responses were aggregated on the organisational level. That is, organisational performance variables actually used in the analyses were calculated as the arithmetic mean of individual perceptions of organisational performance. The individuals whose perceptions were averaged included in this case not only those in managerial positions but all employees working in the given organisation.

**Organisation type:** Hungarian central government organisations are made up of three distinct types of organisations. On the top of the organisational hierarchy one finds ministries (at the time of the survey there were altogether 16 organisations of ministerial status). One level below one finds central agencies. These are quite similar to ministries, in that they form part of the executive branch and have nation-wide competencies. The main difference regards their role in policy making. While ministries are led by Cabinet members (political appointees), and thus have a fundamental role in initiating and shaping government policies, central agencies do not have such a role (at least formally). Moreover, agencies' task usually has a territorial dimension more expressed than is the case with ministries: the fulfilment of their tasks requires them to maintain a territorial (regional, country, or even local level) organisational infrastructure. Examples for this type of organisations include the National Tax Authority or the National Bureau of Statistics. Finally, the third organisation type is called deconcentrated organs. They are strictly subordinated either to ministries or to central agencies, and their task is to provide a given, well-defined administrative service on a territorial (local, county, or regional) level. While some of these services are provided by county or municipal level self-governments, services requiring the same, universal standards in the entire territory of the country are usually allocated to deconcentrated organs. Examples of this type of organisations include the local sub-offices of the Employment Agency or the Regional Environmental Protection Inspectorates.

The type of organisation was hypothesised to have a pivotal importance in examining the nature and the consequences of decision failure as operationalised here. The most important factor underlying this importance is the large and systematic differences in some key contextual characteristics associated with different organisational types.<sup>4</sup> At the one extreme, ministerial organisations have largely unstructured and complex, unpredictable and dynamic task characteristics. They are exposed to the hectically changing political and public pressures, and are constantly confronted with substantial and ill-defined policy problems and dilemmas. Deconcentrated organisations, at the other extreme, are usually characterised by largely routine, mechanical task characteristics, mostly concentrating around the enforcement/implementation of administrative regulatory laws. One might think of

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4 The term "contextual characteristics" – as used here – involves both environmental features and those related to the internal work processes of the organisation referred to earlier (Burns and Stalker 1961, Lawrence and Lorsch 1967, Woodward 1958).

such examples as food safety and sanitary control units, or lower level tax bureaux, where large numbers of similar, standard, and mechanical cases are processed. Central agencies are, finally, in between the two extremes, in part characterised by the presence of unstructured and complex strategic problem, which is nevertheless substantially softened by the very narrow specialisation (competency area) and the resulting predominance of bureaucratic-professional – as opposed to political – influence.

**The data:** The empirical basis of the study is a questionnaire survey of Hungarian civil servants. The population surveyed is the entirety of public employees having the legally defined status of a civil servant. This includes those employed in the central and territorial organisations of central government as well as those employed by local (municipal) and territorial (county level) self-governments. According to the current legal regulations, the status of civil servant in Hungary is given only to employees employed in a substantive position in organisations exerting state power. For example, clerks and managers of ministries, of deconcentrated (territorial) organs of state administration, and of offices of local and county self-governments belong to this category. To the contrary, teachers, doctors, railway and post employees etc. are not civil servants. Moreover, technical staff – such as electricians, car drivers – employed by ministries or self-governments are not civil servants either<sup>5</sup>.

The questionnaire survey was based on personal interviews. The survey was conducted in September 2003. At this time, the population surveyed – i.e., the entire Hungarian civil service – consisted of approximately 97 thousand civil servants. A nationally representative sample of  $n=1000$  respondents was selected in a fully random, stratified, two-stage cluster sampling procedure. For the purpose of the present study only a sub-sample of the original one was used: those employed by (i) ministerial, (ii) central agency, or (iii) territorial organs of central government administration. Civil servants employed by local and county self-governments were omitted, since the present study focuses exclusively on central governmental administration.

The sub-sample of central governmental civil servants consisted of a total of 567 respondents, who were employed by 47 public administration organisations. These organisations included five ministries, nine central agencies, and 33 territorial (deconcentrated) organisations. However, for certain analyses – most of all those related to the decision behaviour of civil servants in managing positions – the population surveyed was further restricted to include only those employed in a managerial position. This included 162 managers in central government organisations. For other analyses, such as those related to the measurement of organisational

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5 Some “border line” categories of civil servants – such as those employed by the Central Bank or by the House of Parliament – were omitted from the population for conceptual reasons. However these groups amount to only a negligible fraction of the entire population of civil servants.

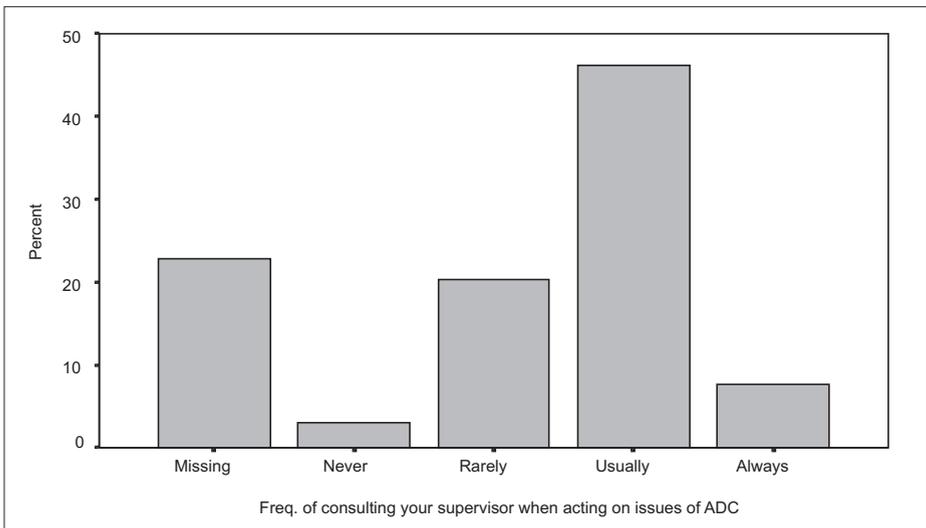
performance, the larger sub-sample of 567 respondents was applied, which also includes civil servants in non-managerial positions. The participation in the survey was voluntary, and anonymity of individual responses was guaranteed throughout the entire process of data collection, analysis, and reporting.

## Results

**Patterns of decision failure:** The chart below summarises the responses of central government civil servants employed in managerial positions. Seventy seven percent, a total of 125 respondents gave valid answers to the question “How often do you consult your supervisor in acting on issues of ADC?” (the remaining 23% of managers indicated that they do not have ADC). The most remarkable feature of the figures is that approximately 70% of respondents reported that such consultations take place in “most” or “all” of the cases. When interpreting this figure one should keep in mind that – as noted in the section on methodology – in relation to most issues of ADC managers are, so to say, supposed to act and decide on their own. The legally defined entitlement of managers with ADC is, usually, awarded only in those cases/subject areas, in which there is a real and straightforward possibility, as well as necessity, of acting autonomously.

**Figure 1**

Observed relative frequencies of various types of decision behaviour related to issues of “Autonomous Decision Competence (ADC)” (n=162)

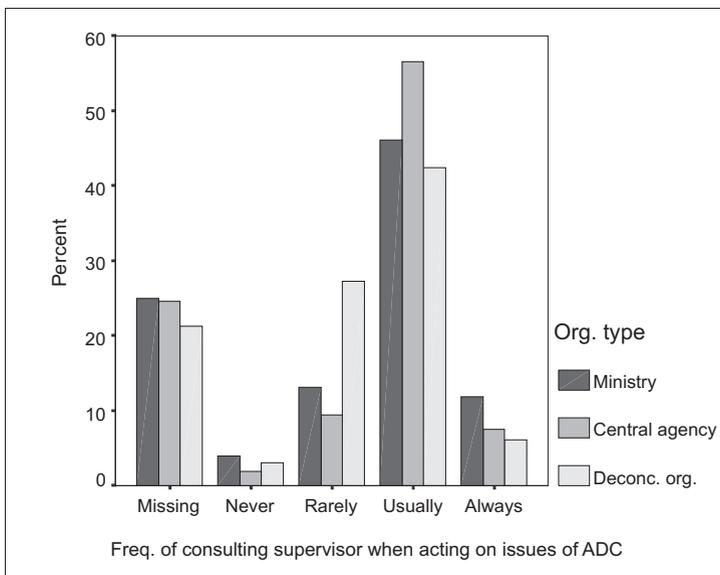


The responses to the same questionnaire item are plotted on the next chart, but this time subdivided according to the type of organisation. As noted in the

methodology section the contextual features (environmental characteristics and task profiles) of administrative apparatuses strongly differs across different types of organisations – ministry, central agency, and deconcentrated organs. These differences might play an important role in analysing the consequences of decision behaviour since e.g. in the case of largely mechanical and routinised organisational processes one would expect “bureaucratic” organisations – i.e. those having a higher degree of specialisation, of formalisation, and of decentralised decision making – to perform better.

**Figure 2**

Relative frequencies of various types of decision behaviour related to issues of ADC, broken down by organisation type (n=162)



However, the most interesting feature of the pattern is that there are no real differences across organisation types in the extent of pushing up decisions<sup>6</sup>. If non-respondents are excluded from the analysis and percentages are calculated on the basis of valid responses only, the picture becomes somewhat different. The proportion of those consulting their boss when acting on issues of ADC either “usually” or “always” is in this case 77% in ministries, 85% in central agencies, while only 62% in deconcentrated organs. Comparative analyses across the three layers of Hungarian central government administration does not alter the basic picture: managers’ avoidance of acting independently – or, in other words, the extent to which they try

<sup>6</sup> Pearson’s Chi-square test – which is used to measure the association between categorical data – shows no significant relationship between organisation type and the frequency of pushing up decisions; the corresponding p value is 0.345

to push/transfer the decisions one level up – is large in the entire central government administration. While this finding is surprising on theoretical grounds, it is mostly in line with a priori expectations.

In the next sub-section some of the consequences of the pattern revealed so far are examined. According to the preliminary hypothesis, these consequences are rather destructive for the operation of both the individual organisation in particular, and that of the entire governmental administration, in general. However, the empirical data presented below sheds a somewhat different light on this question. Before proceeding to review the analyses of the organisational performance-decision behaviour link a few words about the methodological aspects of performance measurement are in order.

**Assessing organisational performance:** Until now, the individual respondent served as the basic unit of analysis. This was justified since (i) the actual subject of the analyses was, conceptually, an individual level phenomenon (perceptions on one's own decision behaviour) and (ii) the origin of the data used was individual responses of managers.

However, in this sub-section the link between decision behaviour and organisational performance is assessed. From a methodological aspect this is a significant change. First, organisational performance is definitely not an individual level concept. Individuals don't have "organisational performance", even if we focus only on some specific, relatively narrow aspects of the broad concept of organisational performance. On the other hand, however, organisational performance is assessed on the basis of individual responses. This is similar to e.g. the international comparative analysis of student performance, whereby each country's score is assessed on the basis of individual level measurement, the results of which are aggregated at the country level.

Second, in addition to the above theoretical argument, there is another – more practical, but not less compelling – argument for analysing performance on the organisation's level. Namely, when it comes to assessing an organisation's performance, whatever the actual sub-concept and its operationalisation is, it is highly likely that the managers' perceptions differ from those of subordinates in a systematic and predictable manner. This is the case with the performance measures applied in the present study: out of the 9 measures, the managers scored significantly higher in the case of 5 measures (below the  $p=0.0005$  level). The measures applied and the corresponding significance levels are plotted in the below table.

The question whether decision behaviour as operationalised here – i.e., the extent of "pushing up" decisions on issues of ADC – can be understood as an organisational level concept also deserves some attention. In Section 1, where the problem of decision failure was examined it became clear that decision failures

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7 p-values of independent-sample t-tests

– thus, “pushing up” decisions as one specific type of decision failure – was not an individual level characteristics. To the contrary, it is associated with meta-individual, systemic features, most probably appearing on an organisational level, or even on the level of the entire administrative system. On the basis of the above arguments it is justified to change the level of analysis from the individual to the organisational level<sup>8</sup>.

**Table 1**

Performance measures (or dimensions) applied and corresponding significance levels of t-tests of the difference in managers’ vs. non-managers’ perceptions

Var. #	Performance dimension/variable	Significance level of difference in managers’ vs. non-managers’ perceptions <sup>7</sup>
1	“Considering everything, how satisfied are you with your job?”	0.337
2	“A spirit of cooperation and teamwork exists in my immediate work unit”	<0.0005
3	“I am satisfied with my salary”	<0.0005
4	“I have all material conditions necessary for performing my job on a high level”	0.442
5	“Are you clear about how “good performance” is defined in your work unit”	0.161
6	“At the place I work, my opinions seem to count.”	<0.0005
7	“In the last two years my autonomy in work has increased”	<0.0005
8	“In the past 2 years, the productivity of my work unit has improved”	<0.0005
9	“Recognition and rewards are based on merit.”	<0.0005

8 However, there is an additional question related to what Hofstede (1984) terms as the “reverse ecological fallacy”. In the present context, this term refers to the often-committed mistake of aggregating individual level responses on a higher (in this case organisational) level of analysis without looking for any *empirical* proofs that individual perceptions refer to the same, “meta-individual” phenomenon.

One way of making sure whether this is the case indeed is checking if individuals’ perceptions of the same organisation coincide, while individuals’ perceptions in different organisations differ to a “significantly large” extent. A commonly used statistical technique for doing this is analysis of variance (ANOVA). Separate ANOVAs were carried with all performance variables as well as for the decision behaviour variable as dependent variable, and organisational membership as independent (factor) variable.

The result of these analyses was that it is justified to aggregate performance variables on the organisational level: between-organisation differences are significant well below the 0.05 level for all ten performance variables (except for variable no. 2). The case is somewhat different with regards to the decision behaviour variable. Here the results were not significant. However, when the analysis was repeated on a newly calculated, dichotomous variable (“high vs. low extent” of pushing up decisions) the results became significant at the  $p=0.067$  level.

**Assessing the link between decision behaviour and organisational performance:** In this final sub-section of reviewing analytical findings the question asked is twofold.

- a) First, does the phenomenon of “pushing decisions up” affect certain, selected aspects/proxy measures of organisational performance?
- b) If yes, is there a difference in this pattern of relationship when examining it in different layers/organisation types of central governmental bureaucracy, such as in ministries, central agencies, and deconcentrated organs?

The primary means of answering the former question was calculating bivariate correlation coefficients between the dependent variables (i.e., the performance variables), and the explanatory variable (pushing up decisions). In the case of question (b) the method remained the same, except that the correlation analysis was separately performed among ministries, central agencies, and deconcentrated organs.

The answer to the first question is very brief and, at first sight, disappointing: there is no recognisable relationship between decision behaviour and performance across various central governmental organisations. In other words, while the organisations surveyed do differ significantly with regards to the extent, to which “pushing decisions up” exists in them, these differences do not seem to affect the performance of the organisations. However, these results become much easier to interpret in the light of examining the same relationships separately in ministries, central agencies, and deconcentrated organs.

Before proceeding to chart the results of the correlation analyses it is important to note that such procedures performed on data containing very few observations (cases) pose some important issues. When only five to ten cases are analysed, even one “extreme” organisation can fundamentally destroy/bias the analytical results. Being “extreme” – an outlier – means that a particular condition is, for some specific reasons, not present in other organisations. For example, the National Tax Authority faced, in the time of the survey, a downsizing/rationalisation programme – the seriousness of which was almost unprecedented in the history of the agency. This created a large uncertainty and anxiety throughout the organisation which, in turn, resulted in extremely poor performance perceptions (note that most of these perceptions have a slight “job satisfaction” character). Moreover, there might emerge an even larger problem of undifferentiated perceptions (in this case the variance of performance perceptions is very low). Clearly, in such a situation it is reasonable to exclude the given organisation from further analyses. In our case, there was one such outlier in all three categories of organisations. Consequently, one ministry (the Ministry for Environment and Water Control), one central agency (the National Tax Authority), and one deconcentrated organ (the Hajdúszoboszló Territorial Of-

fice of the National Office of Registry of Title Deeds) was excluded from further analyses<sup>9</sup>.

The result of correlation analyses – repeated separately on ministries, central agencies, and deconcentrated organs – was that in ministries and deconcentrated organs (i) there is a large and significant correlation between “pushing up” decisions and various aspects of organisational performance, but (ii) the sign (direction) of this relationship is opposite. Specifically, while pushing decisions up deteriorates organisational performance in ministries, it is positively associated with performance in deconcentrated organs.

Correlations measured in the class of central agencies are – although statistically less significant – similar to those that can be found among deconcentrated organs. Thus, central agencies (i) stand in-between the other two organisational types in terms of the nature of the performance-decision behaviour relationship but (ii) “behave” more like deconcentrated organs with respect to how decision behaviour affects performance.

**Table 2**

Person coefficients of correlation between decision behaviour and performance variables in ministries, central agencies, and deconcentrated organs

#	Performance dimension	Ministry	Central agency	Deconcentrated organ
1	“Considering everything, how satisfied are you with your job?”	-0,943**	0,575*	0,476*
2	“A spirit of cooperation and teamwork exists in my immediate workgroup”	-0,917*	0,375	0,580**
3	“I am satisfied with my salary”	-0,966**	0,360	0,367*
4	“I have all material conditions necessary for performing my job on a high level”	-0,040	0,088	0,510*
5	“Are you clear about how “good performance” is defined in your work unit”	0,147	0,300	0,761**
6	“At the place I work, my opinions seem to count.”	-0,952**	0,612*	0,378*
7	“In the last two years my autonomy in work has increased”	-0,311	0,792**	-0,037
8	“In the past 2 years, the productivity of my work unit has improved”	-0,887*	0,570*	0,373*
9	“Recognition and rewards are based on merit.”	-0,370	0,520*	0,363

\* Significant correlation (below the  $-0.2$  level) \*\* Highly significant correlation (below the  $-0.05$  level)

9 The organisations to be excluded were selected on the basis that they exhibited (i) very low levels of performance assessment, whereby (ii) performance indicators were unequivocally poor in all nine dimensions measured. Practically, the organisations excluded were identified as the poorest performers in almost all imaginable aspects of organisational performance and job satisfaction.

Focusing to the remaining two organisation types, it is variables no. 1, 2, 3, 6, and 7 where the significance level is below the level of approximately to 0.2.<sup>10</sup> The average correlation in the case of these five variables is  $-0.933$  among ministries, while  $+0.435$  with respect to deconcentrated organs. This means that while “pushing up” decisions affects ministry performance in a highly damaging manner, it is conducive of positive organisational performance in the case of deconcentrated organs. In the case of the remaining performance dimensions/aspects – where significance was above the 0.2 level – the pattern of the relationship is similar to the one described above (except for performance variable #5).

## Putting the findings in perspective

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The starting point of the research was the proposition that transition democracies’ (central) governmental bureaucracies are “incapacitated” not only (i) by well known, classical dysfunctions of bureaucracies, (ii) by the lack of material, know-how, or knowledge resources, or (iii) by the simple “mistakes” committed by the executives and politicians commanding them, but by systemic, structural factors beyond the ones listed above. However, existing theoretical and empirical work surveying the nature and the scope of these factors did not adequately address this situation.

The present study intends to go one step forward in creating an adequate empirical description and theoretical explanation of the complex problem of the bureaucratic incapacity characteristic of many transition countries’ governmental organisations.

“Decision behaviour” of public officials is an important factor and especially the “pushing up” of decisions. This term refers to the reluctance of managers to act independently and, instead, their inclination to push decisions upwards in the hierarchy. Pushing decision upwards is hypothesised to have a highly destructive effect on the operation of central governmental organisations. Empirically founded answers were sought to the following questions:

- a) Does the behavioural pattern of “pushing up” decisions exist, and if yes how prevalent is it in the various layers of central governmental organisational hierarchy?
- b) If the phenomenon of “pushing up” decisions is indeed a widespread one what is its effect of organisations’ operation? Specifically: does it really have a detrimental effect on organisational effectiveness?

As it follows from the framing of the problem the answer to both questions was expected to be, according to the initial hypothesis, “yes”. That is, pushing decisions up was assumed to be a systemic, and thus widespread, feature of Hun-

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<sup>10</sup> Note that we are speaking about data sets with as few as 4 and 33 cases (data records); therefore the customary rule of thumb setting the significance threshold at 0.05 cannot be applied here

garian central governmental bureaucracy; and moreover, it was assumed to have a highly destructive effect on how organisations operate. The empirical findings presented in the previous section partly reinforced, but partly disaffirmed the above hypotheses.

As to Hypothesis (a), the behavioural pattern of managers shuffling the responsibility of autonomous decision making off and, instead, relying on their supervisor's guidance is indeed a widespread phenomenon. No less importantly, its presence is largely uniform irrespective of the layer of organisational hierarchy: ministries, central agencies, and deconcentrated organs exhibit the same characteristics in this regard. This fact strongly supports the idea that "pushing up" decisions is not a circumstantial phenomenon depending on the actual organisational and personal contingencies, but a systemic feature, being probably deeply embedded in the cultural and structural characteristics of Hungary's public bureaucracies.

As to Hypothesis (b), the data partly reinforces, but partly contradicts the initial hypothesis. On the one hand, the hypothesised relationship – i.e., that avoiding decision making harms organisational performance – holds true in the case of ministries. However, the opposite is true in the case of deconcentrated organs of central government.

It is not quite unexpected that the type of organisation (ministerial vs. deconcentrated) plays such a decisive role; the type of organisation was selected as a control variable exactly because (i) contextual (environment and task) characteristics were thought to play an important role and because (ii) organisation type is a good (proxy) measure of these contextual characteristics. Still it doesn't seem to be a trivial task to interpret the finding reached.

One of the more immediate objections to the conclusions reached might be of a methodological nature. In this regard, it must be admitted that the robustness of the finding is less than optimal. While the results of the statistical analyses seem convincing, the instrument chosen to measure the "extent of pushing up decisions" is not sufficiently validated. That is, it would – ideally – need further empirical examination to make sure that the questionnaire instrument applied measures what it is intended to measure. However, on the basis of available information – including follow-up interviews with practitioners and scholars familiar with the Hungarian administrative context – it seems justified to accept the finding if not at its face value but, at least, as a strong argument deserving attention and interpretation.

If, however, this is the case indeed than a number of further questions emerge. To mention but the two most central and obvious ones:

- a) Why does this behaviour exist; how can it be explained on the level of the individual actor (i.e. what the underlying psychological motifs/interest structures are), and how can it be explained/mapped on a system level?

- b) Why is it that avoiding autonomous acting and, instead, pushing decisions upwards is not, as one would expect, generally detrimental for organisational performance but, instead, seems even to promote performance under certain circumstances?

The first question, clearly, points further towards the necessity of building theoretically grounded concepts of decision incapacity and of bureaucratic incapacity, and to relate these concepts to the other ones used in bureaucratic/organisational analysis. Turning to the second question, the situation is somewhat different from – and possibly better than – the above one. The finding that the (relative) lack of autonomous managerial behaviour might, under certain circumstances, improve the performance of governmental bureaucracies implies that the very concept of autonomous managerial behaviour – and its counterpart, the “pushing up” of decisions – has to be, to some extent, re-evaluated.

According to the initial framework of the study, autonomous managerial decision behaviour was seen definitely as a factor advancing organisational performance. Indeed, “letting managers manage” and “getting rid of red tape” has been a leading motive of New Public Management (NPM) reforms seeking ways to improve organisational performance. This attitude is reinforced by the findings of the present research with regards to ministries – but only ministries.

The finding that, in a context characterised by uncertainty, complexity, and unstructured task characteristics, “letting managers manage” is beneficial for organisational performance is in accordance with the well-known NPM-style considerations noted above. This result also in agreement with some more classical results of organisation research – dating back at least to the heydays of contingency theory – suggesting that organisations having certain bureaucratic features may, under specific circumstances, perform better than without those features (Lawrence and Lorsch 1969, Woodward 1958). Focusing on the specific context of Hungarian central governmental organisations, the same conclusion was reached in a previous study performed among Hungarian central governmental organisations (Hajnal 2004, 2005a). The study – focusing this time only on ministerial organisations – found that bureaucratic organisational practices and organisational culture deteriorates the perceived performance of ministries.

The finding at the lower tier of the central governmental organisational hierarchy – namely, with the deconcentrated organs; where the lack of autonomous decision behaviour seems to promote organisational performance – is remarkable because it is contrary to much of the mainstream NPM-style argumentation. Moreover, it is – to some extent – surprising even in the view of the *ex ante* hypotheses of the present study. On the other hand, however, the well-foundedness of this finding is reinforced by some important pieces of existing organisational research.

First, deconcentrated organs are responsible primarily for law enforcement/regulatory supervision; that is, they are characterised by an overwhelmingly static, low uncertainty environment and by standardised “mass production” organisational processes. Observing the results of research rooted in contingency theory it is therefore not surprising that hierarchical style of decision making is beneficial for organisational performance.

Second, some important results reached by bureaucracy research can be utilised if one recognises (or, rather, accepts) that “decision incapacity” and ideal-typical bureaucracy are – irrespective of their numerous differences – similar to one another in that both form a polar opposite of autonomous management behaviour. That this is the case indeed might not be straightforward; so let’s consider that in an ideal-typical Weberian bureaucracy all strategic/policy decisions are made at the very top of the organisation. All officials of the bureaucratic organisation restrict their activity to only implementing rules, i.e., complying with bureaucratic procedural prescriptions – which can by no means be called “autonomous decision” but, rather, the complete lack of it.

Putting the finding in the conceptual framework of studies on bureaucracy is useful since this offers a number of additional points of reference. For example, Cheng and McKinley (1983) examined the role of environmental uncertainty in shaping the bureaucratic control-organisational performance relationship. The study examined this question specifically in public bureaucracies, as opposed to corporate organisations forming an almost exclusive focus of contingency studies. The authors’ conclusions strongly reinforce those of the present study: in a low uncertainty environment bureaucratic control of administrative organisation does in fact promote organisational performance.

In sum, the present study suggests that the lack of autonomous decision behaviour, being one of the specific manifestations of the bureaucratic incapacity, is not a “global enemy”. It destroys only the performance of government organisations dealing with policy making, while it doesn’t hurt – and perhaps even promotes – the effectiveness of organisations primarily dealing with the administrative implementation of policies. The question of whether these conclusions are conceptually and empirically sufficiently firm and sufficiently generalisable to other transition countries’ central governmental sectors is to be answered by additional, future research.

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# Unfinished Transition: Public Administration Reform in Serbia 2001 – 2004

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## Introduction

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This paper addresses the efforts by the Djindjic/Zivkovic governments (2001 – 2004) to reform Serbian public administration. On the surface, the Serbian reform process is ambiguous. Though there is widespread agreement that the present administrative system is badly in need of overhaul, it has been remarkably resilient. Despite political upheavals in 2000, which had the outward appearance of a revolution, three and a half years later the basic structures of the state apparatus that served the Milosevic regime and its communist predecessors were still in place. In short, it appeared that political discontinuity had been followed by institutional continuity.<sup>2</sup>

This paper aims to describe and explain this state of affairs. We focus on two aspects of reform: radicalism and comprehensiveness, and describe the 2001 – 2004 reform agenda in the light of these two variables. It is then our ambition to explain the extent of radicalism and comprehensiveness by using two basic approaches to transformations in Central and Eastern Europe – structure and leadership (Ekiert and Hanson 2003). To explain the evolution of reform programmes, a structuralist looks for institutional features that enable or impede such reforms, whereas a leader-oriented approach concentrates on the intentions and priorities of key actors.

We argue that political leaders may be more or less forceful, and governmental structures more or less hospitable to reform, and that these distinctions are essential to understanding public administration development. The extent of forceful leadership and hospitable structure are determined by the scale of their contributions to government's ability to *innovate*, that is, break with established patterns and con-

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1 Deputy director general, Statskonsult, Oslo, Norway.

2 Thus, writing in 2003, Rabrenovic observes, 'Therefore, some authors are of the opinion that although the 'rulers' have changed, [the] institutional administrative system has remained the same', (Rabrenovic 2003, p. 3).

ceive and develop novel ideas, and to *coordinate*, that is, bring ideas together in a coherent scheme and set priorities.

‘Forceful leadership’ is contingent upon the commitment and vision of key decision-makers, as well as the extent of cohesion among them and a democratic and stable power concentration. It is widely assumed that these factors are crucial preconditions for successful reform in transition countries (Dror 2004).

‘Structure’ denotes the institutional capacity available to governmental leaders. There is professional consensus that an innovative organisation, particularly one faced with a complex and dynamic environment, must avoid the trappings of a centralised bureaucratic structure (Crozier 1963, Mintzberg 1979). Information must flow flexibly and informally, and there have to be mechanisms that make employees identify with their jobs and internalise organisational goals (Dessler 1980). To ensure coordination there must be arrangements that facilitate dissemination of information and mutual adjustment among governmental bodies as well as institutions that can resolve conflicts, integrate policies and set priorities.

A simplified model of relationships between the four main variables, structure, leadership, innovation and coordination, is spelt out in the table below.

**Table 1**  
Relationships between structure, innovation, leadership and coordination

	<b>Innovation</b>	<b>Coordination</b>
<b>Structure</b>	Innovation facilitated by: <ul style="list-style-type: none"> <li>• Low level of centralisation and bureaucracy</li> <li>• Informal and flexible flow of information</li> <li>• Mechanisms enhancing employees’ job identification</li> </ul>	Coordination facilitated by: <ul style="list-style-type: none"> <li>• Arrangements for dissemination of information and mutual adjustment</li> <li>• Institutions for resolving conflicts, integrating policies and setting priorities</li> </ul>
<b>Leadership</b>	Innovation stimulated by: <ul style="list-style-type: none"> <li>• Commitment and vision</li> </ul>	Coordination strengthened by: <ul style="list-style-type: none"> <li>• Cohesion among leaders</li> <li>• Democratic and stable power concentration among leaders</li> </ul>

The more forceful the leader and more hospitable the structure are, the greater the chance of significant reform. Conversely, the combination of weak leadership and inhospitable structure make reform prospects look bleak. Forceful leaders can overcome an alien structure, but not necessarily: inhospitable structures may trump leadership and prevent significant changes from occurring. As Weaver and Rockman (1993, p.6) remind us, structural capacities without action do not in themselves produce change. A high level of a specific capacity increases, but does not guarantee, a high level of performance in a government’s actions. The extent to which a government exploits the potential of its structural resources or acts in accordance with or in violation of established procedure, is a function of the goals and commitments of key decision-makers.

Writers on organisation tend to emphasise the extent to which institutional structure restricts human action and persists even when exposed to resolute reform efforts. Students of transition processes in the former Soviet Union (Ekiert and Hanson 2003), and African and Latin American countries (Grugel 2002), argue that legacies from the past impinge to such an extent on democratisation efforts as to explain their failures. It seems to be a general observation that the public administration systems of the former communist countries in Central and Eastern Europe are still, or at least until quite recently, heavily influenced by the culture, ethics and working practices of the *ancien regime* and that they have been remarkably resistant to change.<sup>3</sup>

However, there is no professional consensus that the reform of public administration is beyond the reach of political leaders; that traditionalism and inertia are the only or normal responses to reform initiatives. An almost antithetical approach emphasises the role of deliberate human action, i.e. political leadership, and argues that conscious, committed actors are capable of restructuring public institutions and of acting independent of and in opposition to structural constraints.

One of the best examples of a groundbreaking leader is Margaret Thatcher, who produced enduring change in institutional values (Peters 1999). In the Czech Republic, Prime Minister Vaclav Klaus's admiration for Thatcher translated into extensive market-liberal reforms (Orenstein 2001). The last Soviet leader Mikhail Gorbachev made his own contribution to the transformation of the Soviet Union. There was nothing in the standard operational repertoire of the Soviet government that necessitated or determined his policy of *perestroika* (Johnson 2003).

Conversely, lack of political leadership may have detrimental effects on public administration reform. Insufficient political demand for institution building or institutional reform is considered the single most important obstacle to institutional development in poor countries (Fukuyama 2004, particularly pp. 47 and 48). The experience of East Germany illustrates how inappropriate policy choices can undermine performance even in the most favourable institutional environment. Although the former German Democratic Republic was able to adopt all the institutions of West Germany without delay, it has experienced one of the slowest GDP growth rates in Europe (The World Bank 2002, particularly pp. xxi and xxii).

Innovation and coordination are key functions of any government (Weaver and Rockman 1993). However, they are not the only functions governments must perform. Features of leadership or structure that are weaknesses in relation to one function may be advantages in relation to another. For instance a tightly regulated bureaucracy may not stimulate innovation, but it may help to provide stability and to ensure the rule of law. Arguably, a system of public administration with little legal

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3 This was one of the findings in an evaluation of the European Union Phare Programme undertaken in 2001 (OMAS Consortium 2001, p. 9).

regulation may be more open to abuse than one in which there is a more extensive body of regulations.

Although values such as stability and rule of law may be of vital importance, we believe that questions of innovation and coordination merit sustained attention because governing institutions in Serbia are strongly criticised for their lack of ability to carry out a reform agenda. For instance, the World Bank argues that the absence of vigorous and concerted action, and a muddle through approach to reform, has seriously undermined the country's ability to raise living standards on a sustainable basis (The World Bank 2004, p. 3).

There is a complex relationship between innovation and coordination. The two types of activities may be mutually reinforcing or conflicting; indeed governments may not be able to sustain both equally efficiently, and trade-offs have to be made. We may imagine a wide range of possible correlations between innovation and coordination, including the following:

- Some aspects of coordination, i.e. elite cohesion, may provide important opportunities for comprehensive policy innovation.
- Systems where political power is fragmented and coordination difficult, e.g. coalition governments, pose serious risks for innovation resulting in stalemates or 'lowest common denominator' policies.
- Strong centralisation of authority may discourage innovation as well as coordination, because people on lower levels of government become reluctant to take on responsibilities or make efforts to develop joint policies.
- In systems where there are weak mechanisms for government-wide coordination, innovation will probably remain on the ministerial level rather than leading to comprehensive cross-sectoral policies.

Comparative studies establish that there are essential cross-national variations in modes of governmental decision-making resulting from differing institutional structures and traditions (Aberbach et al. 1981, Blondel and Nousiainen 1993). We may assume that distinctly national patterns of decision-making cut across governmental sectors, so that patterns of interaction in e.g. the Ministry of Transport resemble patterns in the Ministry of Finance. Thus, in describing factors that have influenced public administration reform in Serbia, we shall pay attention to overall features that have shaped decision-making behaviour in a uniform fashion irrespective of e.g. policy sector, governmental institution or ideological outlook of government parties.

However, the ways in which governmental institutions operate may be influenced by factors that are inherently situational and never completely similar across governments or governmental sectors, and create separate and varied patterns of national decision-making. For instance, a country may have a strong capability for innovating in economic policies but a weak capability for innovating in administra-

tive policies. Therefore, besides looking into factors that have homogenised governmental decision-making, we shall try to identify features that have promoted diversity.

This study is primarily based on three types of data

- printed material, primarily legal texts, government policy papers (in English translation), and reports by donors and external observers
- approximately 60 interviews with political appointees, permanent staff and international observers conducted in two rounds, one at the beginning of the Djindjic/Zivkovic governments (spring 2001) and one at the end (winter 2004)
- a survey covering all professional civil servants in five ministries.<sup>4</sup>

## **The Reform Effort**

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When Zoran Djindjic's government took office in January 2001, the Serbian public administration was in dire straits. The situation was recorded in a study prepared in the early summer of that year (APAD 2002). The review identified:

- wide-spread problems of motivation
- far-reaching politicisation
- a shortage of administrative equipment and infrastructure
- a lack of capacity for strategy and policy development
- weak mechanisms for cross-ministerial coordination
- a rule-oriented, risk-averse administrative culture
- a strong centralisation of decision-making authority.

Though there are essential variations, only a limited number of the reform activities of the 2001 – 2004 period were aimed at addressing the major deficiencies identified in 2001. Basic, crosscutting structures of the Serbian public service remained unchanged. Though some ministries exploited a good deal of the reform potential within the existing system, it was difficult for them to make further progress without significant changes in the overall administrative framework. In sum, the progress of public administration reform was neither radical nor comprehensive. On the contrary, it appeared sluggish, uneven and hampered by formalism.

### **The lack of *radicalism* manifests itself in various ways:**

**Lack of clear priorities:** Serbian officials interviewed for this study argue that the government should have made a clean and immediate break with the legacy of the past; that it failed to seize the opportunity when it had a two-thirds' majority in the

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<sup>4</sup> The Ministry of International Economic Relations, the Ministry of Culture, the Ministry of Mining and Energy, the Ministry of Trade, Tourism and Services and the Ministry of Labour, Employment and Social Affairs. Around 350 civil servants received the questionnaire, while 274 completed and returned it.

National Assembly. There is a widespread notion that the prioritisation, sequencing and timing of reform activities were inadequate. After three and a half years there was still no overall strategy paper or consensus on a new Serbian constitution.

**Extensive legalism:** Respondents perceive the reform effort as overly legalistic and argue that legalism makes the Serbian public service rigid and hard to change. Questions of substance are easily turned into matters of formalities.

**Key features of the reform process indicate a lack of *comprehensiveness*:**

**Neglect of crosscutting issues:** A great number of government-wide problems, which affected all or most of the ministries, remained unresolved. For instance there were still no appropriate personnel policies, no functional pay system, and no modern framework for the public service and civil servants.

**Isolation and fragmentation of reform arenas:** There are complaints that the fragmented way decisions were made distorted the policy cycle – from policy development via implementation to the provision of feedback and learning. In general, there was a lack of communication between government units and across hierarchic levels. Members of the permanent staff complain that they were not involved in or informed of reforms initiated by political appointees. Ministers seem to have worked in isolation from their government colleagues on the same types of issues, concerning, for instance, the organisation and staffing of the ministries. As one minister observes, ‘it was each minister for himself’.

**Variations in reform intensity** Reform activity appears to have been intense in some areas where the situation was particularly serious in 2000 – for instance, the Ministry of Finance and the Ministry of the Interior. New systems for taxation and customs administration were established and steps taken to recast the Serbian police from an instrument of repression to an institution of public service. However, there are also ministers in key policy areas who say they were thwarted in their attempts to introduce changes. In the Ministry of Mining and Energy, there were serious clashes between the political leadership and the top management of the state energy companies, which obviously hindered the restructuring of the energy sector.

In the rest of this article we shall try to shed light on factors that have prompted or hindered public administration reform during the 2001 – 2004 period. Before turning to our explanatory variables, structure and leadership, we shall take a brief look at two aspects of Serbia’s political and administrative history – 45 years of communism and a long-lasting attachment to Austrian and German administrative traditions. These aspects are essential to understanding the current nature of Serbian administrative structure and political leadership.

## **Preceding the Reform: Communism and Pre-Communism**

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The policy role of civil servants was never well developed in Central and Eastern European states (Verheijen and Rabrenovic 2001). In Western Europe, policy development became an increasingly important function of the civil service as the role of the state expanded rapidly after the Second World War. The communist countries in Central and Eastern Europe missed out on this development (Verheijen and Rabrenovic 2001), not least because party bureaucracies monopolised policy functions and reduced the civil service to a body to enforce the party line.

This largely appears to have been the case in Yugoslavia/Serbia. Our interviews with Serbian civil servants with experience from the communist period indicate that the ministries were transmission belts of the will of the ruling party in major political matters. Questions of policy were mostly decided behind closed doors in the so-called 'Red House' by a charismatic leader. Ministers communicated political decisions to their officials in a top-down fashion and told them to come up with legal texts that expressed the party line. Within the ministries, there was little room for discussing the content or principles of legislation; only technical and legal aspects of predetermined policies could be addressed.

To some extent, Yugoslav legal theories conformed to the Marxist notion that the key functions of the state administration were to execute power and to safeguard the interests of the ruling class – which in practice meant a narrow and non-accountable party elite – if necessary by means of physical force<sup>5</sup>.

After the adoption of the 1974 Yugoslav Constitution, there were attempts to modify essential principles of the administrative system and to charge ministries with developmental tasks. According to the 1977 Federal Law on the System of Public Administration, the purpose of the civil service was not only to execute power, but also to play a part in the improvement of the lives of citizens through data collection and analyses. However, these formal modifications appear to have led to few actual changes at any level of the Yugoslav state. The primary function of the ministries remained law implementation.<sup>6</sup>

Within this particular framework, Yugoslavia is generally considered to have been an exception among ex-communist states in Central and Eastern Europe, because it preserved key features of its pre- Second World War system of public administration (Verheijen and Rabrenovic 2001). The notion of the civil service as an essential state institution – an idea that was well-established in Serbia as well as the First Yugoslavia (1919 – 1941) remained unchanged after 1945 (Sevic 2001).

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5 According to one Soviet theorist, A.I. Denisov, whose books were used in Serbia as well, the main tasks of the public service were tax collection, political repression (arrests, banishments), military management, espionage and counter-espionage, and protection of the social system (see Model Law on Public Administration in the Republic of Serbia, 2002, p.25).

6 That is, to prepare the necessary decrees or sub laws, make decisions in administrative cases, and conduct administrative inspections.

The Serbian and Yugoslav system of administrative law and public administration were, from the very beginning, based on and distinguished by continental, mainly German and Austrian models. These patterns travelled across successive Yugoslav regimes, producing an administrative continuity in the country. For instance, key principles of the 1929 Yugoslav law on administrative procedure, which were more or less copies of the corresponding Austrian regulations, are still effective, as they were during the Communist period.

Perhaps the *key* aspect of continental European administrative traditions is the notion of public administration as a law bound quasi-judicial activity. This model contrasts sharply with the one found in the UK and other countries with anglophone traditions, particularly member states of the British Commonwealth (e.g. Australia, New Zealand and Canada), where comparatively little of the routine work of civil servants is governed by law, and where administration has been considered an 'art learned in practice' (Ridley 1996, p. 24). Thus, what may be described as legalism in the Serbian civil service is also a feature of e.g. the Austrian public administration (Ridley 1996, p. 28).

However, this parallel should not be taken too far. During the 45 years of communism the Serbian legal system developed in ways that separated it from the evolution of the continental systems. Perhaps the major difference is the extent of formalism in the application of Serbian law, as compared to the more pragmatic approach in Western Europe generally. In Serbia, the predominant sources of law are legal texts – mainly acts of parliament and governmental decrees. Tito is reputed to have complained that the Yugoslav judiciary was 'too rigid in implementing the law to the letter' (Stanovcic 1997, pp. 42, 43) Elsewhere in Europe, not least the European Union, a great number of unwritten general principles of law, case law and 'soft law instruments' are key elements of the legal system.

In addition to legal formalism, a peculiar feature of post-war Yugoslavia was the tendency to introduce new laws or a new constitution when social or economic crises arose, rather than facing the real problems (Allcock 2000). This practice, sometimes referred to as 'hypernormativism', made the legal and administrative systems increasingly more extensive<sup>7</sup>, complex and arguably, impervious to change.

The judicial and rigid nature of Yugoslavia's (and hence Serbia's) public administration is surprising given the country's reputation of being socially reformist and having built a distinctive brand of socialism with such features as 'workers' self-management' and 'social ownership'. Some scholars argue that Yugoslavia's position as a pioneer country is hardly justified; on the contrary, it appears to have been a conservative country where it was difficult to implement reforms, where the public

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<sup>7</sup> An indication of the great volume of law production is the number of constitutions and constitutional amendments made in the 1946 – 1974 period. Yugoslavia adopted new constitutions in 1946, 1963 and 1974. In addition, major constitutional amendments were made in 1953, 1967, and 1971.

administration was unreceptive to new ideas and practices, and where reforms were often abandoned before they were completed (Sevic and Rabrenovic 1998).

## **Structure**

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It is a general notion that Serbian government bodies can hardly be said to fulfil the requirements of innovating institutions outlined above. A study prepared by a group of foreign observers concludes, that

*‘... a democratic... government proposing an extensive package of reform will be unable to function satisfactorily if it only can rely on bodies having a reactive much more than an innovative function. Freeing itself from these disadvantageously restrictive elements of its inherited past and establishing modern institutions will be of decisive importance, not only for the Serbian government’s ability to function but also for its democratic legitimacy’*

(APAD 2002, p.43).

Though this assessment was made three years ago, it is clearly valid today. For instance one minister interviewed in early 2004 complained, ‘The Serbian ministerial system is extremely hierarchic and static. There is nothing to help ministers to be flexible. The whole system is structured for people who have been doing the same tasks for 20 years and who expect to continue doing so for the next 20. The system does not stimulate creativity.

**Centralised bureaucratic structure:** The Serbian ministries possess some of the key characteristics of a centralised bureaucracy, e.g. tight regulation and standardisation of work, elaborate division of labour, emphasis on control and top-down decision-making. Governmental organisations are largely conceived of as a set of rules controlling work processes and not as a system of interpersonal relations. The emphasis is on the formal structure and not on the people working within it. Typically, there are distinct mechanisms for controlling compliance with internal regulations whereas arrangements for developing personnel policies are weak or non-existent.

The tasks of each employee and each government unit are carefully defined in legal documents. These documents have a particular significance in Serbia, where legal texts are the only basis for establishing the rights and duties of citizens and public bodies. Generally, Serbian employees can be expected to perform the duties they are formally and explicitly required to do, but show a reluctance to go beyond tasks listed in their formal job description. As one Serbian law professor observes (private interview), ‘in our country, we only have what is on paper. The functions of government have to be set out in writing, if they are not, we refuse to be bothered’.

The elaborate formal structure of the Serbian public service is set out in several legal acts, i.e. the Constitution, the Law on Ministries, the Law on State Administration, and the Law on Labour Relations in State Bodies. The number of ministries and sub-units within the ministries is relatively large and the internal hierarchies long, with five levels of leadership. According to employees working with public administration reform, the formal framework is hardly conducive to reform. One official compares it to the army. 'We have this long chain of command. All proposals, all communications have to go through all levels.'

The Serbian ministerial structure reflects a preoccupation with control and surveillance. The 2001 study quoted above states that, 'the strong emphasis placed on control activities within ministries may contribute to their inability to free themselves from what through Western European eyes can only be considered as out-dated control/surveillance centred thinking' (APAD 2002, 83).

In a number of ministries, operational control activities are *the* dominant tasks. The ministries shall not simply organise supervisory activities. It is assumed that inspectors permanently employed within the ministries themselves carry out these activities and that inspectorates are integral parts of a ministry. In most ministries there are few, if any, resources for policy development.

Not only is there a preoccupation with control, but a philosophy of command also distinguishes Serbian ministries. It is telling that public servants use analogies from the military or police to describe the way ministries function; the Ministry of the Interior still has a military grading system. Authority is strictly centralised with ministers being the only officials vested with decision-making power, a prerogative that is rarely delegated to subordinate employees.

Centralisation may create bottlenecks and lead to idiosyncratic decisions. A 2003 study argues that the ministerial top management is overburdened, that there is no clear distinction between operative and strategic tasks and that the personality of key political leaders influences ministerial behaviour (APAD 2003, 59). Without the involvement and approval of the top leader, little happens. For example, work almost came to a standstill at the information technology (IT) agency during an eight-month period in 2001/2002 when the agency was without a director.

For civil servants, formal regulation may serve as a protective shield in ambiguous and potentially threatening situations. Especially because the political situation in Serbia is unstable, and because changes of government or individual ministers usually entail major personnel changes in the service (Sevic 2001), public servants may find it best to stick to what is formally prescribed and avoid developing potentially controversial ideas of their own. The times are not distant when employees were closely monitored by political superiors, and according to one respondent 'anyone could end up in jail or become *persona non grata* for political reasons'. According to one minister, fear is a stimulus, a motivating force frequently activated in Serbian history.

**Flow of information and mutual adjustment:** The elaborate and hierarchical organisational pattern of the Serbian government institutions and the extensive system of legal regulations may hamper sharing of information and mutual adjustment, making communication inside and between government bodies overly formal. Thus, several respondents generally describe the interaction between ministries as limited, bureaucratic and ritualistic. One assistant minister who chairs a working party that includes representatives from most Serbian ministries, complains that the strong centralisation of authority makes it almost impossible to reach the decision-making level in several ministries, which in turn hinders smooth inter-ministerial coordination.

According to our interviewees, ministerial employees receive little feedback on their work and scant information about what is going on in the public administration outside their own office or department. Communication resources in the ministries are primarily used to promote the public image of the Minister, and not to facilitate processes within the ministry or between the ministry and its clients (APAD 2003). As stated by one senior official, lack of information amounts to ‘an existential problem’ in the Serbian public service.

According to our survey, there are noticeable differences from one ministry to another. Internal communication is significantly better in the Ministry of International Economic Relations and the Ministry of Trade, Tourism and Services than in the three other ministries covered by our survey. Particularly in the Ministry of International Economic Relations, the group of satisfied civil servants is significantly larger than the category of dissatisfied civil servants. Internal communication appears to be especially deficient in the Ministry of Mining and Energy where dissatisfied civil servants make up a clear majority.

Such variations are also reflected in the interview data. While some officials, as we have noted, compare their ministries with the military, others make analogies that indicate an atmosphere more conducive to innovation. For instance, an official in the Ministry of International Economic Relations argues that she and her ministerial colleagues ‘work like a private company. We have regular meetings and respond very quickly’. An official in the Ministry of Economy and Privatisation observes that the ministry reminds her more of a workshop than a governmental office.

As already noted, the political leadership largely seems to have by-passed their ministerial employees when dealing with politically sensitive matters or assessing new measures. According to members of the permanent staff, ministries continued to function in the old top-down fashion after the upheavals of 2000/2001. Traits of the previous regime were still visible and active (Rabrenovic 2003).

There may be several interpretations of this lack of interaction. The low level of teamwork largely corresponds to the role perception of political appointees and permanent officials. Whereas assistant ministers think of themselves as leaders in

the policy-making process, heads of divisions and other categories of career civil servants perceive their role mainly as administrative and recognise political leadership as responsible for policy-making (Rabrenovic 2003). Moreover, ministers of the 2001 – 2004 period seem to have seriously doubted the motivation and professional knowledge of their ministerial civil servants.

**Job identification and internalisation of organisational goals:** Considering the low level of interaction between political appointees and permanent staff, one may assume that it is difficult for civil servants to know much about, let alone identify with the goals of the political leadership. Moreover, our interview data clearly indicates that low salary levels, bad physical working conditions, and the low prestige of civil servants in society create serious motivational problems among ministerial employees. ‘There are no incentives. No matter how well you work, you get the same salary,’ one respondent observes. The extent to which young people envisage a career in the public service may be a sign of their dedication to their work. It should be seen as a warning signal that a majority of civil servants under 35 (54 per cent) report that it is unlikely that they will remain in the public service in the future. Only a small minority (7 per cent) say that it is likely that they will remain.

**Resolution of conflicts, policy harmonisation and setting priorities:** Co-ordination across ministries is very much the story of decision-making inside the cabinet, or the council of ministers. Effective cabinets are key mechanisms by which governments fix their priorities, guard against sudden and avoidable policy reversals and place pressure on ministries to reach overall goals. The Serbian government plenary and its committees stand out as formal decision-making bodies and not as forums for strategic political decisions or policy coordination. Serbia is unaware of cabinet-government as it is practiced in a number of Western European countries. Meetings of the government are brief, on average lasting only 40 or 50 minutes. Generally, contentious matters are not allowed to be submitted for government deliberation.

In all, there were eight permanent government committees in the 2001 – 2004 period, all of which had the same remit as during the previous regime. Like the government’s plenary, the committees only participated in the final stages of decision-making, accepting bills for consideration only after a finalised draft version had been made available. Apparently, no single forum existed where ministers could meet and develop lines of political action, which were not just nodded through as mere formalities during the 2001 – 2004 period.

In formal terms the Serbian Prime Minister has little opportunity to organise government affairs. Although the Law on Government lays down that he should represent and coordinate the work of government, a significant amount of this work does not involve the Prime Minister to any great extent. He does not participate in any of the regular government committees. Though he chairs government meetings, his ability to affect the outcome of discussions is limited. First, because in

principle no disagreement exists by the time a matter comes before the government. Second, because if any such disagreement does arise, it has to be resolved through voting according to the procedures of government.

The Prime Minister only has a small staff at his disposal, which is organised inside the General Secretariat. According to a senior official in the Secretariat, the political changes of 2000/2001 made little difference to this institution, everything followed old routines. The General Secretariat mainly provides legal and technical assistance in the preparation of government and committee meetings. There are no units responsible for coordination or analysis. Serbian Prime Ministers have mainly relied on their party headquarters for policy support (Rabrenovic 2003).

**Administrative bodies for public administration reform:** The administrative apparatus that was established during the 2001 – 2004 period to deal with public administration reform was not the result of methodical design, but rather the ad hoc outcome of improvisation, tradition and political factors. Thus, there was no carefully considered division of responsibility between the Agency for Public Administration Development, the Agency for IT and the Internet, the Civil Service Council, and the Ministry of Public Administration (previously the Ministry of Justice). On the contrary, the tendency seems to have been to establish new bodies in the area public administration – without any previous plan – outside and in addition to the existing administrative structure, rather than to reorganise and adapt it.

Fragmented patterns of organisation made it difficult to achieve a coordinated approach to administrative reform, as well as avoid the duplication of efforts and conflicts of competencies. However, the establishment of bodies like the Agency for Public Administration Development and the Civil Service Council outside the ordinary ministerial structure and staffing them with young well-educated people with little or no experience from inside the established bureaucracy may have prevented the new bodies from being weighed down by administrative regulations, and thus actually promoted innovative behaviour.

The Ministry of Justice and Local Self Government was hardly equipped to deal with questions of public administration reform to the extent that was necessary after the political upheaval of 2000. Its organisational set up and staff resources were far from sufficient, and, as one would expect from a Ministry of Justice, it approached questions of public administration reactively and from a judicial point of view. Generally, it appears to have acted upon the proposals of other ministries, checking whether these were in line with the Constitution and other pieces of legislation, rather than challenging or taking a critical view of the existing legal framework.

The establishment of the Ministry of Public Administration did not seem to change this state of affairs significantly. The organisational units and people that were taken over from the Ministry of Justice and Local Self Government retained their old tasks and had to follow the same regulations as previously. Thus, the new

ministry had more the flavour of a re-named Ministry of Justice than a reformist institution.

While the Ministry of Public Administration had no unit especially devoted to public administration reform, it was charged with a great number of issues that were not, or only remotely related to reform. One such matter was the issue of voters' registers, a topic that became highly politicised during the 2002 – 2003 period, and took an inordinate amount of the Minister's time<sup>8</sup>, apparently making it difficult for him to concentrate his attention fully on reform questions. Moreover, the Ministry was significantly understaffed. Until the end of 2003 apparently as few as one third of its positions was actually filled (The Ministry of Public Administration (undated) p.2).

Though the establishment of the Ministry of Public Administration was fraught with difficulties (see below), reducing its effectiveness in the short term, it is widely held that moving the portfolio of public administration from the Ministry of Justice was a good decision. Insiders rank the Ministry of Public Administration as a significantly better organisation than the Ministry of Justice, pointing to better communication between the various units, between the employees and the minister's Cabinet and between the employees and the deputy minister. Communication and spreading of information appear to have been particularly serious problems in the Ministry of Justice.<sup>9</sup>

The political leadership of the ministry appears to have been satisfied with the quality of the ministerial staff, though it was deficient in numbers. We should also add that in the new ministry there were two departments that might have become focal points of reform, the Department for Personnel Development and Project Management and the Department for International Cooperation and EU alignment. Both of these units cooperated with foreign experts and administered external assistance in key areas.

Inside government, the structure of permanent committees was not well adapted to the reform effort. A senior minister says it was problematic that questions concerning state employees were the responsibility of one committee, whereas matters relating to large state operations, like health and education, fell within the

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8 The question of voters' registers was brought to a head during the two rounds of presidential elections. Because the turnout in both rounds was below the constitutional requirement of 50 per cent + 1, the election produced no winner. The opposition alleged that the voters' registers, which had not been thoroughly checked since the Second World War, were not correct. Some argued that they contained non-existent voters. Twice the Minister of Public Administration was given the task of checking these allegations and going through all the voters' registers.

9 An official who has worked with public administration in both ministries observes, 'The Ministry of Public Administration is a much better ministry. It does better work. In Justice, some units were overloaded with work, while others had nothing to do. Public administration was no priority at all. The minister had no understanding of it. Administrative reform was the responsibility of an assistant minister who was also responsible for the magistrates. These two functions have nothing in common at all.'

remit of another. Furthermore, ministers argue that the fact that the committees were only supported by technical staff, considerably diminished their value as coordinating bodies.

## **Leadership**

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In the context of Serbia, leadership of public administration reform means *political* leadership, that is leadership exercised by the government, actors inside government (committees and government members) and leading ministerial appointees (e.g. deputy and assistant ministers). Therefore, the focus of this section is on the political setting of the reform.

**Political commitment and visions:** As we have seen, Serbian governmental bodies are embedded in an extensive system of legislation whose legality and usefulness are open to question.<sup>10</sup> What the Djindjic government chose to do with this legal inheritance would have deep implications for the direction and pace of public administration development. There were compelling, practical reasons for not doing away with existing regulations in one bold stroke. Serbian ministers were well aware of the risks of shock therapy, and partly for this reason chose an incremental method. 'We consciously chose a gradualist approach. We did not want to risk upsetting the whole system,' one minister observes.

Because the rulers of the one-party state and the Milosevic regime had operated outside and above the law, it would seem to follow that their opponents should have behaved otherwise and simply obeyed the existing laws. The transfer of power in 2001 transpired in complete legality rather than through radical renunciation of the political system. By emphasising the importance of following the rule of law, the DOS<sup>11</sup> coalition could claim the moral high ground and incite public opinion against attempts by the Milosevic government to rig the results of the 2000 election in order to stay in power.

Yet, how could adherence to the letter of the law be deemed democratic, when many of the legal norms were the embodiment of the very system that the proponents of democracy sought to transform? From this perspective, one might have expected the Djindjic regime to pursue a radical break with the legality of the previous regime, and to set aside laws and regulations forged by less than democratic means, which were ill-suited to conditions of genuine liberty and democracy. In the DOS movement, there were proponents of such an approach, which would have been similar to the line taken in 1946 when the new Communist regime passed

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10 An important point here is that the current Serbian Constitution of 1990 was adopted by a national assembly elected in one-party elections, that is, an assembly lacking legitimacy to adopt a constitution for a democratic state. Another point is that the Serbian Constitution was never adjusted to the new Constitution of the Federal Republic of Yugoslavia, adopted in 1992.

11 Serbia's Democratic Opposition.

a law declaring the principles of civil law in force before April 6, 1941 (the date of the German invasion of Yugoslavia) to be no longer effective, and the rules enacted during the war to be void.<sup>12</sup>

Partly because key leaders, for instance Djindjic himself<sup>13</sup> appear to have been uninterested in legal questions, such a radical line was never seriously considered. Thus, on taking office in 2001 the new Serbian government, by default, accepted all inherited legislation and took over all of the established government institutions.

Though public administration reform was not the prime concern of the Djindjic government, there is some disagreement as to its actual priority. Several respondents say that Djindjic understood the need of administrative reform without overselling the issue or pretending it was the first priority of his government. Djindjic generally appears to have supported reform initiatives that were put on his table, and to have been accessible to officials who wanted to discuss new ideas with him.

One senior minister emphasises that he and several of his colleagues were genuinely interested in public administration reform, and that he once 'revolted' at a government session and demanded that the issue be put on the agenda. A number of ministers who remained aloof from questions of public administration gave free rein to subordinates who wanted to push ahead with reforms, and a number of young and competent people on various levels of government renounced well-paid careers in the private sector to make dedicated contributions to the restoration of their country.

Several political appointees interviewed shortly after the shift in government in 2001 were truly concerned about the state of their ministries and of the wider public administration. There was, however, no general feeling of alarm or urgency that could have been translated into immediate, vigorous action. Some political appointees conveyed an impression of having already settled down with existing arrangements.

A majority of key decision-makers interviewed for this study, argue that questions of administrative reform were not given sufficient attention. One minister puts it quite bluntly: 'public administration reform is not visible. It is a hell of a job. It takes ten years to see results. Why should I – and none of my colleagues – be the one to sack 50 people?'

Some ministers seem to have been both overwhelmed by and resigned to an inhospitable administrative structure. As one minister explains, 'We learn not to

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12 According to this law, the Law on Invalidity of Legal Regulations Enacted before 6 April 1941 and During Enemy Occupation, rules enacted before 6 April 1941 could only be applied by courts if no new principle dealing with the same issue had been enacted, and the rule was consistent with the principles of the new constitutional system.

13 Information provided by one of Djindjic' ministers.

propose reform ideas. Making organisational changes is almost impossible. There are rigid laws on the organisation of ministries, and on the systematisation of job descriptions.’ Several interviewees argue that the absence of a new Constitution, of amended civil service legislation, and of a reform strategy prevented them from making serious reform efforts. Though this argument may have some validity, it may also be an excuse for choosing the line of least resistance. Be that as it may, the irresolution of some senior decision-makers contrasts sharply with the resourcefulness of others.

Forces close to Yugoslav President Kostunica favoured an evolutionary approach to reform, laying stress on achieving a fundamental constitutional and political transformation of Milosevic’s system as a way of laying the groundwork for democracy and a market economy. The Djindjic camp favoured faster reforms and were willing to ignore constitutional and legal niceties to achieve results (Nations in Transit 2003, p. 667, Freedom House, [www.freedomhouse.org](http://www.freedomhouse.org)).

The Djindjic government, like governments in all transition countries, was clearly under strong domestic and international pressure to reach quick results in correcting the abuses of the previous regime. Desire to win and retain support of the electorate and foreign donors probably made the new government too impatient to address in depth the structural problems of government.

Instead of following the cumbersome course of reforming the existing public service, key actors evidently found it more attractive to circumvent it and replace it with alternative institutions. A good example of this strategy is Djindjic’s decision to establish agencies on the fringes of the ordinary structure and to staff them with personnel brought in from abroad or from private companies.

Although some ministers had previous experience from the private sector, particularly the consultancy business, and some had substantial knowledge of transition policies and economics, which of course were highly valuable to the reform effort, most government members and their junior political staff almost by definition had limited experience upon which to draw. As Prime Minister Djindjic emphasised only a few days after taking office in 2001 (private interview), he and most of his colleagues were trained in opposing, not in exercising, public power. A key political appointee in the Ministry of Justice interviewed at the same time admitted, ‘I have no experience from government and I was never a member of the Communist party. I do not know how to provide leadership.’

A Serbian scholar writing in 2001 argued that the new government had already demonstrated ‘a complete lack of commitment or even knowledge of how to implement change and reform the provision of public services’ (Sevic 2001, p. 318). Apart from anti-communism and the repudiation of the legacy of the past, the Djindjic government had few pre-conceived ideas about what to do with the public service apparatus. Serbian political parties established after the breakdown of communism were primarily constructed around the personalities of their leaders rather

than issues or policy. Political messages and rhetoric were, and still are, more linked to a leader's image than to ideologies and concrete political platforms. Milosevic's iconic status may have accentuated the personalised approach to Serbian politics, by affixing responsibility for Serbia's problems to the man in office, to his abuse of the government system and not to the system itself. Thus, until October 2000, the DOS had just one goal, to get rid of Milosevic. According to this way of thinking, the key issue was one of leadership and not structural or procedural design; i.e. once Milosevic and his coterie were ousted, Serbia's problems would end.

**Power concentration:** Serbia has long traditions of strong and decisive leaders and of public deference to the elite. Chief executives such as Tito and Milosevic devoted considerable attention to consolidating and maintaining their power within state and party apparatuses. Though the context of political leadership changed dramatically in 2000, its weight remained. Decision-makers continued to take their cue from top leaders, without whose explicit support and direction little would happen.

Serbian leadership has distinctly charismatic features, that is, a leader's legitimacy is based more on his personal characteristics and appearance than formal procedures or rational calculations. He is expected to behave in a vigorous, head-strong manner without being excessively hidebound where formal matters are concerned. For instance, one minister observes that the ideal Serbian Prime Minister is a chieftain, a *primus sine pares*, in contrast to a prevalent Western European model, which sees the leader of government as a chairman, a *primus inter pares*.

Several interviewees emphasise the superior and crucial role of Prime Minister Djindjic.<sup>14</sup> Though he rarely made initiatives of his own, he had a reputation for acting resolutely in matters of high politics, and made decisions that were controversial and according to critics, sometimes of dubious legality. Thus, his assassination in March 2003 had an immediate and disastrous impact on the work of the government. In the words of one minister, 'everything went to hell'. Reform was no longer on top of the agenda or on the agenda at all.

During the 2001 – 2004 period the overall responsibility for public administration reform was divided between several government members who were unable or not ready to concentrate their efforts fully on this assignment. The Minister of the Interior, as head of the Government Committee for the Legislative System and State Bodies, was responsible for coordinating public administration affairs. Though he appears to have made a substantial effort to reform the Serbian police in his capacity as line minister, he was far less efficient in the role of coordinator. He is reputed to have provided his support whenever it was needed, but not to have made initiatives

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14 According to one minister he was a man who could make brave decisions, sacrifice political points, and, when necessary, do dirty jobs. Another respondent points to his energy, charisma, and optimism, and his particular ability to influence people. Rabrenovic (2004) also emphasises the key role of Prime Minister Djindjic.

or pushed matters himself. According to one minister, the arrangement of giving the Minister of the Interior a coordinating function did not work in practice. Apparently a key problem was the distinctly hierarchic nature of the Serbian government, where only the prime minister carries political weight as a coordinator. Insiders report that ministers often did not bother to attend meetings that were not chaired by Djindjic or Zivkovic himself, but sent subordinate officials instead.

In the Ministry of Justice, public administration had always been a political stepchild. The establishment of a new ministry for administrative affairs did not significantly alter priorities on the political level. Inside government, the new minister did not come across as one who pushed hard for his portfolio. According to one of his government colleagues, he seemed to be marked by the magnitude of his job. When the Minister of Public Administration left the government in 2003, no successor was appointed. His deputy minister became acting head of the ministry, but without the rank and status of a full government member, this official did hardly more than discharge routine duties.

Key actors in the area of public administration felt an absence of wholehearted encouragement and backing from the Prime Minister. On entering government, the Minister of Public Administration, unlike his ministerial colleagues, had a title but no ministry. His new portfolio was to be carved out of the Ministry of Justice, an exercise that had unexpected results. According to insiders he got 50 per cent of the tasks of the Ministry of Justice, but only 15 per cent of the personnel and 10 per cent of the equipment.

Thus, apparently the establishment of the Ministry of Public Administration in 2002 should be seen more as a political move than as an effort to strengthen public administration reform. In 2002, with his parliamentary majority eroding, Djindjic needed to broaden the political base of his coalition. He did so by creating a new portfolio for administrative affairs and offering it to a member of the Social Democratic Party, which at that time was outside government.

**Cohesion:** The DOS coalition was a heterogeneous and fragile federation of 18 parties, of which 10 held ministerial posts at the beginning of the government period. The lack of a strong ideological and institutional framework made DOS parties weak and prone to split. Their failure to mount an efficient opposition to the Milosevic government (Thomas 1999) was reflected in their inability to remain united and to provide joint leadership after the transition. The numerous Serbian elections<sup>15</sup> clearly strained the unity of the DOS alliance and frustrated the development of long-term policies.

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<sup>15</sup> During the 2001 – 2004 period Serbian voters were asked to cast their votes three times, first in two rounds of Presidential elections, and then to elect a new National Assembly.

As the initial euphoria of 2000 and 2001 subsided, the parliamentary basis of the government became increasingly precarious.<sup>16</sup> During 2002, its majority dwindled to the extent that ministers could never be confident to prevail in contested votes in the Assembly. One year later, after further parliamentary defections, the Assembly majority was definitely lost. The government became a lame duck and – apart from routine matters – work in the ministries came to a standstill. According to one minister, 2003 was a lost year.

Apparently, key cross-cutting administrative reforms fell victim to the increasingly difficult parliamentary situation. Soon after the Minister for Public Administration joined the government he received draft versions of two central civil service laws, one on civil servants, the other on public administration. Since both law proposals would most likely have been voted down in the Assembly, they were put to rest and not submitted to hearings or the government plenary.

In various ways the balance of power inside government interfered with public administration reform. Whereas portfolios in the economic field (for instance Finance, International Economic Relations, Privatisation, and Trade, Tourism and Services) were held by experts, public administration assignments were given to politicians, party leaders like Vladan Batic, Minister of Justice, and Dusan Mihailovic, Minister of the Interior, or to otherwise prominent party members, Radoljub Sabic, Minister for Public Administration and Local Self Government (2002 – 2003). This allocation of portfolios apparently made the field of administrative reform more vulnerable to power struggles than the economic area.

The three politicians in the administrative field belonged to small parties that appear to have carried little weight inside government, and generally, ministers affiliated with parties other than the Prime Minister's seem to have been at a disadvantage in coalition infighting.

The selection of appointees to the new Ministry of Public Administration was difficult and fraught with politics. Unlike some of his colleagues, Sabic was not allowed to choose his own political staff. He wanted experts as his assistant ministers, but apparently, the other parties in government were not responsive to his wishes; on the contrary, they seem to have been eager to thrust their own candidates on him, candidates who were not acceptable to the Minister of Public Administration. This standoff lasted as long as Sabic was a member of government, and no assistant ministers were appointed.

Politics of patronage also created problems in other ministries. A senior official in the Ministry of Transport laments, 'you are in a position where not the minister but other people decide who is appointed to senior positions in the ministry and in companies under the ministry. When company managers are appointed the whole

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16 Continuous conflicts between the two main parties in the coalition, Djindjic's DS (Democratic Party) and Kostunica's DSS (Democratic Party of Serbia) made the DSS leave the government in August 2001. The original DOS coalition broke up in July 2002.

government decides. The present government has consisted of almost 20 parties, and each promotes its own candidates whenever a management position is vacant’.

Regarding several key issues, for instance wage levels in the civil service, relations between the Minister of Public Administration and his government colleagues were less than harmonious. After one year in office, Sabic left the government.

Particularly in the economic area, ministers appear to have been able to neutralise dysfunctional aspects of the formal system – especially weak mechanisms for coordination – and behave in a concerted manner. The economic ministers knew each other well and were colleagues before they joined Djindjic’s government. These personal bonds made it easy for them to maintain extensive informal contacts and to work as a team inside the government. In addition, the economic ministers generally had the ear and support of the Prime Minister, and played a key role in allocating resources, and hence had easy access to foreign assistance.

Several insiders emphasise the importance of the economic ministers’ network. As one minister observes, ‘the economic team had a good collegiality. This compensated for a total lack of coordination. Things moved forward and were resolved in a collegial fashion. ... They made enormous progress.’ Thus, inside the Serbian government, leadership effectiveness in the economic field contrasts with leadership effectiveness in public administration. Put simply, whereas leaders in the latter field largely became victims of an inhospitable environment, leaders in the former were better able to counteract it.

## **Conclusion**

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Generally, leadership and structure combined to hamper the 2001–2004 reform effort.

Leadership impacted negatively mainly because it was fragmented, conflicting, and insufficiently dedicated to questions of public administration. This does not necessarily mean that leaders failed individually, but rather that the political context of leadership was hardly hospitable to reform. Structure had adverse effects mainly because capacities for coordination, co-operation, communication, innovation and policy-development were inadequate.

In addition to studying how leadership and structure affected innovation and coordination, this article has also touched upon relationships between leadership and structure and between innovation and coordination. These linkages are neither unidirectional nor clear-cut. For instance, leaders influence structures but the opposite is also the case. Moreover, we have identified situations where there was little or no interaction between leadership and structure.

**Leadership influences structure:** During the 2001 – 2004 period there were a few notable examples of leaders who were able to generate changes within administrative structures. The best illustration, perhaps, is Djindjic’ decision to establish

agencies. This reform bears the imprint of leadership, as opposed to structure, in the sense that little in Serbian government tradition justifies these kinds of bodies. They are considered unfamiliar or even alien to the Serbian system of government. Arguably, this reform can be attributed to Djindjic's leadership qualities, his compelling political position, and readiness to defy the existing legal order to further key political goals.

Leadership behaviour also contributed to reinforcing patterns of the established administrative structure. For instance, the lack of trust and cooperation between key political actors spilled over into the relationship between politicians and bureaucrats and the behaviour and attitudes of the latter group. Ministers and political appointees tend to treat with considerable scepticism, and even punish, civil servants who have, or may be suspected of having cooperated with their political opponents. This mistrust makes politicians reluctant to involve civil servants in policy reforms or to entrust them with decision-making. Public employees on their part are careful not to do anything that may provoke the displeasure of the political leadership and thus endanger their job security. They are reluctant to make proposals and take initiative unless explicitly asked or ordered to do so. In short, mistrust breeds fear, which in turn reduces the extent of voluntary cooperation and produces formalism and rigidity.

**Structure influences leadership:** A key observation is that structure influences and restricts the behaviour of political leaders. Administrative frameworks shape the ways in which political leaders perceive their room to manoeuvre, and the scope and direction of possible reforms. In public administration generally there is an inherent bias against changing the *status quo*. This tendency is particularly strong in Serbia where the administrative apparatus is distinctly oriented towards controlling the observance of existing arrangements and censuring non-compliance. Generally, Serbian administrative bodies do not see it as their duty to question the relevance or appropriateness of the existing normative framework. Thus, decision-makers who want to change this framework face an up-hill struggle, whereas their less reform-oriented colleagues may find easily available pretexts for remaining passive.

The volume and intricacy of internal regulations provide ample opportunity for decision-makers to use formalities as weapons in political and bureaucratic turf-battles and to turn questions of substance into issues of procedure. Generally, we may assume that knowledge of the rules of the game is a distinct political asset. Individuals who are steeped in the norms of the Serbian process of government and predisposed to work with the grain of the system possess an advantage over those who are not. Thus, the behaviour of key government members will probably reflect and entrench the current procedural framework.

The intensely competitive atmosphere of Serbian coalition politics influences ministers' conceptions of their ministerial roles and may make them advocates of ministerial interests in a narrow sense rather than of reform policies. Criticism of

intra-ministerial arrangements may easily be interpreted as criticism of ministers themselves and thus be a threat to positions and political futures. Therefore, ministers are more likely to defend than to profoundly question actions and practices of their own ministries. The longer their tenure, the more consistent we may assume their defensive positions to be. This mechanism may explain the apparently surprising fact that in the summer of 2001 ministers and political appointees did not seem particularly concerned about the state of their ministries.

The extent to which ministers shape or are shaped by their institutional environment depends on their political and personal resources. Generally, we may assume that strong and able ministers are better positioned than weak and incompetent to change or disregard formal arrangements. However, no minister, not even the strongest may escape institutional constraints. We have indicated that the Serbian Prime Minister enjoys considerable influence as a political leader, and is able to intervene forcefully in particular cases. However, a lack of staff resources and a properly organised General Secretariat evidently makes it difficult for him to use his political authority in a systematic, sustained way – for instance by steering and coordinating the preparation of major policies.

Lack of institutional capacity was especially serious for Djindjic and his colleagues. During the Communist period there were mechanisms in place that at least partly neutralised administrative shortcomings. As noted above, policymaking was largely taken care of by the Communist party. Thus, after the fall of communism the political leadership became equipped with a machinery of government that was more appearance than reality; truly a predicament for the Djindjic government, which was expected to turn over a new leaf in the book of history.

**Loose couplings between leadership and structure.** In Serbia there appears to be one sphere of operation for bureaucrats and another for politicians, with few linkages between the two. As we have noted above, Serbian government members largely operated outside the administrative apparatus when dealing with sensitive political issues. Ministers who were generally perceived as successful during the 2001 – 2004 period, for instance ministers in the economic field, appear to have done well because they were able to neutralise and circumvent the established structure.

The norms governing political and bureaucratic behaviour respectively are distinctly different. The contrast appears to be greater in Serbia than what is normally found in Western Europe. At the same time, as Serbian bureaucrats are expected to follow a very formal – some might say formalistic – tradition in the German/Austrian style there is also an autocratic leadership ideal, apparently with its roots in the Ottoman Turkish tradition. Serbian leaders are expected to behave like a Turkish *beg* in a strong-willed manner without being too concerned about formal regulations. The tension between these two strains of norms has contributed to the remarkable Serbian double-mindedness of legalism versus lawlessness, and the rule

of law versus arbitrariness. This friction is discernible in the efforts to reform public administration during the 2001 – 2004 period.

**Innovation and coordination:** Fragmentation of political power hampered innovation in the area of public administration. Strong antagonism among political leaders and their inability or refusal to reach consensus, resulted in stalemates rather than ‘lowest common denominator’ policies.

The strong centralisation of authority discouraged innovation as well as coordination. In the ministries there was a common expectation that the reform process should be directed in a top-down manner by the government leadership. However, the government became a bottleneck rather than a facilitator and the absence of orders or guidance from the political leadership generally bred passivity on lower levels of government.

Weak and inefficient mechanisms for inter-ministerial coordination and co-operation produced distinct government-wide differences in reform activity. In some ministries leadership and structure combined to produce significant progress. In other ministries the opposite was the case.

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# The Strategic Role of Civil Servants' Training for Reforming Public Administration in Bulgaria

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To develop a democratic society, to ensure a market economy and to integrate to the European Union (EU) are three major reasons that the Bulgarian government began to reform its public administration system. A change of political regime took place in Bulgaria at the end of 1989, but the reform process started *de facto* in 1998. The stability of the government and pressure by international organizations created the conditions for starting the implementation of a much needed reform program. The Bulgarian government formulated the reform program as building, not reforming, the administrative system in its 1998 "Strategy for Building a Modern Administrative System". The aspirations of Bulgaria to integrate into the EU played a major role in setting the direction of reform. The new government, elected in 2001, did not appear to change substantially the direction of reforms. Political consensus still remains strong concerning EU and NATO integration.

According to Synnerstrom<sup>3</sup> the main objectives of public administration reform in a democratic society should be aimed at:

1. Improved quality of the outputs of public institutions
2. Improved efficiency and cost-effectiveness in public institutions
3. Better coordination between these institutions
4. Improved professional continuity and development within public institutions
5. Reduced scope of nepotism and corruption
6. Increased public trust in the administration
7. Attract and retain qualified individuals for management positions.

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3 Hristov, Hr. Managing Public Sector, S., 2004

Publications on public administration reform in Bulgaria<sup>4</sup> show that there is consensus among scientists and researchers about the basic characteristic features of public administration in a democracy, and a functioning market economy, which should be:

1. Guaranteeing of fundamental rights
2. Insuring legal certainty and predictability
3. Providing a balance of powers
4. Insuring accountability, control and transparency
5. Coherence with government

Initially, the reform in Bulgaria had been focused mainly on legislative and institution building, but it has laid the foundation for a modern and effective public administration. The adopted legislation defined the scope and the principle of the public service and the status, rights and the obligations of civil servants in Bulgaria, as well as the structure of the public administration, its responsibilities and functions. The important pieces of legislation, adopted and later amended included a Law on Administration (1998, 2003), a Civil Service Law (1999, 2004), a Law on Creating the Supreme Administrative Court (1997), a Law on Administrative Procedures (1999), a Law on the Ombudsman (2003). In mid – 2002, administrative reform moved higher up on the government’s agenda and more determined efforts were made. The adoption of a “Strategy for the Modernization of the Administration” and the follow-up of an anticorruption strategy were two of the main initiatives adopted.

In addition to the legislative and institutional aspects of the reform, another important issue must be highlighted in order to have a more comprehensive understanding of the public administration reform development. This is adoption of the “Strategy for Training of Public Administration Employees” in 2002. It is the result of the prevailing opinion in Bulgaria that the success of administrative reform is to a large extent a question of establishing an appropriate administrative context in which public servants can perform their obligations in a professional, politically neutral, transparent and accountable way. It requires the continuous training of public servants to develop appropriate capacity, new administrative culture and professional ethics. In fact, building a modern and advanced administrative system in Bulgaria, and establishing a professional civil service, started with the implementation of the Law on Administration and the Law on Civil Servants. A key element in the application of efficient policy for human resources management and development in the administration appeared to be the establishment of a system for the continuous development of the professional skills and expertise of the employees in the administration.

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4 Report on the State of Public Administration in 2003, April 2004

In Bulgaria, the civil service is divided into two groups. One group is governed by the Civil Service Law, while the other is made up of those civil servants governed by special statutes (judiciary, police, diplomatic corps, customs, etc). Not all positions in state administration structures (ministries and state public agencies, regional and municipal administration) are occupied by post holders classified as civil servants. There are administrative employees working under employment contracts. The Civil Service Law excludes from the civil service those who are members of ministerial political cabinets, deputy regional governors and deputy mayors. Also excluded from the civil service, and subject to the Labor Code, are those carrying out technical functions in the administration. The Unified Classifier of Positions within the administration determines the main positions of civil servants and their distribution in groups and ranks – “junior rank” and “senior rank”. Along with that classification, the positions within each institution are grouped into general administration and specialized administration. General positions are those aimed at providing general services to the institution. The list of functions considered as general administration includes: financial-economic activities, legal services, property management, human resources, information services, protocol and public relations. Specialized administration positions are those implementing state powers and assigned in a relevant policy or management area. The relevant institution’s statute determines the specialized administration positions.

Recent surveys and analyses<sup>5</sup> show that the employees of the Bulgarian administration have very high qualifications – over 70 % of them are university graduates. This provides much potential for the development of the public service and the actual realization of individual capacity for professional and career development, i.e. coherent promotion in rank and/or position as an expression of professional skills, qualifications and the results of civil servants performing their obligations.

**Table 1**  
Degree of Completed Education for Public Administration Officials in 2003

	<b>Central administration</b>	<b>Regional administrations</b>	<b>Municipal administrations</b>
<b>Master</b>	56.8%	74.6%	34.5%
<b>Bachelor</b>	6.0%	4.7%	4.6%
<b>Specialist</b>	2.6%	3.3%	4.5%
<b>Secondary education</b>	32.6%	17.2%	53.3%

However, while current civil servants have advanced degrees, few have administrative training. Indeed, the analysis of the educational background of public

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5 Report on the State of Public Administration in 2003, issued in April 2004

servants<sup>6</sup> reveals that there is a strong need for professional skills development and qualification of the employees in administration in order to encourage the adopting of modern models of organization and administrative functions according to the best practices in EU member states. The conclusion is supported by the data presented in Table 2 based on the findings of 2002 Report on the State of Public Administration.

**Table 2**  
Distribution of Public Servants according  
to Field of Professional Education and Qualification

Field of Education	% Public Servants Educated in the Field
Technical sciences:	36.5%
Engineers	74%
Architects	4%
Builders	22%
Social, economic and law sciences:	31.6%
Public administration	2%
Law	25%
Accountants, economists and financiers	73%
The Humanitarian sciences	6.8%
Medical science and sports	6%
Mathematics, Informatics and Natural sciences	5%
Other fields of science	14.1%

The strategy for training of the public administration employees, adopted by the government in 2002<sup>7</sup>, was aimed at making the employees in administration familiar with the principles and practices of administrative work and further improving their knowledge and skills for the purpose of developing the capacity of the public service in Bulgaria. The “Strategy” is directed towards improvement of the professional skills of the civil servants as a core of the civil service and sets out the three main objectives to be achieved:

1. Strengthening the Bulgarian civil service and its administrative capacity for the introduction and implementation of the EU *acquis communautaire* through training.
2. Active participation in the process of change.
3. Building a system for development of the professional skills and qualifications of the employees in the administration.

Professional and career development training are determined to be the two major concerns of training for the development of employees in the administra-

6 Report on the State of Public Administration in 2002, issued in March 2003

7 Strategy for training of the public administration employees, 2002

tion. Professional development of the civil servants consists in raising the skills and qualifications of civil servants in performing their official duties and is expressed in promotion in rank, i.e. horizontal development of the civil service – “on-the-job” promotion with no change of position in the hierarchy. The Civil Servants’ Act requires the recruitment bodies to provide the necessary conditions for professional development (professional qualification and re-qualification). The ranking system incorporates twelve steps for the junior (five steps) and senior ranks (seven steps). The movement from one rank to another is gradual and it requires a performance appraisal three years after the award of the previous rank. The possibility of an earlier promotion in rank is also provided.

The main approach to raising the professional knowledge and skills of the employees is the establishment of a system for information. The system for informing the employees will enhance the knowledge of the employees of the international, social, economic, legal and constitutional environment in which they work and with regard to the changes in the communications, science, equipment and technologies.

It is considered that the vocational training secures necessary professional development and guarantees professional competence, independence and political neutrality. Vocational training for professional development of the employees is required in the following cases:

1. Preparation for an early promotion in rank – individual training in this case;
2. A need for additional knowledge and skills as a result of a change in the job description – individual training or training for specific categories of employees effected by the changes;
3. Introduction of new models and/or technologies for specific administrative activities or working processes – the training is directed to those included in the respective activity or process.

Career development is related to the promotion of the employees in position, i.e. the vertical promotion within the civil service – occupying a higher position in the hierarchy. Positions in the administration are regulated positions in the hierarchy and occupied through service or legal relationships, based on the determined requirements and criteria, and connected with the specific type of activity expressed in a system of functions, duties and competencies elaborated in the job descriptions. The Law on the Administration defines three categories of positions in the administration: management positions; expert positions; and technical positions. The naming of the positions and the distribution of the civil servants into groups and ranks is specified in the Unified Classifier of Positions. It distinguishes between a position and profession. Occupying a position depends on one’s professional qualification. Management positions in administration can only be occupied by civil servants. The expert positions can be occupied by a service or labor legal relationship. The technical positions can be occupied only by force of a labor-code legal relation.

The training for career development seeks to insure the sustained and continuous performance of the civil service by means of preparation of employees to occupy positions and perform the related activities. It is a characteristic for the Bulgarian model of civil service that the new appointed employees enter the administration with no prior special training on specific functions and activities. An element of career development is the ability to occupy positions at the same level of hierarchy in different administrative structure – horizontal mobility.

The main role of the training for career development is to adapt the skills and qualifications of all newly appointed employees to the principles and practice of administrative work. This involves introductory training and a preliminary internship for the newly appointed. The introductory training and the internship provide for initial general preparation and also for initial special preparation for specific administrative structures or positions, when such a requirement exists for the newly appointed employees. It is determined in the Strategy that this approach will be accompanied by the development of a mentor practice – every newly appointed employees to be attached to a senior officer, or “mentor” who assists in adaptation to the administrative environment. Mentorship is meant to ensure better organization and teamwork in the performance of administrative activities. The training for career development provides for the preparation of the employees for applying for, or occupying, a new position in the administration and, in this case, individual training is an option. But the training is mandatory when it refers to an employee’s preparation to apply for or occupy a first management position.

The government elaborated the general policy for building and implementing a system of developing of professional skills and qualifications in administration by introducing clear rules and responsibilities in this process. The Council of Ministers performs the general management of the public administration and defines the policy for its development. The Minister of Public Administration organizes the development and the coordination of its implementation. For the purpose of achieving maximum efficiency in the process, a mechanism for coordination of activities and financial resources allocated to human resources management has been introduced. The Public Administration Directorate at the Council of Ministers is the central coordinating unit responsible for providing coordination of the horizontal system for human resources management and development in administration. At the same time, the Ministries, and the other administrative structures, are able to preserve their operational autonomy in human resources management and development concerning certain matters that are specific for them.

The law on the state administration regulates the creation of human resources units in every administrative structure. The coordination between the separate human resources units is the prerogative of the Public administration Directorate at the Council of Ministers. A key role in the assessment and planning of the necessary human resources, for the harmonization of Bulgarian legislation with the European

Union is played by the Directorate of European Integration (and relations with the international financial institutions) at the Council of Ministers administration.

The overall assessment of the status of the administration, and the effective planning of the necessary expenses for training, combines both the general and the specific training needs assessment for creating and developing professional skills and qualification. It represents an element of the horizontal system for human resources management and development. The general training needs derive from the human resources assessment intended to provide the staffing of envisaged positions. This means defining the number and types of positions, and the requirements of their staffing, which will become vacant in the planning period and the newly opened positions, including an estimate of the necessary human resources for the establishment of new administrative structures. The specific training needs are defined on the basis of performance appraisal. The performance appraisal includes achievement of agreed goals, level of execution of the official duties and demonstrated professional competence. The assessment of specific training needs is directed towards identifying the needs for raising the professional skills and qualification of the employees in performing their official duties.

Training of the employees in the administration is a priority of the human resources management and development policy, which is carried out through the annual allocation of a special training fund in the state budget. The training finances are formed as a percent (not lower than 0.8%) of the overall salary fund for the administration. In Bulgaria, the IPAEI is the main training unit (more than 3 600 specialized trained staff members in 2003), but there are other training institutions, of them the most popular are the European Communication Centre, the National Union of Legal Advisors, the British Council, the French Cultural Centre, the National Association of Municipalities and the Foundation for Local Government Reform. IPAEI is responsible for the centralized managing of the funds necessary for the career development and training of the employees. The mission of the Institute is "to enhance the professional qualification and skills of the civil servants" and currently it plays a key role in the process of the administrative reform in the field of training and qualifying public servants in Bulgaria.

In order to achieve the strategic goals of the public service, a variety of training programs have been developed which are oriented towards:

1. Developing the abilities of public administration officials to apply the achievements of EU law and extending the overall knowledge of the employees about the EU and its policies
2. Improving the communication skills of public servants and updating managerial knowledge of the specialists who advance in their professional career
3. Changing the organizational culture of civil servants and developing the skills required for implementation and use of modern information technologies.

The training programs and seminars are grouped into two categories. The first involves compulsory training for experts and newly appointed specialists for acquiring basic knowledge and skills for better administrative performance and contemporary managerial abilities. The second group is focused on specialized training. It involves a variety of programs developed in different fields such as legal regulations, administrative organization and culture, managerial skills, developing human resources, regional development, administrative and financial decentralization, European integration, preparation for EU membership, pre-accession instruments of the European Union, E-government and programs for foreign language teaching.

In 2003, 25% of the administrative structures absorbed 100% of the financial resources allocated to them for the specialized training of staff members<sup>8</sup>. Twenty-nine percent of those employed in the central administration and 12 % of the staff members from the territorial administration were trained in 2003. As compared to 2002, this figure increased by 8% for the central administration and is 11% lower for the territorial administration. The largest group is that of staff members who were trained in a narrowly specialized area. At the central and regional administration, the second place is occupied by training in legal regulations and the organization of administrative activities. The smallest number of central administration staff was trained in the field of European integration, while for territorial administrations the bottom position is occupied by foreign language training – only 91 staff members. The survey results<sup>9</sup> point out that 33% of the public officials consider that the training opportunities they were given match their desires and 2.5% of staff members believe that their performance will improve though enhancing their qualification.

**Table 3**  
Specialized Training Provided by IPAEI in 2003

<b>Program</b>	<b>Number of staff members trained</b>
Specialized training	11,872
Legal regulations and organization of administrative activities	2,076
Management skills and human resources management	1,639
Information technologies	1,317
Financial management	1,263
European Integration	851
Foreign language	59

As regards to the topics of preference, in planning the 2004 training, the greatest interest was shown for budgetary accountancy, budgeting processes and auditing, management of state and municipal property, preparation, procurement and

8 Report on the State of Public Administration in 2002, March 2003

9 Survey of the National Center for Public Opinion Studies, February 2004

control under the Public Procurement Act. While the topic of choice in 2002 and 2003 were foreign language training and project development and evaluation, now the administrative personnel focus of interest appear to have shifted to spheres related to internal organization and operational management.

## **Conclusion**

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This analysis of the strategic role of training in public administration reform in Bulgaria suggests several findings. Developing and implementing training programs has become one of the priorities for government in order to supply civil servants with strong competitive advantages through giving them additional skills and knowledge in the context of their responsibilities and local environment /e.g. regional, national and international conditions. With the adoption of the "Strategy for Training of Public Servants", the government has started putting into practice an overall integrated policy for human resources management and the development of administration. The Strategy is viewed as a long-term process focusing on building and consolidating the system capacity for training and introducing annual cycles for planning and implementing policy for the development of the professional skills and qualifications of Bulgarian administration employees. This policy brings forward the development of the potential and professionalism of the employees in the administration and ensures the achievement of national priorities, as well as preparation for the Bulgarian administration to function in an enlarged European Union. Based on these findings we can conclude that training of civil servants in Bulgaria has started to play a vital role in public administration reform.

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# Section III

## Local Governance and the Creation of Grassroots Democracy





# City Quarter Communities: A New Quality in Slovenian Local Democracy

*Irena Baclija<sup>1</sup>, Marjan Brezovsek<sup>2</sup>*

## Political Participation on the Local Level in Slovenia

After the declaration of Slovenian independence in 1991, many processes for democratisation of the political system started to take shape. The goal was to build a democracy in a newly established or re-invented political system. One of the crucial processes was to re-invent new forms of local democracy in newly established local communities.<sup>3</sup> The purpose of implementing local self-government is to democratise the life of local communities and its residents through assemblies of citizens, local referendums, citizens' initiatives and other forms of citizen participation in decision-making processes in local communities. Joint decision making in public affairs derives from the constitutional right of citizens – the right to participate.

From the viewpoint of democratic regulation it would be ideal for the inhabitants of local communities to be able to manage all municipal affairs directly. Naturally, this is virtually impossible in modern local communities, because modern needs are too complex for all inhabitants to be able to decide upon them, and modern life in the municipality needs continuous decision-making. For this reason direct decision-making in local self-government is not a common practice. Decisions are rather made by elected municipal bodies.

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3 Slovenian local self-government system has some democratic tradition. In 19<sup>th</sup> century, the Slovenian local self-government was strongly influenced by the Austro-Hungarian Monarchy. At the time, a special municipal law was adopted which provided the municipalities with a relatively strong self-government in the field of municipal property, security of inhabitants, care for municipal infrastructure, etc. The Carniola Municipal Law of the 1866 established 348 municipalities, in which new elections in municipal councils were carried out. Municipalities of the time were self-sufficient, and had their own financial sources, etc. After the first world war there were some limited time periods of relatively democratic local self-government, but none such period is recorded under the communist rule after the second world war.

Nevertheless, direct decision-making is still more common at the local level of government in comparison with the state level. Why? First, a local community usually is much smaller than the state in geographical terms and the size of population. Second, direct decision-making is organizationally, financially and technically easier to conduct at local levels of government. Finally, direct decision-making is traditionally much more anchored in local communities as compared with the state. Also, the content of decision-making is different on the local level; it is not about the decision-making on general political issues, but matters that are important for the local community itself.

The Slovenian local self-government act provides for four different forms of direct local participation. The most direct is the municipal assembly. It is an assembly of all the inhabitants of a local community. This is the oldest form of local democracy that enables the most direct decision-making about all municipal affairs. Unlike other forms of direct decision-making, the municipal assembly is an informal convention in which all inhabitants can collaborate, making it therefore an important element of cohesiveness and integration in the local community. But such direct decision-making is for obvious reasons exceptional and feasible only in a very small local community.

Another form of direct democracy in the municipality is the referendum. A referendum is of more recent origin than the municipal assembly and it is also a more formalized and organizationally and financially demanding form of local democracy. It cannot be used very often and for all local matters, which means that the local community still needs an elected council that will make decisions on a daily basis. But both mentioned forms of local democracy have the same ideal and political origins, that is, decisions made by people and not by their representatives.

The third form of Slovenian local democracy is the “popular initiative”. The popular initiative enables a group of at least 200 local residents to seek a vote on any local issue. In comparison with the referendum, the popular initiative does not enable people to terminate unsuitable solutions, but enables groups of citizens to seek the decision that is most suitable for them. The fourth form of direct local democracy is the right to petition. This right enables people to send written petitions to a representative body. Unlike the popular initiative, where a representative body is obliged to discuss it and make a decision upon it, the petition involves no such obligation.

In Slovenia, citizens also have the right, according to the local self-government act (1994) to participate through lower organisational forms that a local community may organise; those are village or local communities and city quarter communities. The latter could become one of the paths toward the deconcentration of decision-making and governance processes in urban municipalities and represent a possibility for more direct influence by local community inhabitants on the city administration.

At the end of March 2001, the Ljubljana city council has established seventeen city quarter communities as a lowest organisational form of Ljubljana. At the time of the establishment, there were major criticisms from the opposition ranks within the council. The criticisms were oriented towards the lack of attention to the quality of content of authorities and towards the inaccurate division of tasks between the city quarter communities and Ljubljana. The question of financing city quarter communities also arose, but nevertheless, city quarter communities were implemented. There are now seventeen city quarter communities (picture 1). City quarter communities vary greatly in size and in population. The elected body of the city quarter community is the local council, where the different problems of the individual city quarter communities are debated. Thirteen to seventeen councillors are elected for four-year terms to the councils of city quarter communities. The exact number of councillors depends on the number of citizens in each city quarter community.

**Chart 1**  
City quarter communities in UML



Source: <http://www.ljubljana.si> (March 2004).

## **Participation in Decision-making: City Quarter Communities**

The local self-government act (1994), leaves to the individual municipality the right to define the authority of city quarter communities. This is also the case with Ljubljana which has in the statute (55<sup>th</sup> to 63<sup>rd</sup> article) defined the tasks and functions of city quarter communities. The legislation gives them little power to decide upon important issues, since their range of competences is extremely limited. Even more, if the legislation will be amended as was recently proposed by central government,<sup>4</sup> the legal authority of all sub parts of municipalities will be eliminated.

4 See Baclija and Hacek (2004).

At the time of the establishment of city quarter communities in Ljubljana, the ruling coalition in the city council, and the Mayoress, asserted that, with the implementation of city quarter communities the decentralization process of Ljubljana<sup>5</sup> would be more effective. The competencies of the city quarter communities are noted in the standing rules of Ljubljana, which gives the city quarter communities an extremely narrow frame of competencies. Financially, the quarters are totally dependent money from Ljubljana city government. They have no self-dependent tasks; they deal only with local matters that are each year separately devolved to them by Ljubljana, which was not very generous during the last years. If city quarter communities are actually to bring decentralization to Ljubljana, then they should be provided with more significant tasks and greater financial independence. From the establishment of the quarters forward, the opposition in the city council again and again highlighted their diminished competences, demanding for them more independence, greater competences and more financial sources. The opposition has also asserted that decision-makers in Ljubljana deliberately constructed such forms of local self-government so that the principles of the European Charter on Local Self-government<sup>6</sup> would be formally realized.

Since city quarter communities have, according to the legislation, merely consultative nature and their superior political body is the city council, we have analysed how frequently the problems that derived from city quarter communities' councils were debated in the city council. The results show that in 2001, the City Council handled 123 items on their Agenda, but only four of them were directly related to the city quarter communities or their activities.<sup>7</sup> Is this enough for this newly established and very sensitive form of local self-government? We made the same analysis again in 2003, only to find out that the extent of the agenda space designated for the problems and issues of city quarter communities was even lower. What is then wrong with the celebrated new forms of local self-government "discovered" almost with the sole purpose to decrease centralization and increase local democracy in Slovenian local communities?

## **Empirical Analysis**

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In order to gain relevant data on the relationship and communication between city quarter community councils and the municipal government of Ljubljana, a Novem-

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5 UML is the biggest municipality in Slovenia with regard to the number of inhabitants.

6 The Slovenian National Assembly passed the Law on the Ratification of the Charter on 1<sup>st</sup> of October 1996, which came into effect on 1<sup>st</sup> of March 1997.

7 This means that city councils have devoted only 3.6 percent of the agenda space to the problems concerning city quarter communities.

ber – December 2004 survey targeted councillors in four city quarter communities.<sup>8</sup> Some of the survey questions from the survey were also administered to 170 randomly selected local citizens and city councillors.<sup>9</sup> The analysis focused on the evaluation of the relationship between city quarter community councils and Ljubljana city administration, city council and other citywide bodies.

Table 1 shows the estimated changes in the municipality of Ljubljana after the introduction of city quarter communities as perceived by all three groups. Ljubljana residents believe that the introduction of quarter communities failed to bring about considerable changes. According to them, political parties have slightly enhanced their power whereas their confidence in local authorities has been weakened to some extent. In like manner, quarter and city councillors believe that changes were minimal after the introduction of quarter communities. Nevertheless, they are convinced that the confidence in local authorities has improved slightly and that the influence of civil society groups has been less significant, with reduced contradictions between various groups being the most evident change observed. According to city councillors, political parties and civil society groups have slightly increased their power. Further, they believe that the quality of life has improved. They have noticed less contradiction arising between various groups. But the changes perceived are almost negligible. According to all categories of respondents, the introduction of city quarter communities brought about only minimal changes.

**Table 1**  
Evaluation of changes in UML after the implementation of  
city quarter communities

	<b>Inhabitants of UML</b>	<b>City Quarter Councillors</b>	<b>City Councillors</b>
(N=)	(170)	(44)	(22)
The quality of life in municipality	3,05	3,00	3,14
Trust in local government	2,85	3,05	2,95
Strength of civil society groups	3,05	2,74	3,27
Strength of political parties	3,35	2,97	3,14
Differences between different groups in society	3,15	2,46	2,76

*Source: survey among city quarter's councillors, inhabitants of UML and city councillors.*

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- 8 61 city councillors responded to 8 questions related to the functioning of quarter community councils and cooperation with the UML. 61 survey sheets were distributed. Of these, 44 were completed, representing 72% of all survey sheets distributed.
- 9 45 city councillors were surveyed. They were requested to answer questions concerning the functioning of city quarter community councils. 22 of the initially distributed survey sheets were returned, representing a 48 % success rate.

Note: The values are the average observations of respondents who were included in the survey. The respondents were asked to evaluate changes by selecting a value on the scale of 1 to 5 with 1 standing for “reduced” and 5 for “increased”. Value 3 meant “neither reduced nor increased”.

The survey also aimed to explore how quarter community councillors view the work of their own communities. Their observations were not surprising in that they considered their performance as successful whereas they have taken a critical stance towards the city council (see Table 2). Still further, the purpose of the survey was to examine the relationship which councillors have built towards Ljubljana’s administration in respect to professional and other assistance which it is supposed to provide to city quarter communities. The responses were evenly distributed throughout the scale with a slight tendency towards the lower negative values of the scale. The results show that some councillors are well satisfied with the way city administration functions whereas others are not wholly satisfied. This polarisation may as well be attributed to the attitude which a particular city quarter community council adopted by experience. Not surprisingly, city quarter councillors evaluate their work as very positive, but tend to consider the activities of the city council as rather poor in relation to the UML administration.

**Table 2**  
Evaluation of various UML organs

	<b>City Quarter Councillors</b>
(N=)	(44)
City council	3,77
City quarter community council	7,36
Evaluation of the city administration’s role in assurance of expert and other help to quarter communities*	4,88

Source: survey among city quarter’s councillors.

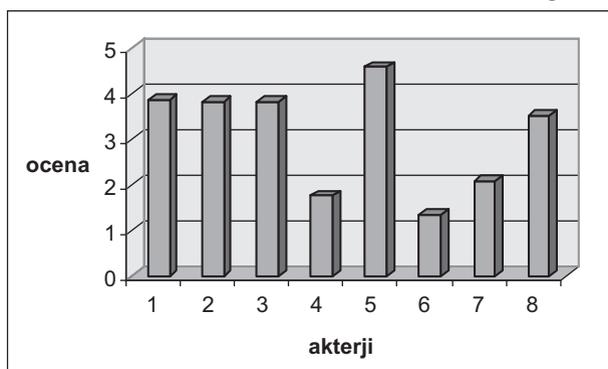
The data are average values, calculated on the basis of assessments of the performance of an individual body as seen by respondents who were asked to select a value on the scale from 1 (very poor) to 10 (very good). The lower the value the more negative the assessment for a UML body is.

\*This particular item is the average assessment mark of the work of the city administration in providing professional and other types of assistance to quarter communities as perceived by city quarter councillors who were asked to select a value on the scale of 0 (absolutely negative) to 10 (absolutely positive).

City quarter councillors were asked to evaluate the impact of certain players in the urban municipality (such as the mayor, city councillors, city administration, city quarter community councils, political parties, ordinary citizens, various civil

society organisations and business operators). The results presented in Chart 2 are rather astonishing, portraying political parties as the most influential players as regards Ljubljana decision-making. According to city quarter councillors, the impact of the mayor, city councillors and Ljubljana city administration is roughly the same, whereas business operators are deemed to be least influential. According to city quarter councillors, city quarter community councils have little effect on decision making – whereas ordinary citizens are deemed to have almost no influence.

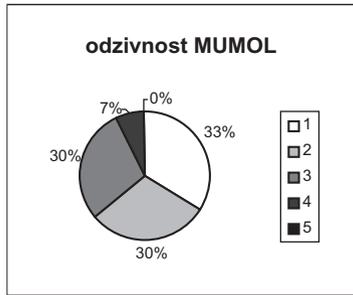
**Chart 2**  
Assessment of influence on decision making



Source: survey among city quarter's councillors. Key: 1=mayor; 2=city councillors, 3=city administration, 4=city quarter community councils; 5=political parties; 6=ordinary citizens; 7= various civil society organisations; 8=business operators (N=42).

Further, the survey sought to illuminate how city quarter councillors view and evaluate individual aspects of the functioning of the city administration. They assessed the responsiveness of Ljubljana's administration to the needs of the citizens, its accessibility, the complexity of procedures, work organisation and application of e-government elements. Given the results above, it came as no surprise that city quarter councillors consider the responsiveness rather poor: 33 % of the respondents thought that mark 1 (negative) on a scale from 1 to 5 best describes the situation, 30 % selected mark 2, 30 % chose mark 3, and merely 17 % selected 4 or 5.

**Chart 3**  
Assessment of responsiveness of UML's administration

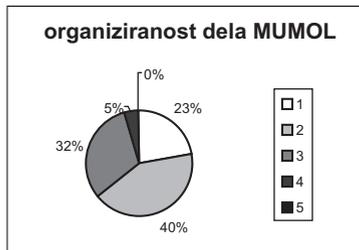


(N=44) Source: survey among city quarter's councillors.

Respondents evaluated responsiveness of UML's administration by selecting values on a scale from 1 (negative) to 5 (excellent).

Respondents also evaluated the organisation of work of UML's administration and, again not surprisingly, 23% of them thought that the organisation of work is very poor, 40% believed that it deserved mark 2, 32% thought the organisation is average (mark 3), 5% thought it was very good (mark 4) and none thought it was excellent.

**Chart 4**  
Assessment of the organisation of work of UML's administration

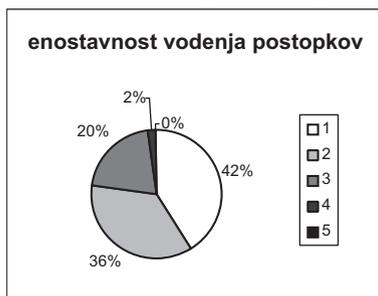


(N=44) Source: survey among city quarter's councillors.

Respondents evaluated the organisation of work of UML's administration by selecting values on a scale from 1 (negative) to 5 (excellent).

Obviously, city quarter councillors believe that the procedures under the responsibility of the UML administration are very complex and complicated and so 42% respondents selected a negative mark, and 36% of them selected mark 2, while 20% remained undecided and selected mark 3, and only 2% of respondents thought that the procedures are managed well and chose mark 4. None of the respondents selected mark 5.

**Chart 5**  
Assessment of the complexity of procedures

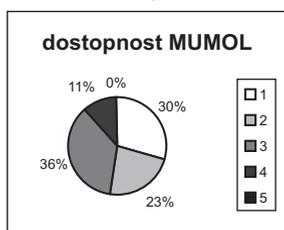


(N=44) Source: survey among city quarter's councillors.

Respondents evaluated the complexity of procedures by selecting values on a scale from 1 (negative) to 5 (excellent).

On the issue of the accessibility of UML's administration there were slightly better assessments, but still 30 % of quarter councillors chose mark 1; 23 % selected mark 2; 36% selected the average mark 3; and 11% chose mark 4. None of respondents selected the highest score for accessibility.

**Chart 6**  
Assessment of accessibility of UML administration



(N=44) Source: survey among city quarter's councillors.

Respondents evaluated the accessibility of UML's administration by selecting values on a scale from 1 (negative) to 5 (excellent).

## Comparative Analysis of Interviews Given by Chairmen of Quarter Councils and Heads of Ljubljana Administration Departments

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Decisions taken by Ljubljana municipal administration departments are very important for quarter communities and Ljubljana residents. Ljubljana administration heads were interviewed in order to analyse the attitude of Ljubljana's administration towards city quarter councils. Another objective was to analyse the opinions of city quarter chairmen and their view of the status of the quarter community as an intermediary between citizens and Ljubljana's administration given that chairmen's competences are greater than those of other members.<sup>10</sup> The summary of both analyses focuses on the relationship between city quarter community councils and UML bodies and especially on the following three topics:

- the role and powers of city quarter councils,
- liaison between UML's administration and quarter councils,
- possibilities of enhancing mutual cooperation.

**The role of city quarter community councils:** Both sides more or less agree on this matter. The common denominator is that quarter councils as seen as a bridge between Ljubljana residents and Ljubljana. There are strong tendencies towards granting more powers to quarter councils, most often advocated by chairmen and less frequently by heads of UML departments who also suggested the powers be extended and defined in greater detail. Remarkably, some heads of UML departments were very positively inclined towards quarter community councils although they hardly ever get in touch with them. The Head of the Economic and Tourist Section said that "quarter councils are bodies that should be most connected with the local residents and should forward citizens' suggestions, wishes and concerns ... as well as provide solutions". Further she noted that the department under her supervision had not had any contact with quarter councils. Sometimes cooperation between Ljubljana departments and quarter councils exists on paper only. Therefore, the aspirations of chairmen of quarter councils to achieve greater flexibility within Ljubljana in terms of addressing their issues, problems and proposals are logical. In this way, their function would be justified and purposeful, unlike today when they seem to be there just to serve their own purpose.

**Liaison between UML's administration and city quarter councils:** The opinions of chairmen of quarter councils and heads of UML's administration departments are fairly contradictory. Chairmen pointed to the issues of a one-way-only communication approach, the need to use lobbying, paperwork conflicts and their inferior position remote from the core activities. Heads, however, deny that and believe that the situation is not problematic at all. According to them, they respond

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<sup>10</sup> Interviews with chairmen of city quarter communities councils of Vic, Dravlje, Nove Jarse, Smarna gora, Roznik, Crunce, Center, from December 2003 to January 2004, Ljubljana.

to each and every initiative and involve city quarter councils in their activities. But a closer examination of the quality of comments, opinions and proposals reveals that there is a great gap between the two groups. Heads maintain that they consider all initiatives but only if these are correctly formulated. The question raised is whether incorrectly submitted or drafted initiatives may be put aside and left unconsidered. Nobody was able to provide a straight-forward answer, but one can assume that an alternative to solve the problem might be a formal and institutionalised communication system supported by prior training. The concept of formal and institutionalised communication could involve standardised forms for comments, opinions and proposals that might be used in a pre-determined logical system of communication. Upon mutual consent, both sides should receive training on the use of such system.

**Possibilities for improvements in the communication process:** After confronting the opinion of both, city quarter communities' councils and heads of city administration's departments of UML, suggestions for improvement in communicating and performing are various. It can be concluded that the heads of the city administration's departments were more critical about the lack of communication between citizens and city quarter community councils and less about the lack of communication between citizens and themselves or city quarter community councils and themselves. As we can see they do not view themselves as an obstacle in communication process.

Among the various alternatives provided by the respondents were:

- better timing as regards the entering of councils in the decision-making process,
- establish cooperation between both sides,
- amendments to regulations to secure a greater say of councils,
- institutionalisation of submitting proposals.

The majority of respondents were critical about the appropriate means of communication. The core of the problem is not the flow of communication. The main purpose of city quarter councils, whose competencies are fairly restricted, is to communicate their proposals to a higher level. But this role has taken on a completely inappropriate dimension. Instead of exercising the regulatory right to influence certain decisions, city quarter councillors avail themselves of lobbying mechanisms.

## **Final Observations and Some Suggestions**

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The key aspect of local residents' participation in decision making is the relationship between the local authority bodies and the general public. The communication between elected bodies and local citizenry is of vital importance for accomplishing

greater legitimacy and implementation of the public interest. In a contemporary local democracy context, communication should always be a two-way dialogue. In real life, however, often only one-way communication exists. Local officials get in touch with the local public and their opinion on an every-day basis. Ever increasing volumes of local financial resources are being allocated to public relations activities, public relations offices and local bulletins. Large municipalities have set up special public relation offices within their administration bodies and have helped citizens liaise with local authorities (including via the web). However, the local public still receives little feedback from the elected local authorities and local senior officials. The most common form of communication remains the acquisition of relevant information which is only one aspect of indirect local democracy. Other less obvious, but vitally important, aspects are advocating for support, lobbying, participation of local senior officials and officers at public assemblies, active participation in working bodies, etc.

One of the objectives of establishing quarter communities was to increase the volume of citizen participation through open decision-making processes in individual segments of public life. The functioning of Ljubljana city quarter community councils was analysed and the findings show that their decision-making powers are practically non-existent as all proposals and solutions have to be submitted to the City Council which can either approve or reject them. According to the UML statute, a quarter council may submit proposals and perform an advisory function but cannot take any decisions without having acquired prior consent of the City Council.

Yet another issue that has been raised since quarter communities were established is financing of city quarter councils. In recent times the funds for this purpose have grown ten times (from 200,000 Slovenian tolar to 2 million per quarter community a year) but have still been insufficient to satisfy all the needs and aspirations of some quarter communities. The aforementioned amount represents only 6 percentiles of the entire 2004 UML budget, which is incomparable to resources received by German or Swedish quarter communities. Nevertheless, quarter councils are still only consultative bodies by nature. The current decree governing the responsibilities of quarter councils does not encourage their efficiency. Quarter councils may advise, give proposals, comment on burning issues, participate in the performance of some duties and inform citizens of matters of local significance.

We can conclude that city quarter communities are not fulfilling their primary purpose for increasing participation at the local level of government. Even more so, many facts indicate that the implementation of city quarter communities served only to create a façade of greater citizen participation, when in reality they do not improve the participation processes at all. Beside the fact that in the City Council of Ljubljana debates on issues raised by city quarter communities are quite rare and insignificant, there is also the question of financial burden of implementing city quar-

ter communities. Up to this moment, the financial burden for UML has been fairly low, but city quarter communities are financed from the Ljubljana budget, so there is at least a legitimacy problem if they do not bring some benefits to the citizens.

In the course of the research we have come up with some suggestions – alternative solutions to the problem. Our analysis could provide the UML administration with some general guidelines for establishing better communication and cooperation with city quarter communities. These suggestions are based on the finding that the greatest obstacle for the mediation of opinions and resolutions between UML and city quarter communities is in fact the lack of communication.

- a) One possible improvement is to determine the exact point in time during the decision-making process when city quarter communities' resolutions, opinions and propositions may enter the process. If they are proposed to the municipal administration too late in the decision-making process, then the possibility for them to be at least discussed is minimal. A timeline of the general policy-making process should be established and city quarter communities councils, as well as the citizens, should be acquainted with it. This would enable all proposed resolutions, opinions and propositions to enter the decision-making process in due course.

A comment by the head of the Department for Public Services and Transactions in Ljubljana illustrates the same concern: *“It is very hard to take into account various resolutions, opinions and propositions of city quarter communities, when the main concept of the city development plan has already been done and decided upon. After a particular project has been approved by the city council, the implementation of any additional propositions is virtually impossible. This problem often occurs during the phase when most of our projects are already taking place/ being implemented.”*

Other city administration department heads also mentioned this problem in interviews, and presented it as one of the greatest obstacles to uninterrupted communication between city quarter communities' councils and municipal administration. If city quarter communities were established for decentralization purposes and if their probability to influence individual projects and city policies is negligible, what is their purpose then? If this question is to be addressed properly, the exact determination of time point in the decision-making process when city quarter communities' resolutions, opinions and propositions could enter the process is of crucial importance.

- b) One of the most obvious ways to strengthen the local self-government system is through additional training for local decision-makers at decision-making processes on the local level of government. This suggestion may not be the most urgent, but some form of additional instruction could be very useful for both local councillors and employees of the city administration. According to the head of the Department for Local Self-government: *“The role of the Department for*

*Local Self-government has changed after the establishment of city quarter communities. The scale and complexity of duties of our department grew in size continuously. We need additional employees that are qualified in financial regulations and have other specific tasks and expertise. The required levels of expertise can only be achieved through additional training of our employees. In the Department for local self-government, with the help of Service for development and functioning of city quarter communities, we are continuously upgrading cooperation with city quarter communities as well as following the changes of relevant legislation.”*

However, additional training is limited only to support staff who according to the statute are not allowed to influence the formation of city quarter community's councils' resolutions. There are two feasible options: a) to enable the support staff to formulate these resolutions (which would be controversial from an ethical point of view) or b) to establish some kind of permanent training for local councillors with seminars, workshops, etc. With this action one could decrease, or in the final stage even eliminate, the inadequate usage and formulation of city quarter communities councils' resolutions, opinions and prepositions. This project would be beneficial also from other points of view, for instance: councillors would be acquainted with the decision-making process within the municipality and the feedback process within the municipal administration would be much more copious and faster. Some of the heads of administrative departments of UML have also expressed their inclination toward this suggestion. One of them has clearly expressed his concerns about this situation: *“Resolutions, opinions and prepositions are of extremely poor quality. City quarter community's councils are not selective at all, every single possible and impossible idea is listed... Individual claims and requests should be formed and debated on within the councils before they are sent to us.”*

- c) Written documents from city quarters councils now differ significantly in quality and in form, and are frequently send to improper bodies. This should be addressed. Also, it is very important to institutionalise a joint representative body of all city quarter councils (this representative body could be for instance formed from the chairpersons of all councils). A joint representative body should have a more important role in the decision-making process within the municipality, because of its general representativeness of all city quarter communities. This would be especially useful when more important city policies are decided upon. For the time being, the most successful way to influence policy making in the municipality is by lobbying through the City Council. This is unacceptable since the city quarters communities were established manly because there was a need to institutionalise participation of citizens on local level.
- d) Extensive interviews with chairmen of city quarter councils gave rise to the following proposal: financial resources allocated by Ljubljana to quarter communities should be increased to represent at least a few percent of the entire UML budget. Some quarter communities are larger than the majority of Slovenian

municipalities but scarcely receive any financial support. Further, although UML allocates small amounts to city quarter communities, the funds can be considered as useless if citizens cannot receive any tangible benefits from them. The thorough and empirically supported analysis of UML revealed that – through the introduction of quarter communities – the possibility of citizen participation improved in the area of policy- and decision-making. From the viewpoint of the concept of relationship between the political governance and citizens (OECD, 2001: 23), UML is now making a shift from informing and counselling, towards active participation. The case study reveals that the introduction of quarter communities added a new value to UML, rendered the citizens of Ljubljana a new opportunity to participate in decision-making and gave a new dimension to local democracy. Quarter communities were introduced only three years ago and their role, status and functions were not fully conceptualised. With a view to increase the possibilities of citizen participation and to promote active engagement, Ljubljana should strive to properly redefine the objective and status of quarter communities, in particular as regard financing, duties and competencies.

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# Understanding Issues Raised by Non-Governmental Organizations for Modern Russian Public Administration

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Globalization brought new options for modern Russian public administration. Public managers gained greater discretion in their choices and uses of technology, management styles and methods, and even governing models. However, the ability of public managers to balance national, public, and local interests is made more complicated by the growth of non-governmental organizations (NGOs). Development of civil society and the role of NGOs in that development is an important and timely topic around the world as well as in Russia. For example, the Secretary-General of the United Nations (UN) recently convened a distinguished panel to study and report on the relationship between the UN and NGOs (Cardoso, 2004). This chapter focuses on clarifying and describing the issues for modern Russian public administration created by the rapid growth in NGO power.

## Introduction

During Soviet times, civil society functions now often associated with NGOs (delivery of services to affected populations, interest aggregation and articulation, etc.) were either assumed by the state or not exercised. The role of NGOs in remaking post-Soviet Russian civil society became topics of much discussion from academics (Domrin, 2002; Golenkova, 2002; Henderson, 2003; etc.) and a topic of concern for both the Yeltsin and Putin administrations (Alekseyeva, 2003; etc.). However, there are many questions about the actual influence of NGOs on Russian public administration that remain unanswered despite the wide discussion in academic and popular literature. For example, what are the results of more discretion for public

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managers in governing by having NGOs as an alternative to carry out functions formerly reserved for the state? What effect is there on the effectiveness and efficiency of public services? To what degree are these NGOs overtly political and acting as political parties? How are mass media influenced by the government and NGOs to order to alter the public's opinion of the role of NGOs in Russian public administration?

Those questions require empirical research initiatives over a period of years, which in turn require development of a foundation of research questions and hypotheses. This paper seeks to bring together the major questions and hypotheses to be used in that foundation from the existing literature, expertise of knowledgeable observers, and historical patterns in other countries. The paper first reviews the impact of NGOs on public administration in Russia as presented in the professional literature particularly in terms of governing models, relative effectiveness of NGOs versus the state, and increased political nature of state services. The paper then turns its attention to the skills that NGO managers need to master in order to be able to deliver services in a transitional nation such as Russia. Last, the question of where such skills should be taught is addressed.

Much of the early literature on post-communist Russian NGOs has been dominated by a discussion of the development of Russian civil society and the contribution of NGOs to this development. Given the history of Russia, the breakup of the Soviet Union and Russia's abrupt transition from a socialist planned economy to capitalism, this focus certainly seemed appropriate. However, we find this focus to be somewhat short-sighted. The roles of NGOs in many societies are much more multifunctional than solely directly assisting the development of civil society and democracy. Worldwide, many NGOs deliver services directly to the public, providing a benefit both to the public who would either not receive such services at all (owing to government inability, ineptness, inefficiency, or inattention) or would receive suboptimal levels of services. At the same time, these NGOs assist government by reducing the costs of delivering services to the public. The first role of NGOs in Russia—one that was stressed by western NGOs soon after the dissolution of the Soviet Union—has recently come under a great deal of criticism from a variety of sources (Hemment 2004a; 2004b; Henderson 2003). The second role of NGOs—that of direct service delivery agent—is one that has been far less analyzed in Russia but it is a role that holds a great deal of promise both for addressing the many needs of the Russian population and also for increasing citizen trust in government.

## **NGOs and Civil Society in Russia**

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When the Soviet Union dissolved in 1991, civil society in Russia was woefully underdeveloped. The former Soviet government had played a large role in performing the functions that in many other countries were performed by NGOs, although it is

a misconception to state that voluntary action was non-existent in the Soviet Union. Western foundations—Ford, Carnegie, Soros, etc.—began a series of projects to assist the development of NGOs in Russia with the belief that fostering the development of grassroots NGOs would lead directly to a healthy, thriving civil society resembling that in a western democracy. And yet the conception of what civil society actually meant in Russia was not something on which there was much consensus. Large questions about civil society, NGOs, and voluntarism—first framed in the early 1990s—still exist in early 21<sup>st</sup> Century Russia:

*Is civil society simply a ‘third sector,’ not governmental but also not the private sector? If so, political parties and other political groups should be excluded from the group of expressly non-political organizations that most observers would include in the third sector. However, “... in modern Russia, civil society is made up of all these things: the NPO, the political parties, the independent media, and non-aligned entrepreneurs. Today the boundaries between these segments of civil society are blurred. Not infrequently, NPO leaders and activists are important figures in political parties. The same goes for journalists and even media owners and entrepreneurs”*

(Alekseyeva, 2003: 122).

*Can voluntarism in Russia lose its negative connotations? In Soviet times, voluntarism carried a connotation of expected, unpaid service to the state. After the dissolution of the Soviet Union, many Russians retained the belief that voluntary action was somehow tainted. Thus, a poll conducted by Public Opinion in June 2001 found that only 5% of Russians reported being active in public organizations, with another 15% reporting they would likely become active someday. But 75% reported that they would not like to work with any public organizations (Domrin, 2003). Indeed, the mass of Russian population might readily agree with Julie Hemment in her observation that, “in the Russian provinces, the third sector is often the property of old elites, the Soviet nomenklatura. Quick to recognize its legitimating potential, they were able to make a neat sidestep from state or party structures to colonize non-governmental space”*

(Hemment, 2004a: 222).

Has western financial support and training for Russian NGOs created a third sector that was financially dependent on this support and so unsustainable when financial support declined? Has the Russian government sought to supplant western financial support by providing support of its own, thus resulting in NGOs that

are dependent on the government instead? The idea that Russian NGOs were dependent on western financial support—or on the support of Russian entrepreneurs for that matter—is controversial. Research in the 1990s showed that a higher percentage of the operating expenses of the groups studied came from membership dues than from the government but that some organizations—in particular legal reform organizations—were highly dependent on foreign foundations (Kurilla, 1999; Sheregi and Abrosimova, 1999; Hudson, 2003). However, the Russian government's attempts to systematize NGO functioning through the Civic Forum has only increased suspicion that the government wants more control over this sector of society, even as NGOs and civil society “may be enriched for having been through the processes of introspection, debate, and deliberation generated by the Kremlin's Civic Forum” (Nitkin and Buchanan, 2002: 163).

These questions are inherently empirical in nature but the basic research on which the answers to such questions could be developed is only recently developing itself—at least the research that has reached audiences outside of Russia.

### **Recent Research on NGOs in Russia**

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Two recent studies—by Sarah Henderson (2003) and Julie Hemment (2004a; 2004b) on NGOs in Russia and Marc Howard's (2002) analyses of the New Europe Barometer Surveys and the World Values Survey do suggest answers to some of the questions above, both from an institutional and individual perspective.

Henderson (2003) conducted field research in Russia in the late 1990s and early 2000s seeking to answer the question of what impact funding from western pro-democracy foundations was having on Russian NGOs. Her research indicates that such funding has not created a civil society in Russia—one of the expressed goals of the foundations but has, “facilitated the emergence of a nonprofit sector, which is one component of the larger network of civic groups that make up civic development” (Henderson, 2003: 167). In some ways, this larger network of civic groups arose almost in competition with the larger, national NGOs who tended to be favored by western foundations. Funding by international foundations—particularly US foundations—was in the early days, largely directed at organizations whose leadership spoke English since the representatives of the US foundations found it much simpler to deal with English speaking Russians than with those who did not speak English. Additionally, the foundations found it difficult to locate and thus to fund organizations outside of Moscow and St. Petersburg and other metropolitan areas, resulting in a pattern where “[d]onor policies have tended to overinstitutionalize a select group of NGOs, create problems of long-term sustainability for the sector, concentrate power into a small number of activists, and further isolate groups from their own hypothetical populations” (Henderson, 2003: 175).

Hemment (2004a; 2004b) ethnographically studied Russian ‘third sector’ organizations in the early 2000s, focusing mainly on women’s organizations but examining other NGOs too. Hemment’s work reinforces that of Henderson but also goes a bit farther, indicating that the type of third sector “created by international donor agencies bears little resemblance to the civil society that was desired by Russian actors” (Hemment, 2004a: 217). But even this is not what the donor foundations promised since, “rather than allowing a grassroots to flourish, the third sector provides a symbolic framework for the reproduction of former elites of the Soviet regime. It facilitates the gendered distribution of power and resources and contributes to the formation of hierarchies, jealousies and competition between groups (Hemment, 2004a: 218).

Howard’s (2002a; 2002b; 2002c) work compares the joining behavior of individuals in the former Soviet Union, those in post-communist eastern and central Europe, those in former authoritarian noncommunist countries, and those in older democracies. His work demonstrates the existence of a ‘thick line’ in the joining behavior of citizens in the Central European countries as compared to those of the former Soviet Union. His analysis of the World Values Survey shows that while the mean number of organizations respondents reported being members in was 1.09 for all Central and Eastern European countries, it was only .61 for countries of the former Soviet Union. Citizens of post-communist countries show lower levels of joining behavior (.91) over both citizens of post-authoritarian countries (1.82) and older democracies (2.39). “Moreover, even when controlling for a series of country-level and individual-level factors in a multiple regression analysis, the prior regime type is by far the most powerful and statistically significant factor” (Howard, 2002c: 291). Why should this be? Howard offers three factors: the experience of mistrust of communist organizations, the persistence of friendship networks, and post-communist disappointment.

The first of these can best be illustrated through a quote from a 45-year-old Russian man from St. Petersburg:

*Well, really, I don't have time, and I'm not interested. But most important is that, well, the Soviet system, it instilled an antipathy or aversion, because any experience with organizations was unpleasant. That is, an organization was seen as that which imposes an obligation. And obligations under socialism were so rigid that now I just don't want to participate. Maybe organizations are completely different now, but I just don't want to*

*(Howard, 2002c: 293).*

Howard writes that while authoritarian regimes tolerated activities that did not threaten the state, communist regimes attempted to replace homegrown, grassroots organizations with “an intricately organized series of state-controlled organizations, in which participation was often mandatory” (Howard, 2002c: 293).

Second, Russian private networks of friendship persisted and grew stronger during communist times. Not trusting state supported organizations, Russians turned to close friends for support. Interpersonal connections mattered greatly during Soviet times, whether they resulted in increased access to consumer goods that were in short supply or the timely services of physicians and dentists, etc. In western societies, voluntary organizations play many of the same roles that friendship circles played in the Soviet Union and still play for many Russians.

While most pronounced among former activists, disappointment with ‘the way things have turned out’ is a third reason why joining behavior is lower in the former Soviet Union than elsewhere. “For most people throughout the former Soviet bloc, the years 1989 – 91 were a unique, momentous, and fascinating time in their lives, when their world was changing rapidly and dramatically... In the years since those dramatic times, however, many post-communist citizens feel that they have been let down, even cheated, by a new system that quickly replaced the old one. Even though a vast majority in every post communist country does not want to go back in time, the political and economic systems that have taken root seem to have disappointed most people who had believed and hoped that a new political and economic system would live up to their ideals” (Howard, 2002c: 295).<sup>4</sup>

Poznanski (2001) terms these latter people not opponents of transition but dissenters. In his view, ‘state over-withdrawals’ are the cause of much popular dissatisfaction. The state withdrew from certain activities too quickly and too completely, leaving no successor institutions to perform the activities the state had performed in the past. The Soviet Union dissolved at a time when, “in the wake of fiscal crisis, ideological attacks, and privatization, the scope and capacity of governments has declined,” leading in many places to a “growing global not-for-profit sector... which has begun to fill the humanitarian void left by the corporate sector and the nation-state” (Lindenberg, 1999: 147). Ironically, however, this shift had not reached Russia, leaving Russian society with no model on which to base non-state delivered services other than an imported western model, one that this research shows did not and does not fit the needs of Russian society, is not what Russians would particularly prefer (if they were asked), and is not one that they are apparently supporting—at least through their voluntary actions.

## **Russian NGOs and Service Delivery: Need for Needs Assessments**

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It is clear that western funding groups arrived in Russia in the early 1990s knowing what it was they wanted to teach NGO managers. Much of the knowledge com-

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4 Many of Howard’s conclusions fit well with less quantitative work conducted by Russian researchers. For example, see Khoros, et al. (1998) and Kholodkovsky, et al. (1998) and other authors summarized in Evans (2002).

municated was liberal, progressive social change oriented material typical of many advocacy-oriented nonprofit programs in the US. The foundations knew that, in the US, there were a large number of nonprofit organizations and this number was increasing at a growing rate. Smith (2000) summarizes some of the recent statistics on nonprofit organizations in the US:

*There are now 1.5 million nonprofit organizations in the United States—almost double the number of just 25 years ago. More than 10 million people now work in these organizations as paid employees. That is, approximately 7 percent of all paid employees in the United States and does not include 6 million, “full-time-equivalent” volunteers. Together, both paid employees and volunteers account for some 11 percent of the workforce in the United States.... Nonprofit organizations now generate approximately 1 trillion dollars each year and account for 10 percent of the gross domestic product. Approximately one half of these revenues come from earned income: fees for services provided, membership dues, earnings from investments, and other commercial ventures. Thirty percent of the revenues of nonprofit organizations come from federal, state, or local government entities. And the final 20 percent come from philanthropic gifts and grants: from individuals, corporations, and private foundations*

*(Smith 2000: 183).*

This is the environment from which many western foundation representatives came. As noted above, it is a very different environment than existed in Russia in the early 1990s. Donors entering Russia in the 1990s tended to follow four strategies. These were: providing technical assistance, developing partnerships between US and Russian nonprofit organizations, making small grants to implement specific programs, and developing resource centers to distribute financial assistance to areas outside of urban centers (Henderson, 2003).

As the 1990s progressed, new strategies emerged—attempting to foster domestic sources of financial support, for example. In her observations on the effects that these strategies had on developing NGOs, Henderson notes, that she “found four strange and somewhat paradoxical effects of foreign aid” (Henderson, 2003: 10). These are that Russian NGOs receiving western assistance began to resemble their western donors in their organizational structure. Second, many of the funded organizations lacked constituencies—their grassroots were not in evidence and their agendas began to resemble their donors’ agendas. Third, the NGO universe began to divide into haves and have-nots—recipients of western aid began to develop a civic elite. And fourth, many NGOs did not act themselves like civic organizations; they lacked what Henderson calls ‘civicness.’ “Instead of building networks and developing publics, groups consciously maintained small memberships, hoarded in-

formation, and engaged in uncooperative and even competitive behavior with other civic groups” (Henderson, 2003: 11).

The development of this pattern can be explained in several ways—the effect of relatively large amounts of funding on previously woefully underfunded groups, for example. But it is also clear that western donor groups arrived in Russia with their own agendas and lessons to be taught. The environment of Russia was one that needed to be adapted, not one from which western donor groups needed to learn much. It is strange that these groups would operate in this fashion since one of the prime directives in much of nonprofit management is to conduct needs assessments of the target population. Ascertaining what the target population thinks it needs does not necessarily mean that the population’s wishes will be granted. But knowing what the population thinks it needs tells the researcher a great deal about the population—not only its level of absolute need, but its ability to abstract from basic needs to higher order ones, its subjective definitions of underlying problems, etc. This self-expressed need can be compared with objective statistics to develop a more textured portrait of the environment. And once the researcher or donor has become familiarized with the local situation and has developed a prospective plan for addressing issues in that environment, this conceptualization of the underlying problems can be presented to the target population for their feedback. This iterative process can go through several cycles, resulting in agreement between the donors and the target population on the nature of the need and the extent and nature of the aid to address that need.

It is doubtful that such a process occurred in the early days of international financial assistance to Russian NGOs. However, it is not too late for that type of needs assessment to take place today. Questions that can be addressed—beyond the ubiquitous question of funding—include such items as the types of training that Russian NGO leaders, and members of organizations think they need. Is it solely training in dealing with Russian governmental officials or is training in the ‘nuts and bolts’ areas of leadership, budgeting, working with volunteers, etc. also necessary? By ascertaining the expressed needs of Russian NGO leaders and members and comparing their expressions of need with—in the absence of hard statistical data—what trained experts in the field would say, training programs for Russian NGO leadership—current and future—can be developed.

## **Training and NGO Leadership in Russia**

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In the US, programs for the formal education of nonprofit managers are very young—the first was started only in 1981 (Smith, 2000). And the institutional home of programs in nonprofit management has yet to be finalized. The three disciplines of Social Work, Business Administration and Public Administration all lay claim to the education of those who manage nonprofit organizations (Mirabella and Wish,

2000). Each of these three has different orientations and it is these orientations that have a great deal of relevance to the education of NGO managers in Russia.

The social work orientation to nonprofit management brings with it a focus on social change. Social work programs in the US have a strong orientation toward changing the status quo, making it more accessible to relatively powerless groups and lobbying for—in values or rights language—the better treatment of the poor, the disabled, the mentally handicapped, etc. Mirabella and Wish (2000: 217) find that “there is a significant emphasis on advocacy and community organizing within [Master of Social Work] degree programs.” However, one of the major disadvantages of the social work orientation is the underdevelopment of management as a discipline in social work programs (Mirabella and Wish, 2000; Young, 1097).

The business administration orientation expressly addresses management skills and so nonprofit programs housed in schools of business administration stress management. However, the type of management taught in schools of business administration is for-profit management, something quite different than the nonprofit management necessary for NGO managers. The argument that ‘management is management’ has been rejected by a number of researchers in the field (Salamon, 1995, 1999; Smith, 2000; Cornforth, Paton, and Batsleer, 1999; Young, 1999), all finding some variations on the themes expressly stated by Young (1999) who found that (1) the for-profit culture in business schools overwhelms the curriculum; (2) the faculty culture in business schools is highly resistant to incorporating nonprofit subject matter; and (3) students who are interested in nonprofit management are typically very different from those who are interested in for-profit management.

The greatest amount of recent growth in programs in nonprofit management in the US has been in public administration programs. Public administration programs, while virtually making the same ‘management is management’ assumption as business administration programs, do show more of a focus on the education of the ‘professional citizen’ (Salamon, 1999). Salamon (1995) concludes that nonprofit and public institutions have more in common than do nonprofit and private (for-profit) institutions and so nonprofit and public managers should be trained together, an observation borne out by Light’s empirical study of the elite US MPA program graduates’ career paths (Light, 2000). However, a major disadvantage of public administration programs is their focus on the functioning of large governmental bureaucracies, much of which is largely irrelevant to those who would work in private nonprofit organizations with small staffs.

One can divide the skill sets that successful NGO managers need to master into two clusters—an internal and an external cluster. Skills in the internal cluster would include human resource management, budgeting, volunteer motivation, coordinating with boards, etc. while skills in the external cluster would include service delivery, networking with other groups, advocacy, community organizing, etc. Certain skills are both internal and external—grant writing, for example since a suc-

successful grant writer needs to be a master of the internal workings of the organization and also know the external environment well enough to know who is funding certain activities, to what extent they will fund those activities, etc. Mastery of both internal and external skill sets is a necessity for successful leadership of a nonprofit organization in the US and it would seem a certainty that the master of such skills is also necessary in Russia.

One particular problem concerning public administration programs in Russia and their ability to teach nonprofit management that does not exist in the United States is the home of those Russian public administration programs. The current Russian regional academies of public administration were the Communist Party training schools in Soviet days. In their capacities as training schools, these academies were responsible for the education of Russian bureaucrats (*chinovniki*), individuals who did not carry a particularly positive evaluation with many average Russians. And there most likely would be resistance on the part of NGO managers to be included in educational programs designed for bureaucrats. And yet as the work of Salamon shows, it is the development of 'professional citizens,' individuals who can move easily from the nonprofit to the governmental sector, working as either NGO managers or professional civil servants, that is at stake here. But this requires remaking the curriculum of the Russian public administration academies or, more properly, communicating to the public that the curriculum has already been remade.

### **Conclusion: NGOs as Canary or Camel?**

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In modern Russia NGOs can be seen metaphorically as either canaries or camels. As canaries, NGOs can be conceived as an 'indicator species.' Before current air monitoring systems were installed, miners in many countries in the world carried canaries with them when they entered the mines, knowing that canaries are far more sensitive to methane gas than are humans. By watching the canaries, miners could see if there were small quantities of methane in the mine and, if the canaries died, the mine could be abandoned before the methane would sicken or kill humans. So, one view of NGOs in Russia is that they are indicative of the health of Russian democracy. If NGOs are healthy, then Russian democracy is also healthy; but sickness in the third sector is indicative of sickness in Russian democracy. Thus, we should carefully monitor the health of NGOs.

As camels NGOs play a part in a different metaphor. When camel drivers load camels in preparation for a long trip across the desert, the drivers understand that the camel will groan in protest over the weights placed on their backs. The inexperienced camel driver will stop loading the camel, thinking that his poor beast has reached its capacity. The experienced driver, however, will recognize that the camels protest *any* weight placed on them and will continue loading the camel to the capac-

ity the driver thinks the camel can bear. Through this metaphor, we understand that NGOs will protest *any* regulations on their activities whether those regulations are warranted—to control past excesses, for example—or unwarranted—to attempt to reduce criticism of the government and to combat perceived loss of power to the governmental sector.

Whether Russian NGOs are canaries or camels is a question that only history will answer. But unlike either canaries or camels, NGO managers can be asked (and will presumably attempt to answer) what they perceive is wrong and what they think can be done to alleviate problems in the environment. Likewise, NGO managers can express their own needs for training and the types of skills they see as necessary in successfully accomplishing their organizations' missions and performing their own jobs. That is not to say that programs in nonprofit management should only teach what the managers want to learn; of course, academics should take the lead in identifying what is necessary and desirable to be taught in this environment. And it is research, theory, and experience on which these academic decisions should be made. However, Russian academics, like academics in many other countries in the world—the US included—are not particularly accustomed to listening to the thoughts of students who sit in their classes, especially thoughts on what it is the students want to be taught (Larsen and Chung, 2003). The beginning of a dialogue between academics and NGO managers would go a long way toward developing useful educational programs that will prove both academically rigorous and practically valuable for NGO managers, and will also support the sustained development of Russian NGOs, and thus the establishment of civil society in Russia.

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## Mayoral Leadership and Political and Administrative Relationships in Kyiv and Odessa

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The past two decades have been a time of major movement towards democratic governance throughout the world. In Central and Eastern Europe that movement has been reflected in dramatic transitions that have been widely watched and analyzed. In other countries of the world, even those that are traditionally cited as highly developed democratic systems, much change also has been occurring.

One of the main areas of democratic development in the region is reflected in the emergence and strengthening of local governance. In Central and Eastern Europe, a new generation of elected municipal leadership has emerged. Likewise, in countries with long histories of democratic development, such as those in Western Europe and North America, local governments have been given more responsibilities and are seen as increasingly important actors in the process of democratic institution building. This is true in countries as diverse as Canada, Chile, France and Sweden.

A key participant in this process of democratic development has been the local mayor. Increasingly, both countries making dramatic transitions to democracy, and those who are continuing long processes of democratic development, are witnessing the emergence of more dynamic, responsive and influential local leadership. In many instances, the person who embodies this development is, in fact, the local mayor.

This development can be seen in Ukraine, a country engaged in a complex and sometimes difficult transition to democracy. In this article, mayoral leadership and

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Ukrainian political-administrative relationships will be examined comparatively in two cities, Kyiv and Odessa. The two cities represent two of the most significant cases of local governance development in that country during the past decade. Kyiv is not only the capital city of Ukraine, but represents the country's most important and dynamic local economy. Odessa, on the other hand, arguably is the country's most progressive local government. Odessa is the first city in the Ukraine to privatize its water system and has been a leader in establishing neighborhood based structures to mobilize citizen participation. In both cities, the office of mayor (or head of city) and its occupant has been at the center of the most important local developments. As such, a comparative examination of the activities of the mayor in each city will enable us to better understand both the role of the mayor and the resources upon which they must rely in order to bring about significant local development.

### **The Office of Mayor: Roles and Resources**

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A recent study of top level local government officials in fourteen western countries (both elected mayors and appointed chief executive officers) by Poul Erick Mouritzen and James Svava, has suggested that there are four major roles played by the leader of local governments. These are serving as: public leader, policy leader, partisan leader and proactive leader. As public leader, the mayor represents the community to the public and serves as the promoter of the community's interests and wellbeing. As policy leader, the mayor initiates new directions in public policy and, as proactive leader, the mayor is responsible for setting a broader agenda for the future wellbeing of his or her community. The mayor, as partisan leader, serves as the leader of his or her local political party.

To carry out these various tasks effectively, the mayor needs to mobilize all of the resources available to him or her. For the most part, these resources fall into two major categories – formal and informal. Formal resources involve those mayoral powers that are specifically identified in municipal, provincial, or national legislation. Typically, they involve the formal authority of the mayor as head of the municipal government. They include such resources as the authority to appoint and dismiss top level administrators (and in some increasingly rare cases, virtually all municipal employees); significant authority in the development of the municipal budget and in proposals for the raising of local revenue; a major role in establishing service delivery agency policy directions and significant authority vis-à-vis the municipal council. While the mayor's formal resources may vary greatly from country to country and province to province, they are for the most part, a precondition of mayoral leadership, that the office provides to its incumbents by endowing them with important governmental authority.

The other major area of resources available to municipal chief executives is what may be characterized as informal, or more personal, resources. In many in-

stances, the most important such resource is the role of the municipal chief executive vis-à-vis his or her local political party. The municipal chief executive who is also the leader of the dominant local political party is more likely to have a high degree of support from the local municipal council and/or other policy-making bodies. In addition, the capacity of the local chief executive to lead his or her community is often affected by a host of other highly personal factors. Among these are the mayor's knowledge and experience (both in municipal affairs and politics); various individual attributes (reputation for integrity, speaking ability, familiar public image, etc.); personal resource mobilization capacity (individual or family wealth, capacity for mobilizing organizational and/or individual support, etc.); and level of energy, available time and degree of personal commitment.

## **Basic Structure of Local Self-government in Ukraine**

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Local government in Europe, and other Western democracies, is regarded as representative and responsive of citizen interests. Similarly, local government is one of the most important elements in Ukraine's system of public administration. The Ukrainian Constitution adopted on June 28, 1996 established several important principles of local self-governance in Ukraine and defined approaches to its power. The Constitution of Ukraine recognizes that local government represents the right of a territorial community (the inhabitants of a village, town, or city) to make decisions on local issues independently. This right can be exercised either directly, for example, through referendum, or indirectly, through local government bodies such as councils and their executive boards.

The local self-government structure in Ukraine consists of the local council, the Mayor, the executive committee, the municipal secretary and various local government departments. According to the law of Ukraine "On Local Self-Government", the local council can act on about 50 functions involving a rather wide circle of activities. The local council enacts municipal legislation and establishes standing committees, composed of council deputies, that monitor issues related to specific areas of activity. The mayor, who is elected for a four-year-term on the basis of universal, equal and direct suffrage by secret ballot, leads the executive body of the council, presides at its meetings, calls council sessions, determines the agenda, chairs the sessions, signs the council's decisions into law and is the only person who can represent the council in its relations with other legal entities.

The executive committee – which is chaired and appointed by the Mayor with the approval of the local council – collectively makes executive decisions and consists of experts in city management. It cannot, however, include members of the municipal council. The municipal secretary, who often acts as deputy mayor, is nominated by the mayor and elected by the council. The departments of the city administration usually include separate units for the various areas of local concern

– e.g. budgeting, economic development, municipal property management, housing services, public transportation, construction, education, health care, culture, sport, regulation of land relations, ecology and social protection.

The city mayor, as the highest person of local self-government, is given responsibility by city residents to exercise both representative and executive authority, and to oversee and control the administrative functions of local self-government. The mayor, executing these functions, signs the executive committee's decisions, and is authorized to represent the executive committee in its relations with other organizations. The mayor also has the authority to hire and fire the department heads. These functions testify that the position of the city mayor is the most important position in the system of local self-government.

The mayor manages the budget, represents the city in relations with various bodies of state (national) power, other bodies of local self-government, provides everyday management of local affairs and insures the execution of city council decisions. The financial basis for the execution of administrative functions relies upon various sources of funding including public property; local revenues; other funds; land or natural resources owned by territorial communities, cities and city districts; and also common property that is managed by district and oblast councils.

On the whole, there are more than twenty mayoral functions identified in the Law of Ukraine "On Local Self-Government". Though all functions and responsibilities noted above are inherent responsibilities for any mayor, the success of their implementation and/or realization in each specific politico-administrative situation is significantly influenced by the behavior and abilities of the mayor. The leader of the local self-government must be a person whom the local community trusts to make those decisions which are best from the point of view of city/municipal/urban interests. He or she must also be able to effectively mobilize both the formal and informal resources available to the holder of the office.

In Ukraine, there are two different types of urban affairs management: the system of local self-government, which exists separate from the national administration, and the system which is characterized by the merging in a single community of the bodies of local self-government and the national, or state, power at the local level. Within the first system, the bodies of local self-government execute only the predefined competencies of local government and any responsibilities of public power specifically delegated to them by national ministries or oblast administrations.

Within the second type, at the level of cities, local officials form both the bodies of local self-government and the agencies of national or state power. In such cities, the Mayor, elected by the population and is simultaneously appointed by the President of Ukraine to be the head of the local state administration. Thus, the bodies of local self-government and the executive bodies of state power co-exist in the municipal government on the basis of mutual delegation of responsibilities. The

second system exists only in two important national cities – the capital city of Kyiv and the Crimean capital of Sebastopol.

Particular aspects of the exercise of local self-government in the Cities of Kyiv and Sebastopol are determined by special laws of Ukraine. Among the special laws in the sphere of local self-government is the law “On Capital of Ukraine – City-Hero Kyiv”. It was adopted on January 15, 1999 by the Verkhovna Rada of Ukraine, was signed by the President and was published in February 1999. This law provides that the Kyiv community elects the Kyiv City mayor, deputies of the city council and also deputies of city district councils. This arrangement means that the Mayor of Kiev and the Mayor of Odessa have quite different degrees of formal power and authority.

## **The Mayor in Kyiv**

Kyiv is a city that has undergone dramatic change during the last decade. Ten years ago it was a city that was very dark at night, had virtually no luxury goods, and at times looked rather grim. Today, it is a city of bright lights, many lovely shops, and pleasant restaurants and outdoor cafes. Not all have benefited equally from the changes, however, and that is one of the perennial issues of concern. Some have become very wealthy, many are getting along, and some have been left very far behind. A major player in bringing about the transformation of Kyiv has been the city’s mayor, during most of this period, Oleksander Omelchenko.

Prior to the 1999 election, Kyiv’s then mayor, Leonid Kosakivsky, led a city council that was divided almost equally between two political parties, the Communists and Rukh, a somewhat conservative, free-market oriented party. This situation, a city council almost equally divided between left and right, created a serious division of political power. Not only was the city council unable to make rapid decisions, but it frequently was acting in opposition to the mayor.

In addition, to his problems with the city council, Kosakivsky was often in conflict with, and perceived to be highly disliked by then Ukrainian President, Leonid Kuchma. This was of particular significance since, as noted above, the mayor of Kyiv has significant authority and responsibilities that derive from the national government. In addition, in a highly centralized country with an historically encompassing national government, the President of Ukraine would inevitably have major influence within the capital city. In part, because of the political power stalemate in the city council, and the apparent lack of support from President Kuchma, Kosakivsky was perceived as a not very effective leader. The result of this was that Kosakivsky was frequently characterized as someone who, though he spoke beautifully, was afraid of everything and did nothing.

As a result of his political problems, Kosakivsky was strongly challenged in the 1998 election, and ultimately lost the mayoral election to O.Omelchenko, who

received 72% of the vote. Unlike Kosakivsky, Omelchenko had been able to put together a broad coalition of political support. In the election campaign, a wide range of political parties (from “the left wing” to “the right wing”), numerous non-governmental organizations (including the “Afghanistan War Soldiers”), and leaders of many small and medium-sized businesses supported him. In total, the Omelchenko team formed an electoral coalition, “Our Mayor is O.Omelchenko”, which included 42 non-governmental organizations, 25 political parties, 18 women’s groups, 11 youth groups, 4 religious groups, and many deputies of the city council.

Omelchenko’s ability to put together such a wide-ranging coalition of support served him well in two regards. First, it created an impressive base of campaign support – far greater than that of any of his rivals. Second, it also suggested that he was a strong leader. As a result of this success, Omelchenko was able to receive significant voting support from all elements of Kyiv’s population, including the wealthy, the middle class and the poor.

One result of Omelchenko’s convincing victory in the 1998 elections was the bringing to the Kyiv City Council many of his closest allies. In fact, following the 1998 election, the largest party grouping in the council was the 35 deputies from the “Yednist” (“Unity”) political party, which was headed by Omelchenko. As a result, Omelchenko was in a position to consolidate his authority, with all of his chief deputies and the heads of the major city agencies all belonging to his political party grouping.

Not only did Omelchenko develop a strong majority in the city council, but in addition, he began to rapidly build alliances with powerful authorities in the national government. He also made major efforts to interact on a routine basis with various citizen groups and individual citizens, while at the same time cultivating relationships with the city’s most economically powerful citizens.

While local self-government needs support from the bottom, in Kyiv support from the top authorities of the state is no less important. In general, Omelchenko was able to receive such support, although he was not without his critics. More than a few national and local leaders suggested that Omelchenko was too arrogant, too independent, and too non-controlled for the typical Ukrainian leader. In fact, many suggested that Omelchenko created “a kingdom within a kingdom” – in essence, his own autonomous subsystem under the strict and semi-authoritarian regime of President Kuchma. In fact, his relationships with Kuchma varied greatly from time to time, but in general, they were quite positive.

Subsequently, When Viktor Yushchenko came to power on the strength of the “Orange Revolution”, he also developed strong relationships with Omelchenko (who had supported the Orange Revolution). However, as with Yushchenko’s predecessor Kuchma, there were instances of conflict. Often those have involved not direct criticism of Omelchenko, but rather criticism of his staff. However, both Yushchenko and Omelchenko realized that they needed to work together.

Under both presidents, Omelchenko remained a highly visible figure, perceived to be a strong leader. In that regard, Omelchenko was able to put together a team of talented specialists who worked harmoniously with him (in part because of a fear that opposition would lead to dismissal) to develop his program of activities. As Mayor, Omelchenko engaged in a wide array of activities. He supported and facilitated many efforts at new development within Kyiv. This included a major rebuilding of the central downtown square, Independence Square (Maidan Nezalezhnosti), complete with a beautiful underground shopping center and a variety of above ground columns and monuments. In particular, he put great influence on what was characterized as “the philosophy of concrete deeds”.

As mayor, Omelchenko took great pride in being identified as the city’s “builder, chief economist and housekeeper”. He was constantly organizing new coalitions from the various political parties and groups of city council deputies. He built not only houses and underground stores, but he also continued to build quite successfully, the foundation of his own political power. He routinely lobbied for local and national laws which strengthened the advantages of Kyiv’s mayor’s power over the state administration power of the national government. He also was skillful in overseeing and maximizing the city’s financial situation. In doing so, he built the system of financial flows in such a way that decisions orders and permissions regarding municipal finances went through him and, thus, he had direct control over the larger part of municipal budget including funds granted through the state administration.

Not surprisingly, within a few years of assuming Mayorship, Omelchenko had developed the image and reputation of being the “boss” of the city. He was seen as a highly successful political leader who was particularly concerned with the physical rebuilding of the city, including the development of new highways, parking garages and hotels. He was also seen as something of a showman, as a result of both his authoritative and dynamic style, and his inclination to organize concerts in the city square that he had so energetically rebuilt. However, he was not without his critics, including many of the local non-governmental organizations who claimed he had little concern about the traditional buildings and landscape of Kyiv.

Particularly important in terms of Omelchenko’s ability to succeed as mayor, was the fact that Kyiv’s economy began to develop very strongly during his leadership of the city. Between 2002 – 2003, annual industrial productivity within Kyiv grew by 14% – far and away, the largest such increase since the proclaiming of Ukraine’s independence. In addition, as the city was physically rehabilitated, tourism began to develop. This, in turn, encouraged significant investment in the city’s economy. According to data produced by the city’s statistical agency, investment in the first half of 2004 exceeded that of the entirety of 2003, with the key investing countries being the United States, the United Kingdom, Germany, Austria, Switzerland and Cyprus. In addition, many of the city’s strategic enterprises remained as

property of the municipality. This ensured the employment of many thousands of Kyiv residents, and certainly encouraged their loyalty to the municipal leadership. All of this resulted in a situation in which the municipal budget was generally in quite good shape throughout Omelchenko's tenure as mayor.

Many factors contributed to Omelchenko's success. He was quick to borrow ideas from other major municipalities. While giving the impression of being a strong leader, he didn't hesitate to seek political compromises when necessary. He made sure to maintain good political relationships with both the national government and key local figures. In addition to his talent as a leader, he has a good understanding of the financial implications of the job. Finally, he was very successful in creating significant political coalitions.

## **The Mayor in Odessa**

Odessa is arguably Kyiv's chief rival for the title of Ukraine's most cosmopolitan city. While a relatively young city (slightly over 200 years old), it nevertheless has a very strong cultural and literary tradition. It also has an exceptionally strong commercial base, in part, due to its role as the Country's most significant commercial seaport. Further contributing to its overall economic wellbeing is the fact that, dating back to the nineteenth century, the city has been one of the region's most important tourist destinations for the political elite.

The city has also been a site of ongoing political conflict within and around the office of mayor. The conflict has manifested itself in two different but related ways. First, there has been the ongoing rivalry between two strong-willed, but very different individuals. Second, there has been the ongoing conflict between levels of government. In fact, the contradictions between the Law of Ukraine "On Local Self-Government" and the legislation on state administrations (oblast and local bodies of executive power – raions) has constantly created conflicts of responsibilities between these two levels of governmental power. In the mid 90's such conflict existed in a major way in Odessa. This was reflected in a history of considerable and intense political conflict between the Odessa City government (headed by Eduard Gurvits) and the Odessa oblast state administration (headed by Ruslan Bodelan). In many respects, these conflicts – especially between Gurvits and Bodelan – reflected the conflicts between the old Communist Ukraine and the emerging democratic Ukraine.

Gurvits, who was Odessa mayor from 1994 – 1998, was a person who had never occupied party posts, a businessman of the first generation, a representative of the more democratic, free market parts of Ukrainian society. Gurvits and Bodelan belonged to two different political and economic worlds (e.g. in the landmark 2004 President's elections they supported different candidates: Bodelan being the head of the regional office of the Party of Regions supported outgoing President Kuchma's

candidate, Viktor Yanukovich; while Gurvits supported the Orange Revolution opposition, Viktor Yushchenko).

In the mid 1990s, Bodelan, as the representative of the President, served as the head of the oblast administration. Prior to that, he had experience in Komsomol League and Communist Party activity. His career was that of a typical party bureaucratic apparatus worker. He worked in numerous administrative structures including Secretary of the Communist Party district committee, of its oblast committee, as an administrator of various Komsomol organs; instructor at the Central Committee of the Lenin Young Communists League of Ukraine; and first secretary of district committee and the oblast committee. Through these positions, he had developed considerable administrative experience and managerial skill. Sometimes as a party administrator he fell back on the “old traditions”, but at other times, he did try to adapt methods of the old-command-administrative system to modern conditions. At those times, he did try to engage in the art of compromise and behave in a diplomatic fashion.

Bodelan's career did have some difficult periods. He was dismissed from his position as head of the Odessa oblast state administration, as a result of political conflict with the President of the Country. In order to rebuild his political power base, he and various of his supporters created an important non-governmental organization (NGO) that came to be known as “Renaissance of the Region”. It was funded on the basis of membership fees paid by industrial organizations, trade unions and other important supporting organizations. The NGO focused on activities designed to enhance Bodelan's image with the public. In order to do so, it engaged in some very basic activities, such as making food available to low income individuals at relatively cheap prices, and organizing other kinds of activities to develop popular support.

As Mayor prior to 1998, Gurvits and his team had much success in their activity. Odessa had developed even more status as a prominent resort city; it had obtained a good credit rating; and much investment was attracted to the city which facilitated development of an international airport and the building of the technopark. However, between 1994 – 1998, major social-political conflict characterized the city government in Odessa as tension between the oblast administration and the city administration split the local community.

The 1998 elections put an end to the political contradiction between oblast and municipality in Odessa. The election campaign resulted in unprecedented nastiness, insinuations and campaign offences. Gurvits drew into his election campaign the city's commercial structures and formed his own special election ideology, “everything is devoted to one goal – to win”.

On the strength of great efforts, Bodelan came to power as Odessa Mayor in the 1998 elections. In his election campaign, Bodelan said “the city is becoming a discredit, the housing fund is dying, the electric transport is ruined... Odessa is

being destroyed. I want to help my city. I am going to live here”. However, Gurvits claimed that the election had been manipulated on behalf of Bodelan and that the political contradiction remained due to the fact that during the four years of his mayorship he had the un-doubted support of the Odessa residents, but that Bodelan had come to the office without that support.

Speaking about himself as a Mayor, Bodelan had commented: “I am stable in my position. It is not a passive position, but an active one, with the President’s support (Kuchma), on reforming the political system, the administrative-territorial system of Ukraine”. Bodelan went on to suggest that “a bad law is better than no law” and as such, he required the municipality be guided by national law and its requirements, and demanded from his subordinates a respect of the public norms. Initially, the acts in Bodelan’s City Council were adopted in a rather quiet manner in the sense that there was very little political conflict within the Council or between it, the Mayor or the state (oblast and national) administration. As mass media in Odessa described, it was because the overwhelming majority of deputies was formed to serve one person – the Mayor – and among the deputies there were very few people ready to be in opposition to city authorities. The absence of serious debate was perceived by the media to be a very negative fact regarding the character and quality of decisions made.

After new elections in March, 2002 Bodelan was re-elected the mayor of Odessa (though, according to exit-poll data, his rival, Gurvits, had won the election attracting two to three times more votes than Bodelan). Gurvits, who ran for Odessa mayor as a candidate from the “Our Ukraine” coalition, claimed that there were many electoral violations on the day of elections and during the vote counting, and that they had been videotaped and registered by observers. Consequently, Gurvits brought suit and the results of the election went into the courts and on May 21, 2002 the Odessa Zhovtnevy District Court turned down the lawsuit of E. Gurvits against Odessa Mayor R. Bodelan. The court declared the decision of the Odessa City Election Committee to register Bodelan as Odessa Mayor and the results of mayoral election to be legitimate. In line with the decision of the Odessa City Election Committee, Bodelan was re-registered Odessa mayor.

However, as a result of opposition to Bodelan in the mass media there was created a critical attitude on the part of some Odessa citizens to City Council decisions. The opposition to the Mayor also was formed by and consisted of Gurvits supporters. After the creation of the “Nasha Ukraina (Our Ukraine)” block led by Gurvits, the opposition to Bodelan “poured” smoothly into it. This opposition was always interested in Bodelan’s resignation or retirement – believing fervently that he had stolen the 1992 election.

One of the main successes of Bodelan’s mayorship was seen in the growth of the international role of Odessa. While Odessa remained the southern gate of Ukraine, the years of independence had given rise to the development of new transit routes.

However, Odessa kept pace through the integration of its transport complex into the system of international transport corridors. To facilitate this, the Odessa airport was re-constructed, new capacities were created for the Odessa seaport and a new autobahn from Odessa to Kyiv was begun.

Within the city itself, the electric municipal transport was renewed (Bodelan had spoken about the need to buy new trams and trolleybuses during the campaign). The quality of the drinking water was improved and water supply was provided during both day and night (although much remains to be done in terms of an adequate water supply). Towards this end, the water system was privatized. Work was done to improve the beaches (private capital was attracted); and many communal apartments were sold to private owners.

A key element of the Bodelan administration was the degree of cooperation between levels of government – city and oblast and national governments. In contrast to Gurvits, Bodelan had very strong ties to the political establishment in Kyiv and in Ukraine as a whole. He respected the power of the President and looked to the Verhovna Rada (the parliament) and President to help solve local economic and social problems.

Bodelan argued that solving the problems of the city is possible only by working together and there were lots of such examples e.g. building of streets/roads in Odessa was provided with support of oblast budget; the re-construction of Odessa Opera House – with the support of the President and the national government. Good relations with powerful people characterized Bodelan's personality, and as such, facilitated his successful activity. This contrasted dramatically with Gurvits, the previous mayor, who could not work well with the central authorities. Whereas Bodelan was an ally of President Kuchma, Gurvits felt the President was to be a primitive person who was not careful and behaved in a risky manner. This non-respectful attitude to the head of state created great indignation among the President's supporters.

For three years (2002 – 2005), the opposition was confident that the data they had was enough to get the Mayor dismissed. As the 2004 presidential elections approached, the conflict between Bodelan and Gurvits reemerged. It was widely suggested that, “if you are against Bodelan – vote for Yushchenko. Yanukovich tomorrow means Bodelan forever”. City authorities, aiming to survive, worked hard for Yanukovich. Bodelan headed the city organization of “The Party of Regions” (where Yanukovich was a leader) and, as a result, in Odessa you could see only Yanukovich billboards saying “Odessa supports Yanukovich”.

In March 2005, after the Presidential elections and the Yushchenko (leader of “Our Ukraine”) victory, People's Deputy and once Odessa mayor Gurvits filed a complaint with the Odessa Primorsky District Court to challenge the returns of the March 31, 2002 Odessa mayor elections. On April 4, 2005 the Odessa Primorsky District Court completed hearing the Gurvits vs City electoral commission

case and ruled to invalidate the electoral commission's resolution # 201 of April 3, 2002, which declared Ruslan Bodelan as having won the mayor elections. The Court ruled to oblige the electoral commission to register Eduard Gurvits as the Odessa mayor. Consequently, Gurvits became the second person in Ukraine (along with the President of the country) who had won his fight over fair elections in the court. The new mayor has initiated and is realizing the process of re-privatization of municipal property.

## Reconsidering the Role of the Mayor

By having examined the role of the mayor in both Ukrainian cities, we have been able to obtain a comprehensive picture of the many activities in which a successful mayor routinely engages. We also have obtained a better sense of the many responsibilities required of the holder of the office by looking at the mayor as both an administrative and political leader. In fact, when one combines the political and policy responsibilities of top level local officials with their administrative responsibilities, one can identify several significant roles performed by local leaders in Ukraine's major cities. Among these, are:

1. **Exemplar of the Public Image of the Local Community:** While often the realities of performance may fall short, certainly many local citizens see their chief local government official as representing that which is best about their community in terms of a variety of values ranging from personal integrity to entrepreneurial achievement.
2. **Creator of Political Coalitions:** In most local communities, and especially larger ones, the issues addressed by local governments are complex enough to involve many different political and economic interests. The mayor is individual most often expected to negotiate among those various interests in order to achieve the consensus necessary to move forward on major issues of community concern.
3. **Initiator of Policy Proposals:** While many proposals for new policies emerge out of either the agencies of the local government or from various interest groups, in most instances it is the mayor who commands the necessary attention to really bring new ideas onto the local political agenda. Consequently, the local chief executive is expected to be the principal advocate of policy reform and innovation.
4. **Developer of Long-term Vision for the Community:** While one of the major responsibilities of the local chief executive is to deal with immediate policy concerns, increasingly, it is expected that this will be done within the context of the development of a long-term vision of where the community should be moving. The development of such a vision, while the responsibility of the mayor, must also integrate the interests of the diverse elements that are found in many local communities.

5. **Representative of the Community to Other Levels of Government:** In many instances, municipal affairs are highly impacted by other levels of government (regional, national, etc.). It is increasingly expected that the local chief executive will take the lead role in addressing those issues that involve other levels of government.
6. **Responder to Constituent Needs:** As municipal governments have become more important, and as they have increased the array of services which they deliver to local communities, the role of the municipal chief executive in being the person to whom local citizens look when they have a problem has grown significantly.
7. **Promoting the Local Community:** With the emergence of stronger local government, it is increasingly expected that the local mayor will serve as the chief publicist of the virtues of the community that he or she represents. This can range from promoting tourism to persuading private entrepreneurs that the mayor's city represents the best prospect for successful business activity.

## **Conclusion**

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The effective Ukrainian mayor must possess the ability to unite the territorial community, to create coalitions to achieve mutual goals, to regulate internal and external relations, to defend municipal interests as regards to other territorial units and the state, to gain support through political parties, and to influence the formation of general values. Unfortunately these political functions are not clearly defined in current legislation. That means that sometimes the mayor does not have adequate resources to guarantee the success of her/his activity. Also, there are times when mayors who have been elected by city population are dismissed, through political machinations, from their positions without the citizens' agreement. Sometimes this can be for incompetence, but often it is for highly political reasons.

Nevertheless, there can be no question of the importance of the Mayor in terms of the building of the local community. In both Kyiv and Odessa, aggressive and energetic mayors played major roles in moving those cities forward in very significant ways. They did this by drawing upon all of both the informal and the formal resources which are typically available to mayors. Equally as important, they assumed at one time or another all of the various roles that mayors can assume, and which has been described above. Most notably in this regard, they worked diligently at initiating significant political coalitions and developing important relationships with other levels of government – especially high level national government officials.

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# Performance Management in Local Governments in Albania: A Project Report

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## Introduction

Moving from an extremely centralized system, Albania's 1992 Law on Local Government gave political autonomy to local governments and districts without major changes in the financing, budgeting, or the administrative tasks of local services. The lack of accountability at the local level contributed substantially to the continuing poor performance of the government sector. The inherited centralized provision of public services led to sub-optimal resource allocation, due to excessive bureaucratic procedures, soft budget constraints, no feedback, and the absence of any monitoring of performance. Acting as an administrative unit of the line ministries, local governments continue to not be accountable to their citizens for the quality or the impact of local services. A National Strategy for Decentralization and Local Autonomy was adopted as official government policy. Several new laws were put in place in 2000 and 2001, but the important legislation on intergovernmental relations to address financial matters is still under discussion.

The first level of government is made up of 65 communes and 309 municipalities, with an average population of 10,033 per local government.<sup>3</sup> However, one-third of these governments have populations of 5000 inhabitants or less, which makes the efficient provision of services extremely difficult. The constraints the local governments face are illustrated by their budgets. The great majority of revenues (down to 84% in 1999 from the usual figure of more than 95% in previous years) comes from the "conditional budget", which means that they are tied to detailed in-

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3 Communes are smaller than municipalities and are usually composed of several small villages. The second level government consists of 12 regions, responsible for regional coordination and development, but their precise role is very much under revision.

structions of the various line ministries. With such pre-specified expenditures, the local governments act essentially as units of the central government.

The process of decentralization in Albania started partly as a consequence of the innovations introduced into the bargaining process with the line ministries. Local governments gradually developed a capacity to manage and monitor public services and take over certain roles in public sectors. Examples of this include:

- Local taxes and fees are collected by central agents, but some bigger local governments carry out the collection themselves.
- Increasing discretion in social assistance is apparent.
- In extensive donor activity in Albania, local governments have demonstrated their ability to run programs.

The current local government finance system remains overly centralized, with the result that Albania cannot fully implement its decentralizing process. At the same time, there is a visible decline in public services, which can only be stopped if efficiency is increased. If decentralization can lead to more accountable governance, local governments will be motivated to find more efficient and more effective methods.

## **Performance Management in Albania**

Performance management helps local governments keep track of the quality of the services they provide and then take the necessary steps to improve services on an on-going basis. The central component is a series of indicators to measure quality, and in particular, the outcome of services as seen from the perspective of the citizen. Some indicators – of inputs (cost of services) and of outputs (number of patients seen, cubic meters of water provided) – are routinely kept by local governments in Albania – although they often are not organized or used for analytic purposes or for planning. Other indicators – of efficiency (cost per student or per cubic meter of water), or even more important, of outcomes (citizen satisfaction or actual performance of a graduating student) – are much less frequently gathered or used. Selecting these indicators is difficult, but good indicators become extremely valuable in determining the actual effectiveness of services. They then become the essential motivators in taking steps to improve those services.

Performance management is especially valuable in a country in the process of decentralization. Critical to successful decentralization is the success of local governments in taking over their roles as the front line responsible for delivering the most essential services to their citizens – not just delivering the service, but ensuring that it is the right service, and that it is effective. Performance management helps local governments focus on service delivery, it sets standards for improving performance, and it works to strengthen the relationship between local government

and citizen. In Albania, service improvement is particularly important because service levels are in general very poor. But local governments have little experience both with citizen outreach and with the freedom to take action to improve the way in which a service is carried out.

Albanian local governments traditionally have administered their tasks according to central directives and without great control over service providers and little communication with citizens or awareness of the real needs. Becoming aware of those needs can help local governments spend resources on the most important areas, and enlist citizens' assistance. This can help achieve equilibrium between services and resources, especially when resources are low. It is in this ability to bring to bear scarce resources where they are most needed and to be creative in response to local circumstances, that the benefits of decentralization will be most valuable.

The decentralization process inevitably raises detailed questions within each sector about exactly how much should be decentralized: how strict should guidelines be, how much freedom should be given and which funds should be earmarked. For example, because income redistribution is primarily a central responsibility, social benefits tend to be centrally controlled. On the other hand, social needs differ dramatically across local governments and some flexibility can help ensure that the assistance goes where it is most needed, as well as encouraging local innovation. Performance measurement across localities can help central government see whether programs are effectively meeting local needs, and can help local governments better understand those needs. Moreover, because performance measurement encourages the measurement of real outcomes – instead of just inputs or outputs – it gives better information about service quality than is presently used in determining, for example, the level of central transfers needed.

In the Albanian context, performance management can work at many levels. In particular, the measurement of quality and the publication of those results is a positive incentive to get local governments to focus on improving services. In the course of carrying out this research, it was found that one of the most valuable aspects of performance management was the motivation it provided to local officials to think more pro-actively about being able to assess services and plan ways for them to be made better. Because there is often among local staff a feeling of powerlessness – due to lack of resources, restrictive central policy, indifference on the part of citizens, or other reasons – it became necessary to develop a concrete mechanism for explicitly linking the measurement of performance to concrete actions to improve the services. The Service Improvement Action Plan, as it became known, became an important tool for focusing sectoral plans in each city.

## **Project Implementation**

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The information reported here comes from a demonstration project which used the experiences of four local governments to show other local governments how to introduce performance management. The method used was to work intensively with the four chosen communities, while creating multiple opportunities for counterparts from each one to meet each other. Towards that end, there were a number of workshops and seminars for city staff and/or leadership to meet each other and share ideas and findings. A seminar at the end of the project allowed the participating localities to describe their experiences to other interested local governments.

The work consisted of two interactive components – the development of a sector-specific action plan in each local government, and the carrying out of a multi-sector citizen survey. The action plan enabled one group of city staff from each locality to tackle in depth the establishment of a performance management system for their sector, including the development of indicators and plans to improve services based on performance results. The customer survey provided feedback from the citizenry regarding most of the services provided by the local government, thus both establishing a citizen focus to the whole project and determining baseline values for many of the outcome indicators.

**The Pilot Cities:** Four local governments were selected for participation in the program, on the basis of regional and economic diversity, and to serve as representational models for other cities in future efforts at replication of performance management. It was also decided to include one commune in the group, as communes represent more than 80 percent of all local governments in Albania and their problems are quite different from those of the cities. The local governments selected were the commune of Baldushku, and three cities, Elbasan, Korca, and Lushnja.

**The Sectoral Working Groups:** Following the introductory meetings, the team worked with each city to select a particular service sector, and establish a working group to address the problems of that sector that might be helped by implementing performance management. The services identified were water in Korca, social services in Elbasan, solid waste in Lushnja, and roads in Baldushku (because of the success of the process, Korca independently decided to work on the roads sector as well, without project support).

The first step involved determining appropriate indicators for each sector. A review of available information was undertaken, and the process of drafting a customer survey was begun. A workshop brought together staff from each of the local governments for discussion by sector, resulting in the development of indicator worksheets for each service area. The discussion groups also gave staff from the different local governments the opportunity to meet each other and discuss common sectoral problems.

A “Service Improvement Action Plan” was devised to help integrate performance measurement with plans for improving each service. These plans guide city staff through the process of assessing the critical issues facing their sector in the Situation Analysis section of the Action Plan; selecting objectives and key targets; and designing performance indicators. One important benefit of the Action Plan is in formalizing the assessment of the current situation, which encouraged municipal staff to identify critical issues including the areas in which central regulations might need to be changed.

**The Customer Survey:** One valuable tool in instituting a viable indicator measurement process is the citizen survey. The purpose of a citizen or customer survey is to elicit feedback on the services local governments perform. This input is used to establish performance indicators which will in turn be used to respond to citizen concerns and needs. The survey both provides content for indicators and establishes a direct connection between citizens and the services provided for their benefit. The results of the survey can be used to identify both key problem areas and those areas that are performing well. With the help of this information – together with indicator information from service records – the responsible local government departments can create action plans for improving their results and for providing recognition for good performance.

The Albanian Citizen Survey, March 2000, was carried out on a representative sample of 500 households in each of four participating communities, and sought performance feedback for a number of public services, including roads (Figure 1), water, social services (Figure 2), garbage and cleaning, citizen relations, and parks. Because the same survey was conducted simultaneously in more than one community, information from the other local governments can be used as benchmarks or targets for certain performance indicators. Cities can then work independently or together to explore why some cities’ outcomes were high relative to others and to identify best practices that may be applicable in one’s own environment.

**Survey Results:** This section provides selected findings within the local governments, and also some comparisons across the cities. Each local government used their own results to improve the services they provide, and looked to the results of other local governments for ideas about best practices which have yielded particularly positive results.

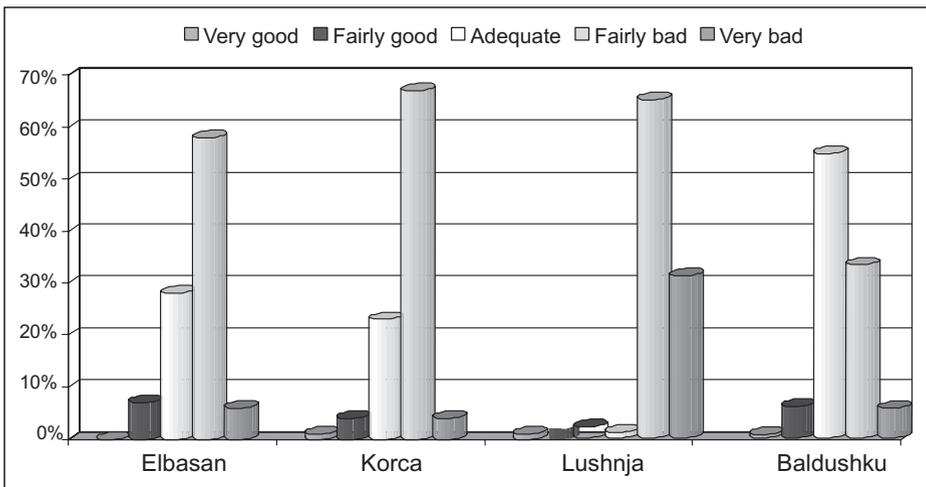
Each local government exhibited both good and poor performances, illustrating the potential usefulness of sharing the information to draw out best practices and replicable models of action. In garbage and cleaning services, Korca lead with only 19 percent of respondents finding the city to be “fairly” or “very” dirty, while Elbasan had a score of 23 percent (the commune of Baldushku had the intermediate score of 22 percent). This compares with an extremely high 81 percent for Lushnja. Lushnja, which has initiated a highly detailed action plan on its garbage services. Obviously, it can do well by looking to their counterparts in Elbasan and Korca

for concrete suggestions on maintaining a clean environment, which might include strategies for involving the citizens more in that effort.

Across the board, citizens seem highly dissatisfied with local roads, although Elbasan seems farther along in making their roads adequate for the citizenry. Baldushku’s citizens were the least dissatisfied, perhaps because expectations for village roads are quite different. Citizens feel the least safe in crossing the street in both Korca and Lushnja and, again, the Elbasan roads department may have a great deal to offer the other local governments when making plans for improvement. Overall, citizens seem to feel much safer when walking alone at night in Baldushku and Elbasan than in Korca or Lushnja.

**Figure 1**

How would you rate the condition of the road surface in your neighborhood?

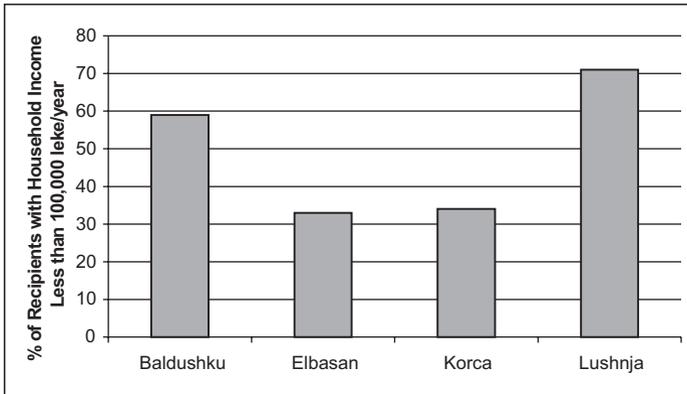


Korca’s somewhat poor results for water were already anticipated by the local government and they have launched a large-scale strategic plan that seeks to ameliorate these conditions. The indicators resultant in this survey will help both the local water enterprise and the local government ensure that the investment is meeting its objectives of improving the adequacy and quality of water provision. Elbasan’s better than average results in the water sector may be useful for them. Citizens in Lushnja and Elbasan seem to be the most satisfied with the adequacy of the electricity supply, although these figures stand to be improved upon.

Because resources are very scarce for social services at present, it is especially important to target benefits to those who are most needy. The Albanian Citizen Survey indicates that the social assistance benefit is not very well targeted, except in Lushnja, where more than 70 percent of benefit recipients have annual household incomes under 100,000 leke (compared to only 33 percent in Elbasan). Benefit re-

ipients were also asked to rate different aspects of the service they receive. In all cities, the amount of the benefit caused the most dissatisfaction, and those elements of service under local control were rated as close to average. Baldushku rated best in timeliness of payments, and worst in helpfulness of staff. Korca has somewhat better ratings than the other cities, and may have useful practices to pass on.

**Figure 2**  
Targeting of Social Benefits



All the cities seem to have a significant problem with informing citizens about the availability of social services. Elbasan citizens are the best informed, but even there 32 percent of respondents said they do not have sufficient information. The methods used by Elbasan for disseminating information may be useful for other cities to note and perhaps implement. As far as information on the activities of the local government on a whole are concerned, citizens in Korca appear to feel the most informed while Elbasan and Lushnja compete for the second best spot.

Of course, many of the differences are due to vastly different circumstances, and not only better performance. Nevertheless, these results provide invaluable information should circumstances change, and can help ensure that scarce resources are allocated as effectively as possible. More importantly, this kind of information, presented thoughtfully and reported regularly, may help change those circumstances, leading to improved services and a happier citizenry.

## **Project Results for the Pilot Local Governments**

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This section summarizes the accomplishments of each local government. These include the findings of the working groups in the Service Improvement Action Plans, the baseline indicators including results from the citizen survey, and all actions taken within each sector.

Trained observer ratings are a valuable method of obtaining performance indicators for some services. Trained observers can rate physical conditions such as the condition of roads and buildings, and progress of clients with disabilities (such as their ability to perform common activities of daily living). The trained observer process needs to use a systematic well-defined rating scale and to utilize fully trained observers so that different observers would give approximately the same rating to approximately the same condition and in different years. The important thing is to ensure consistency over time and across different inspectors.

Because it is inexpensive and straightforward, it seemed especially appropriate for use in Albania. For that reason, the team worked with the commune of Baldushku to set up a system that could serve as a permanent model. The chosen example was road quality.

The first step was to establish a clear range of conditions. In this case five levels of rideability were established, ranging from very bad to very good. To depict the quality, many photographs – a total of about fifty – were taken of roads in the commune, and then the roads working group selected two photos appropriate for each level. Armed with this set of photos and a brief summary of conditions that characterize each level, the rater can walk around and compare what he or she is actually seeing with the photographs, and choose which of the five levels depicted is closest to the actual road. In this way, different raters are more likely to reach the same conclusion.

The complete Baldushku rating system includes photographs and descriptions of each level (see below). The grading system asks the rater to consider smoothness, bumpiness, presence and size of potholes, how conditions affect the speed at which vehicles can drive, problems with drainage, potential safety hazards, and need for repair.

## **Road Rideability Grading System**

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- 1) **Very good:** Appears to be smooth and has little if no standing water problem.
- 2) **Good:** Slightly bumpy rideability, but minimal decrease in speed required. May be characterized as having some minor bumps or minor potholes, or one large single bump or large single pothole. Some minor maintenance required.
- 3) **Acceptable,** but in need of repair to improve general rideability (40 km/h maximum in normal conditions). Characterized by many bumps and/or potholes and may have problems with drainage during rainy season.
- 4) **Bad** and in need of heavy repair (25-40 km/h maximum). Considerable bumpy rideability; potential safety hazard or cause of major jolting. Two-way traffic inhibited by large holes or other interruptions in paving/grade.

- 5) **Very bad** (0-25 km/h maximum) and in need of total reconstruction. Safety hazard; unrideable; disappears almost entirely under bad weather conditions.

## **Baldushku: Roads and Footbridges**

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Baldushku is a rural commune consisting of 14 villages with an average population of 400 inhabitants. The condition of the roads and small footbridges are considered to be high priorities. Commune roads are generally unpaved and the quality of gravel, where there is some, is too thin to withstand general winter conditions. The condition of the roads that connect the villages to the main road is of utmost importance in terms of allowing safe and swift access to work, school, and hospitals. Large potholes and mud and standing water characterize nearly all but the main road of the Commune. Because the Commune is riddled with waterways, small footbridges are also often necessary to allow citizens access to the main road and to schools, especially in the winter.

The commune has no independent budget for roads. For new roads, it must apply to the District Council, which then forwards the request to the central government for approval. Only the main road is included in the maintenance plan run by the Road Enterprise operated by the District Council. For maintenance of other roads or bridges, the commune must look to donors or contributions from the citizenry. They have had a lot of experience with citizen contributions in terms of volunteer labor, and have also received grants from the central government, non-governmental organizations (NGOs), and donors for road investments. The World Bank and European Union (EU) were expected to support the reconstruction of a 10-kilometer section of the main road, but the commune will have to pay 8 percent of the cost from contributions from inhabitants living in that area.

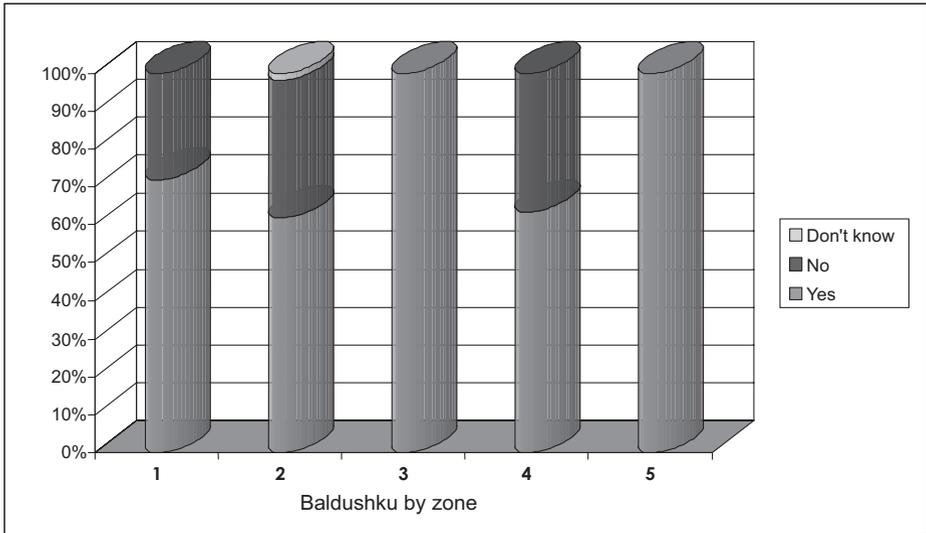
**Performance Indicators and Targets:** The working group identified as their objective to ensure swift and safe access for all citizens of the commune from their homes and villages to the main road and/or schools. The outcome indicators they selected were to be based primarily on trained observer ratings (e.g. kilometers of access roads rated in bad or worse condition, and number of footbridges rated in bad or worse condition) and on the citizen survey (citizen satisfaction with roads and footbridges). The commune's targets were to increase citizen satisfaction by a substantial percentage. Specifically, the citizen survey found that 37 percent of respondents rated the condition of access roads as adequate or better, and the commune hoped to increase that number to 45 percent. Similarly, 78 percent of respondents were satisfied with the condition of footbridges, and the target set was an increase to 85 percent.

Another target was to reduce the number of those who needed but didn't have footbridges from 19 percent to 10 percent (see figure 3). Among the necessary actions they identified were to undertake a needs assessment to determine priorities

and to institute a full-fledged trained observer rating system. They also decided to launch a public awareness campaign for citizen contributions to the building of bridges and small road projects. Specifically, they planned to gather funding and citizen contributions to build three footbridges, and to try to obtain donor support to purchase equipment to keep the roads graded, as well as a concrete mixer.

**Figure 3**

If you need to get to school or work, do roads exist at present at such conditions to allow for the service?



**Project Results and Public Outreach:** The Baldushku working group immediately distributed results from the citizen survey to the 14 village chiefs. The commune of Baldushku prepared 1000 copies of a newsletter, illustrated with pictures and charts, for wide distribution. The newsletter describes performance management (including survey results) and Baldushku’s efforts to implement the new system. It also provided information about local government activities related to roads and bridges as planned in the Service Improvement Action Plan. These include efforts to encourage citizen participation in funding the rehabilitation of roads and bridges, which is described in the newsletter. It also provided the results of cooperation with the International Organization for Migration (IOM) in funding the rehabilitation of two footbridges. The newsletter introduced the new trained observer ratings system now being used in Baldushku. Baldushku’s activities also received television coverage through the television series “Heroes of Albania” which broadcast a story on how the Baldushku Commune built two bridges with IOM money and voluntary citizen labor.

In general, it seems that Baldushku has been quite successful in its efforts to get citizens to participate in its activities and continues to hold public meetings in order to announce upcoming activities and to ask for financial contributions or commitments to volunteer their skills and labor. Baldushku has used its service improvement action plan (SIAP) to obtain funding from the World Bank (via the central government), the Soros Foundation and the International Organization for Migration (IOM). Currently, the commune is negotiating an agreement with the Albanian Development Fund and is planning to submit a second request to IOM for road maintenance equipment.

## **Elbasan: The Social Services Sector**

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Albanian local governments distribute a social assistance benefit to needy families as well as disability and caretaker allowances. They also support a limited number of direct services, such as day care centers and educational institutions for disabled people. The most significant benefit is the social assistance benefit to needy families, which in 1999 in Elbasan came to a disbursement of 21,342,000 leke to 5,250 families. The maximum benefit that can be given is 6,500 leke per family. The social department believes this is both much less than is needed and that there are some benefit recipients who are actually above the poverty line. They also are concerned that many needy families may not know about the assistance that is available. Often there are services available, not only from the local government but through a multitude of NGOs, that are often not well coordinated, and about which people just do not know.

Decisions about who gets the benefit are now made at the Council level, which is a slow and laborious process. There are a total of 12 social administrators located in five administrative unit offices throughout the city. Each administrator now covers about 500 families, instead of 300 families, which is believed to be a more manageable number. The Social Department also feels there is insufficient training for administrators.

**Outcome Targets and Indicators:** Overall objectives included to provide minimum subsistence level for all families, and provide a healthy and secure environment for elderly and for disabled people. Outcome Indicators selected include the number and percent of citizens with income below poverty level and the percent of cash benefits paid to households in the lowest income quartile, to measure the effectiveness of targeting. An additional outcome indicator was designed to measure the percent of citizens who feel they do not have sufficient information about social services.

Results from the citizen survey showed that targeting in Elbasan is weak, with only a third of recipients actually in the lowest income households (those who earn less than 100,000 leke per year). The service received by benefit recipients was

generally below average throughout the city, with the exception of Zone 1 (one of five zones) where the helpfulness and support of staff was the most satisfactory. The experience of Zone 1 is useful to improve performance city-wide. Information is an important problem (though not as great as in the other local governments surveyed), as 32% of those interviewed felt they did not have enough information about available social services. The major source of information was through the media – probably a result of the concerted media outreach carried out by the city. More than half those interviewed had a family member out of work.

Actions proposed by the Elbasan working group were first to establish an information center for citizens to use to learn about all available social assistance, including services provided by different NGOs, as well as by the local government. The immediate target would be to decrease the number of those who feel uninformed from 32 percent to 25 percent. Other actions include taking steps to improve targeting to the poorest households and obtaining funds for staff training. In the important targeting issue, the working group hoped to increase the percent of recipients in the lowest income groups from 33 percent to half of all recipients.

**Project Results and Public Outreach:** During the development of the Elbasan social services Service Improvement Action Plan, it emerged that one of the key concerns of city staff was the lack of consistent and comprehensive information on available social services. As a result, the working group developed a plan to establish an information center – which became a reality within a few months. They also sought and obtained grant money to continue operating the center, including a visit to Bulgaria to look at good information center models.

The working group was also interested in creating a monthly newsletter for city council issues that would be distributed through the local government's public information office. As funding for such an ongoing publication would be uncertain, they decided to start by producing a one-time informational bulletin, to be distributed through the public information office, or directly to households with water or electricity bills. The booklet was prepared in September and includes the social assistance survey results and a description of local government plans.

The working group also suggested holding an open meeting with local NGOs to discuss the issues included in the bulletin and to ask for their assistance with dissemination. Local journalists would be invited to the meeting as well in order to encourage media coverage of the council's activities. They will use the finished bulletin as part of a proposal to the Soros Foundation for funding to create a monthly or quarterly newsletter.

## **Korca: Water Provision**

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The Korca Water Supply and Sewerage Enterprise (KWSE) provides water to 17,000 customers in three categories: 15,500 households, 650 businesses, and 75 state insti-

tutions. The company has 106 employees. The water service operates as a self-sufficient unit that attempts to recover costs through customers' water payments. Revenues are determined by both rates and their collection. Last year, the rate increased by 60 percent, but even that will not cover costs. The total billed amount came to only 72 percent of costs, and of the amount billed, only 89 percent was collected, coming to only 62 percent of total costs. The collection rates for households were lowest of the three customer groups, at 84%.

A significant problem is that electrical power supply is unreliable because of interruptions in service and voltage fluctuations. The water supply goes from the main pumping station to the City by way of two steel transmission pipelines. Reportedly 30 percent of water is lost before reaching the City. Another 45 percent is estimated to be lost once the water enters the distribution system. No areas in the city receive water 24 hours per day. The system operates according to a general schedule that allows the utility to provide 3 to 6 hours of water supply per day.

A major capital improvement plan is now underway – through a loan from a German agency – which is to be completed in the next two years. The project objectives are 24-hour water supply and the institutionalization of a self-sufficient commercial water company. A public relations center will also be established downtown, with the aim of being closer to the customers in order to serve them better. This center will handle customer complaints related to service quality, new connections and billing and collection activities.

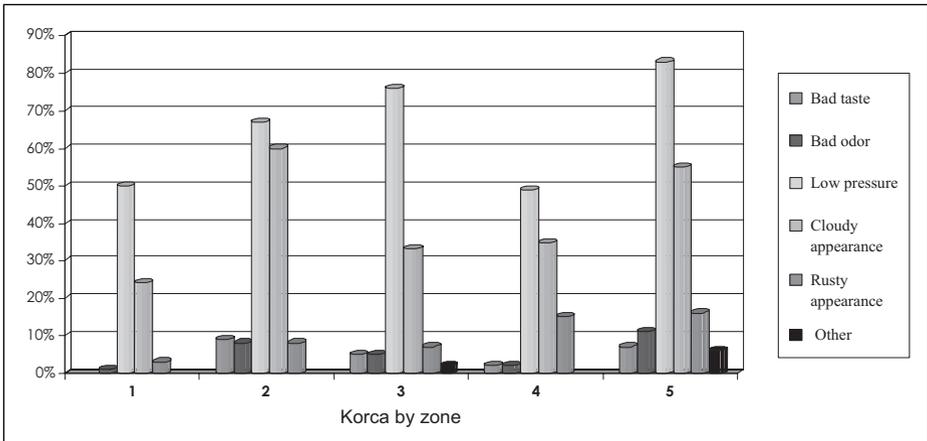
**Performance Indicators and Targets:** The working group set the objective of ensuring the provision of an adequate supply of water that is free of health hazards and of satisfactory quality for household use. Selected outcome indicators include customer satisfaction with overall water quality, percentage of customers metered (presently only 45%), percentage of customers who have access to water four hours a day or less (now almost half), and the percent of fees collected over total water billed.

They selected many outcome targets related to all indicators, including to increase customer satisfaction with overall water quality (from 30 % to 45 %) and to improve customer relations. Planned actions included increasing the water supply to 24 hours/day, establishing a customer service office, and increasing both billings and collection rates.

**Project Results and Public Outreach:** The Mayor of Korca was reluctant to release survey results because of his fear that the local government would be blamed for low approval ratings even when they are not responsible. For example, in mid-July, the water company, KWSE, failed to select a representative from the local government to sit on its board of directors and therefore, the city will have limited input on what happens with the new water system. Apparently, the city is now experiencing electricity problems and the power is so low that the water sup-

ply equipment is not working properly. The citizens continue to complain to city hall about the inadequate supply of water, yet the mayor feels he is not responsible for the problem.

**Figure 4**  
In the past year, have you had any of the following problems with your water?



Despite these hesitations, Korca staff did take a number of steps to publicize survey results and water issues. The head of the Municipal Investments Department and the director of KWSA agreed to work together and with the mayor to determine which results and information should be publicized about the water supply system. Two public service announcements on water were co-produced by the local government, the private television station, Televizioni SOT 7, and KWSE. Based on some of the survey findings, they portrayed both what the city is doing in the water sector and what citizens can do to alleviate some of the current problems with the water system. One spot was about the Water Rehabilitation investment project, showing its objectives and raising some of the problems that city and water utility have to face in order to provide the service. The other addressed water conservation, showing such bad examples as using potable water for irrigation or washing the car in a wasteful way. Both seek the participation of citizens through paying their fees and using water properly – reducing the number of extra-legal water connections and the misuse of water. The spots were transmitted several times a day for about ten days.

### **Lushnja: Solid Waste Collection and Street Cleaning**

Lushnja is very concerned about the health and aesthetic problems created by solid waste. The city has contracted out its waste collection and street cleaning services under a 5-year contract to a local private company. The firm has 72 employees,

and operates with 11 trucks. Out of 490 collection sites in the city, 40 consist of uncovered concrete forms, creating sanitation and aesthetic problems. The city would like to move towards using plastic garbage bins, and the central government awarded Lushnja a grant to be used to purchase 40 bins. However, this will require the purchase of a new kind of truck that can handle the bins. In the meantime, the city wants to encourage the building of more of the concrete garbage deposit sites, which cost 20,000 leke each to build.

Lushnja is also concerned about cost recovery as the current fee is not adequate. Albanian law allows local governments to collect fees for cleaning and garbage collection either by allowing the power company to collect the fees or to contract the service out to a third party. If the power company does it, 95 of the fee collected goes to the local government, while the remaining five percent is retained by the Power Company. If fee collection were to be carried out by a private company, the amount retained would be 11 percent.

In Lushnja, the power company collects the fee, but the city believes it does not do a good job. First of all, the garbage fee is not made part of the electric bill, which makes it less likely that citizens will pay. Also, people are not accustomed to paying for cleaning and there is little possibility to enact punitive measures against those who refuse to pay. Third, there may be some people who cannot afford the fee.

**Performance Indicators and Targets:** The working group described as their overall objectives to provide an environment free of health and safety hazards from uncollected waste, and to ensure an aesthetically attractive and high quality of life for the citizenry. The outcome indicators they selected include the percent of citizens who report having seen animals/small pests in the uncollected garbage, the percent of streets whose appearance is rated satisfactorily (trained observer) and the percent of citizens who rate their city mainly clean or better. They also chose an intermediate outcome indicator to measure the percent of fees collected.

The targets set by the working group for the following year included a reduction of the percent of citizens reporting seeing pests in uncollected garbage from 58% to 50%, and an increase of citizen satisfaction with city cleanliness from 19% to 30%. Other targets were set in response to many of the survey's findings, such as the percent of citizens who have had a problem with having their bulk garbage picked up (currently 49 percent), and the percent of households dissatisfied with the number of containers in their neighborhood (64 percent).

Their priorities for the next year were to increase the number of concrete forms and to purchase additional bins. They also planned to review other cities' fee collection procedures and to assess the value of contracting out fee collection service to a third party. They decided to develop a trained observer inspection method using standardized ratings procedures. An additional task was to promote public awareness of the importance of citizen participation in keeping the city clean.

**Project Results and Public Outreach:** The working group in Lushnja used their Service Improvement Action Plan to prepare a proposal requesting trash bins for the city and they received 50 additional bins. Now that the city has acquired appropriate receptacles for collecting garbage, it wants to purchase additional equipment for removing the garbage from the bins. In order to do this, the local government needed to institute a collection system for cleaning fees. To enforce the payment, Lushnja staff wanted to use their citizen outreach plan to institute a collection system for cleaning fees and enforce the payment policy.

The city has a standing agreement with the local television station to broadcast city announcements. City officials worked with the power company (which is presently responsible for collecting the fees) to determine the information included in the television segments. A talk show produced by the television station on the city's solid waste collection and cleaning service was broadcast. It was about 40 minutes long, featuring conversations with city staff and footage from around the city, such as shots of the new robin's-egg-blue dumpsters the city has purchased. The show featured a description of current conditions (including survey results) and the current waste collection and cleaning contract, by the city's waste collection contract supervisor. The deputy mayor introduced the Action Plan and reported on the city's progress on completing the objectives it set forth. The TV station also made three short commercial spots which show people what to do and what not to do with their garbage. The television pieces also remind people to comply with the schedule of garbage pick-ups.

## **Overall Project Accomplishments and Future Steps**

The project clearly demonstrated that performance management can be adopted easily and quickly in a country like Albania, and can bring rapid results. The project enabled the four pilot local governments to focus on sector problems, identify steps for improvements, and set up a system for performance management on a permanent basis. These efforts yielded concrete outcomes even in the short term, helping the local governments identify and execute priority improvements. For example, Lushnja decided to invest in building and acquiring more garbage containers, Elbasan to set up the social service information center and Baldushku aggressively sought citizen contributions to building new footbridges. The plethora of public outreach that emerged from the project was an indication of the project's effectiveness in increasing local government accountability.

Three directions are suggested for the future of performance management in Albania, and this project has included development of tools that should help that process move forward. The most important is to continue implementation at the local level, both deepening the experience of the pilot local governments and replicating performance management in other local governments. The fact that Korca

– absolutely independently – was able to develop the Service Improvement Action Plan on the roads sector, provides compelling evidence of the replicability of this system given exposure and motivated staff. The model action plans and the blueprint customer survey can be used by other interested local governments in pursuing this course.

**Sector-Level Issues During Decentralization:** The project also uncovered many sector-specific issues that need to be addressed nationwide in order to enable local governments to improve services. These are often problems related to the decentralization underway – for example, regarding regulations which remain too restrictive or give the wrong incentives, or funding mechanisms that are outdated. The issues were sometimes outlined in the Service Improvement Action Plans, and also voiced during the sectoral working groups that met across the four local governments.

While the laws that bring about decentralization – such as the Local Government Law of Albania, passed in 2000 – put into place many of the underlying aspects of successful decentralization, they cannot address the specifics of each sector. These are often known only to sectoral experts, or even to the local government staff themselves, who have the daily tasks of carrying out services.

Among the issues that emerged are:

- Funding for investment without maintenance. In Albania at present, road funding provided covers new roads only and provides no funds for maintenance. This means that new roads are routinely washed out in a matter of a year or two.
- Many contracting issues and management questions are made difficult by changing institutions and new responsibilities. These indicate a need for developing transparent procurement rules, and trying new types of management structures. Many of the working groups found that increased local control – for example, in the water sector – would greatly facilitate this process.
- The extent of discretion possible within regulations is still unclear. For decentralization to become effective, local governments must have increasing freedom to respond to local needs.
- Fee collection caused a lot of concern. When by law a different agency collects the fee and delivers it to central government for eventual redistribution to local governments, localities often feel they lose both financially and with respect to control.
- Avenues of communication between local governments and ministries within sectors should be widened. Measures might include best practices groups, frequent contact on what is most effective, understanding what the bottlenecks are within regulations.
- It is important to share data – including performance indicators – regarding service delivery. This will enable localities to learn from each other and the central government to understand how effectively services are being provided.

- There must be increasing involvement of household contributions. As local government responsibility increases in a decentralizing system, municipalities must look to citizens for funding contributions. For example, the importance of raising fees for water or for garbage collection was keenly felt in Korca and Lushnja, as was the necessity of involving citizens in the construction of new footbridges in Baldushku.

Within the scope of this project, these issues could only be raised. Nevertheless, it is clear that they should be addressed by both local governments and the central government across sectors. A useful mechanism already used in other countries is to form sectoral working groups, uniting the efforts of central and local government experts in determining ways to improve service delivery through both better regulation and better practices. First steps were taken through the sectoral meetings at two project workshops with the four governments, and the idea of continuing that practice in the water sector was broached by the head of the Korca water company at the end of the project. Working groups in other sectors would also be extremely useful.

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# **New Public Management Principles and Policy Implementation: The Case of Estonian Local Governments**

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*Kristiina Tõnnisson<sup>1</sup>*

## **Introduction**

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The relative importance of constraints and choices in analyzing, understanding and explaining various processes and developments has been a subject of debate in public policy literature (Hrebiniak, Joyce 1985, Boyne 1996). Theories emphasizing the importance of external constraints imply that “force of circumstance” leaves policy makers limited space to act since many events are beyond their control. This article examines such matters by analyzing specific conditions in transitional countries that affect the quality of policy implementation. We assess what could be called “force of circumstance” for the ones implementing policy decisions and leading to bad policy implementation. We examine which factors facilitate and which retard implementation of policy decisions at the local level and how to evaluate the relative importance of existing constraints and choices. The goal is to look critically at current socio-political circumstances and to analyze the outcomes of various decisions within transitional countries in the light of “new public management” (NPM) principles and in the case of Estonian local governments.

## **NPM in Transitional Countries**

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Different social, economic and political processes around the world have forced public organisations to undergo major changes. These changes have been significant both in developed and transitional countries causing tense transformations – both in positive and negative sense. Transitional countries especially have struggled since they had to transform almost every life sphere. Following the collapse of

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the Soviet Union, and its system, Central and Eastern European (CEE) countries have undergone a “wave” of democratization. Some consider it as the fourth wave of democratization during the second part of the 20<sup>th</sup> century (Offe 1996; McFaul 2002).

These trends are accompanied both by the inheritance of the communist past and by the new situation of becoming member states in the enlarged European Union (EU). In many respect, the CEE countries are trying to copy Western practices and examples. This assimilation is forced and driven primarily by internal forces. However, a significant level of external political demands is also present. Transitional countries want to become more “western” and Western European countries are welcoming liberal changes.

In order to understand transitional countries, one should be aware of the Soviet legacy in these countries. “...Bolshevik ideology and the policies conducted from Moscow 1917 – 1989 are key to understanding the post-state socialist transitions in the former Soviet Union and its satellites” (Tomusk 2003: 79). First, communist governments in these countries were in principle hierarchical bureaucracies. Second, communist governments and hierarchical bureaucracies were considered as synonyms. Thus, bureaucracy itself or, as it was in Soviet case – excessive bureaucratic power – was regarded as something communist. Anything connected to classical bureaucracy was communist and since communism was bad, then anything connected to bureaucracy was bad as well. Thus, more recently there was a general belief – the less bureaucracy we have, the less communist we are.

This first period of transition happened to coincide with the general boom of the new public management (NPM) movement. The new approach had many names: “managerialism” (Pollitt 1993), “market-based public administration” (Lan, Rosenbloom 1992), “entrepreneurial government” (Osborne, Gaebler 1992), “post-bureaucratic model” (Barzelay 1992), “goal achievement model” (Wood 1995) or “user-oriented management” (Flynn 1993). The new managerial approach was the result of both pushes (attempts to avoid crisis) and pulls (attempts to act more businesslike) (Cohen 1997: 585). Hughes (2003: 66) claims that “instead of being *reforms* to the public sector, new public management represents a *transformation* of the public sector and its relationship with government and society”. The aim was to create a recognizable increase in public organizations’ effectiveness, efficiency, adaptability, and capacity. It pushed authorities to pay more attention to the effectiveness of outcomes, to the identification of alternatives, and to the mobilization of organizations for critical changes. The idea behind the approach was to make the public sector more flexible and accountable. In many cases, the new approach succeeded in its aims.

The changing world made “the adoption of a managerial approach *necessary* but the kind of management must be specific to the conditions of the public sector” (OECD 1991:10). “Imported practices may fail, or be ineffectively implemented, if

they are inconsistent with the core values of local settings” (Lachman, Nedd, Hinings 1994: 52). What works in one public sector circumstance might not work in another political, social, or economic setting. Despite its popularity a decade ago, and despite its various positive outcomes, the new managerial approach also has critics.

There is a general belief that the principles of the approach may lead to less stable organizations and less dedicated public officials. In addition, they may blur distinctions between politics and administration; between public and private. That may affect public organizations in unpredictable ways by introducing unforeseen actors, roles and practices in the public sector. The outcome can be a higher level of adaptability and ‘local’ appropriateness, but probably at the cost of inconsistent models and principles. As an outcome of NPM, many public organizations in pro-NPM Western countries became more autonomous but it also meant a greater fragmentation of service delivery, policy making and implementation.

Even if, in many cases, the appropriateness of NPM approaches is questioned in the Western world, it is still rather unquestionably fashionable in transitional countries. In developing countries, this model has been considered as a necessity for implementing economic liberalization policy initiatives in order to take advantage of globalization (World Bank 2002). Transitional countries are still adapting to the unexpected erosion of expectations and the high number of questions leaving the number of available answers far behind. “Public bureaucracy and democratic polity should be seen as complementary; both are needed in our society... As long as democracy is valued, the big questions of public administration must go beyond the big questions of public management” (Kirlin 1996: 416-8). “NPM has led to very negative consequences, especially but not only in CEE... therefore, ... NPM is the wrong way for Estonia to go.” (Drechsler 2004: 392). Over-attention to perfecting administrative processes could be harmful to democracy and general development of the country.

Today, many voices suggest that governance should replace government and all developed societies should aim for this replacement. Governance refers to “...a change in the meaning of government, referring to a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed” (Rhodes 1996: 652-3). At the same time “it is a code for less government” (Stokker 1998: 18). In many respects, governance is aiming for reduction of the classical public administration that many transitional countries seem actually to lack the most.

A general understanding of what is “public responsibility” and “how to run networks” should be in place before implementing these principles. If this is not the case, the new systems might grow out of control rather quickly and start to work against their *raison d'être*. If during Soviet era there were at least formal bureaucracies in place (regardless of whether they were effective or not), then during

the NPM era there are mostly autonomous self-governing networks that are much more difficult to be managed.

## **Bad policy implementation**

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There are various criteria for judging and/or characterizing governments. A common one says that “government is characterized by its ability to make decisions and its capacity to enforce them” (Stoker 1998: 17). Based on the statistics of how many new laws and rules have been accepted during the last decade in Estonia, the ability of Estonian government to make decisions is not the worst one. But the second characteristic – capacity to enforce them – is rather questionable. As is often the case in many transitional countries, implementation, and the questions of how to enforce the laws, will get attention only after these laws have been passed leading to the famous “implementation gap”.

It is heavily argued that implementation is extremely weak in the policy making processes of the CEE countries. Even if both politicians and administrators might support the general purpose of a specific policy, it does not mean that there are clear ideas or a vision about how to do it. Often the link between the ones making policy decisions and the ones implementing them is weak. Stakeholders have not been consulted, decisions are made without appropriate information in hand, no analyses have been made about the outcomes and future effects, etc. That is why implementing NPM principles might make matters worse since they might blur purposes, boundaries and targets even more.

If policy decisions are not followed by implementation, policy making will lose its purpose and idea. Without effective implementation, all good ideas and intentions become slogans and theoretical exercises. Even implementation within a limited scale does not lead to the expected outcomes. Hence, the general problems of implementation are not common just for transitional societies, but for developed countries as well.

## **Profile of Estonia**

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After regaining its independence from the Soviet Union in August 1991 Estonia started immediately to implement major economic reforms. The main objective was to create an open, market based economy based on the neo-liberal, right wing ideas carried by many politicians and visionaries in the country. Liberalization of prices, industries and trade policies laid the ground for quick transformation. Of course, increased growth and success did not arrive over night. Transformed economic system started with major drawbacks and slow-downs, but step by step the new system started to bear fruit.

Because of rather strong general support for right wing ideology, Estonia could be considered as one of the most pro market and right wing country in Central and Eastern Europe. According to the Index of Economic Freedom (Feulner 2005), Estonia continues to have the most competitive business environment in Central and Eastern Europe. Strong neo-liberal and laissez faire approach to economics has created a situation where the public sector in general has been regarded as a retarded one or as relic from the former system. "Estonia is one of the CEE countries closest to NPM reforms." (Drechsler 2003: 36). That is why "decreasing the role of the state" was seen as the way to go – the way markets mechanisms could have been supported the most. The main idea was to create as many markets as possible so they could take over distributing, managing and controlling the economic and social processes of the society.

When compared with other CEE countries, Estonia has transformed rather successfully (EBRD 2004; EC 2002). Estonia's rapid increase in productivity could be explained by the catching up model (Abramovitz 1986), according to which relatively backward countries grow faster than advanced countries, because they are able to jump over some of the development stages of developed societies. In Estonia, the driving force was the desire to become a member of the EU and NATO and to be integrated with the new and old Europe. As Paas states (2002) Estonia's favorable location between East and West and its market economy experience from the period between the two world wars were also important initial conditions as determinants of transition influencing economic development. Due to its very small home market, Estonia was forced to expose itself to international market and to upgrade its market standards earlier than many other post socialist nations. Thus, exports, small local market and a desire to belong to Europe have been driving forces behind the improved economic performance.

## **Conceptual framework of 4C**

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A continuous theme for many countries around the world has been the improving of public services and policy implementation. Various frameworks and approaches have been applied and various countries have tried to find their own solutions. Seven years ago, in the UK, the labor government introduced "Best Value" as "a duty to deliver services to clear standards – covering both cost and quality – by the most effective, economic and efficient means available" (DETR 1998a: 64). Best Value was a part of a broader set of changes in the workings of local government, intended to improve policy implementation and it involved the implementation of the 4Cs. First, municipalities needed to challenge why a particular service is needed at all. Second, they needed to compare performance with other providers across a range of relevant indicators. Third, they needed to consult with local taxpayers, service users and the wider business community in the setting of performance targets and last, they needed to *compete* in the sense of demonstrating that the preferred means

of delivering a service has been arrived at through a competitive process. Even if Best Value in the UK has already been replaced by Comprehensive Performance Assessment (DTLR 2001), the approach had its relevance and it has been used in order to analyze the situation in public sector.

To some degrees 4C framework was consistent with broader changes in public sector characterizing the shift from public administration to NPM. The framework reflects well the mindset of NPM and carries forward some of its core values: attention to efficiency and effectiveness, exploring alternatives for service delivery, partnerships, continuous improvement, etc. Reviews based on 4C can identify areas and issues that need to be changed in order to improve both service delivery and policy implementation. The 4C framework could be considered as a part of NPM approach – stressing the same principles and putting effective management to the fore.

While concentrating on four main activities, the 4C framework sheds some light on other processes going on in the organizations. “However, the success of the initiatives of Best Value...-intended, broadly, to improve services, increase efficiency and enhance managerial accountability – is not regarded as self-evident” (Wilson 2005: 231). Following closely 4C principles increases risks and that is why the pace of change needs to be managed carefully. Hence, while using this 4C framework, it is possible to track various developments within specific context.

## **The Local Government Leader Survey**

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The 4C framework was taken as the basis for administering a local government leader survey in Estonia. First, it captures the complexity of the current management issues and, second, it reflects well the actual challenges most municipalities are facing in Estonia. Thus, the model was easily adaptable and easily understandable. While many challenges facing local governments are rather similar both in UK and in Estonia, applying the model provides a good basis for further comparative analysis between those two countries. At the same time, it gives a good overview of current situation and problems in Estonian municipalities.

The variables explored in this study consist of challenging, comparing, competing and consulting. While NPM implementation and its requirements could be considered as the concept of interest, 4C as a model (or an example of NPM approach) well reflects the situation while stressing the same aspects as NPM. Among variables, there are quite strong links: a high level in one area is expected to result in high level in another area. In trying to capture the situation of Estonian municipalities based on the Heads of Local Governments opinions, the hypotheses of the study are: first, there is a strong link between being pro-NPM and considering it is successful. Second, there is much weaker link between being pro-NPM and being

successful. The hypothesis takes into account the general pro-NPM attitude in the society and tries to analyze the situation in the case of Estonian municipalities.

A national e-survey of all 241 Head of Local Governments (chief executives) in Estonia was undertaken in the period January-February 2005<sup>2</sup>. The survey had 231 responses, a 96 % response rate. The questionnaire consisted of four different parts. First, there were general questions about the profile of the respondents. The second section consisted of statements about the situation in Estonian local governments in general. The third section focused on the respondents' own local authorities. The last section consisted of open ended question where respondents were asked to identify the main achievements in their own local governments and the main challenges that municipalities in Estonia will be likely to face in the future. In addition to the e-questionnaire, available surveys, statistical data and written documents are used for the analysis. The scale of the response (96%), combined with the small number of delegated responses (81% of respondents were Heads of Local Governments), lends particular legitimacy to the survey.

Still, one needs to be cautious towards social desirability bias. In order to avoid too high a level of response bias, the study was anonymous and it was indicated that the data will be analyzed only at a general level. Then again, the idea of the study was to find out opinions of the Heads of Local Governments and that the survey hopefully managed to accomplish. The study did not intend to reflect a "deeper picture". In analyzing internal consistency reliability of some responses, Cronbach's alpha method was used.

The construct validity of the survey is rather high based on the described relationship among both 4C and NPM and based on the relationship among four c's separately. The answers about 4C can measure rather well the situation about NPM in general in Estonian local governments. On the other hand, face validity of the questionnaire is not too high. If the person says that they deliver high quality service, we actually do not know if it reflects the reality. That is why it is hard to judge the objectivity of the given responses since there is no further evidence available. For that, further research is needed followed by appropriate interviews and feedback of the citizens.

## **Profile of the respondents**

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Table 1 shows the general profile of the respondents. Since Estonian local governments are relatively small (85% of them have less than 5000 inhabitants), the majority of the respondents (70%) represented the local governments having less than 3000 inhabitants. Half of the Heads of Local Governments have worked in this po-

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2 The survey was conducted in co-operation by Kristiina Tõnnisson, Head of the Department of Public Administration at University in Tartu, Estonia, and by Dr. John Wilson, Dean of Teesside Business School, at University of Teesside, United Kingdom.

sition 5 or less years. Also, the length of the career in the represented municipality was not longer than 5 years for most of the people (43%). Significantly, 62% of respondents had experience of working in the private sector. If previous experience in private sector could be considered as advantage in introducing NPM principles in Estonian local governments, municipalities are well prepared for NPM reform.

**Table 1**

A profile of the respondents to the national electronic questionnaire survey.

Status	%	Gender	%	Private Sector Experience	%	Qualifications	%
Head of Local Govt (LG)	81	Male	77	YES	62	Secondary education	7
Deputy Head	4	Female	23	NO	38	Professional	19
Head of Dept	5					Diploma	23
Other	10					Bachelors	38
						Masters	12
						PhD	1
<b>Total</b>	<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>
Population of Authority	%	Age group	%	Number of Years...	...in LG %	...as Head of LG %	
<1500	31	<30	7	5 or less	43	48	
1501 – 3000	38	31 – 40	22	6 – 10	30	13	
3001 – 6000	17	41 – 50	39	11 – 15	22	15	
6001 – 10000	7	51 – 60	27	16 – 20	3	3	
10001 – 50000	5	>60	5	> 20	1	1	
>50000	2			N/A	1	20	
<b>Total</b>	<b>100</b>		<b>100</b>		<b>100</b>	<b>100</b>	

Concerning the age of the respondents, most of them are between 31 and 50 years old (61%), with (39%) is in the age group 41 – 50. It is interesting to note that in Estonian central government the majority (52%) of public administrators are younger than 41 years, whereas the majority of public administrators at local level (65%) are older than 41 years (Riigikantselei, 2003: 55). The balance between male and female respondents was in favor of males – 77% males compared to 23% females. Concerning educational background of the respondents, 51% of them have higher education or even an academic degree. On the other hand one fourth of the respondents have just secondary or professional education.

## General research findings

The overall responses present a very positive picture in Estonian local governments in general. It can be seen that there is an overwhelming support (98%) for the view that local governments continually seek to improve services as well as policy implementation. There is equally strong opposition to the view that local authorities have sufficient resources to supply the services that the central government expects them to deliver based on the laws (94%). Thus, many municipalities believe they find themselves in the situation where they would like to improve their policy implementation, but they do not have the resources to do so. At the same time many comments showed that the continuous improvement stated by most municipalities might just be a “public face”.

**Table 2**  
Respondents' Views on Local Governments in Estonia.

Statement	Strongly Agree/ Agree	Disagree/ Strongly Disagree	No Response
	%	%	%
In Estonia, there is strong commitment continually to seek improvements in service delivery	98	1	1
In Estonia, central govt allocates sufficient resources to local govt to deliver central services	6	94	
In Estonia, central govt is in the process of centralising public finances	86	14	
In Estonia, the % of 'free money' in local govts' budgets has continuously decreased	89	9	2
In general, locally elected politicians exercise too much power in comparison with senior managers	31	68	1
In Estonia, what central govt expects of local govts is not always clear	82	17	1
In Estonia, the public has a low opinion of public administration	36	64	
In Estonia, the powers devolved to local govts to organise local life are too limited.	43	57	

The lack of resources is reinforced by the support for the view that local government finance is over-centralized (86%). Further evidence of a lack of autonomy is given by the responses regarding in the 'free money' element of local authority budgets. The view was clearly expressed (89%) that this element is decreasing. However, when asked if powers devolved to municipalities to organize local life are too limited, 57% disagreed. Also the comments showed that Estonian local gov-

ernments have enough theoretical power, but not real power based on financial resources – they have the power to provide services but do not have commensurate levels of financial resource or discretion.

Open ended questions revealed that the most common additional reasons for the mistrust and dissatisfaction of the respondents towards central government are the very low tax base for the municipalities, continuous trends towards centralization, increasing responsibilities and tasks together with inadequate resources, illogical reforms and the bottom-down-attitude of the state. “A constant complaint ... of local governments ... is that fragmentation of policies, programs, and funding flows from above makes effective action at the point of impact extraordinarily difficult” (Kirlin 1996: 417). Also, the current study showed significant support (82%, 27% strongly agreed) for the view that the role of local government is not as clear as it should be with confused expectations on the part of the central government. Thus, in addition to the systematic problems of Estonian public administration system – low level of cooperation among institutions, low level of administrative capacity, unsupportive public administration culture, etc. – Estonian local governments face the additional problem of confusion and/or conflict between the central and local levels.

In general, the central government can play a twofold role towards local governments. On one hand, it may assign certain tasks and functions to municipalities as to the ones in the “government chain” and, on the other hand, it might offer some security as “an elder bother” by providing financial assistance, guidance, advice, policy frameworks, etc. Open-ended questions showed that Estonian municipalities feel the central government is performing mainly the first role. During the last decade, the tasks of municipalities have been constantly increasing, but without appropriate financial input from central government. Already, in 2000, a study revealed that in order to perform all the tasks that central government has assigned to local governments, Estonian municipalities lack around two billion Estonian crowns (Lauristin 2000:15). Also a recent study proved that there is a significant gap between the tasks and the finances that the central government has assigned to the municipalities (Kirss & Allsaar 2003). This led the Association of Municipalities of Estonia to issue a public memorandum proposing that the task division between the state and the local governments should be reconsidered and more appropriately balanced.

Even if this unbalanced task assigning is often true, there are also enough reasons to believe that sometimes the municipalities have adapted “wait and see” attitudes (Tõnnisson 2004). They are used to being dependent on the state so their own push to find solutions and to create new knowledge is often low. On the other hand, additional comments indicate a perception that in many cases the central government, deliberately or otherwise, hinders the development of the municipalities, e.g.

by concentrating all important decision making processes. The situation, to some degree, is based on mutual mistrust.

Such rivalries between the central and local levels are not usually the concern of the citizens. They are not interested in what authorities have what portfolio and what responsibilities. They are interested in seeing the public sector working and they are interested in receiving quality services. That is why stakeholders' lack of input, general mistrust and apathy is a problem of the whole country and not the problem of a specific municipality.

Despite the perceived ambiguity over local government's role, the respondents present a reasonably healthy picture of local governments in general. With regard to the relationship between officers and politicians, two-thirds, 68%, indicated the 'balance of power' was appropriate; though 31% believed local politicians exercise too much power vis-à-vis senior managers. Since most Heads of Local Governments have come from the political body of local governments, they are partly politicians, partly administrators. Initially, they have been elected to the political body of the municipality and, later, they have been nominated as the Head of Local Government by the same political body. It is also interesting to see a positive correlation between the position of the respondents and their standpoint about power relations. Heads of Local Governments had more tendencies to answer that the balance of power is appropriate (70%), though the ones from different positions had more tendencies to see balance of power as inappropriate (63%).

It was interesting to see that the majority of the respondents disagreed with the statement that the public has a low opinion of public administration in Estonia in general (64%). However, a large proportion (36%) strongly agreed/agreed, perhaps reflecting the public opinion polls in recent years which have revealed that most Estonian citizens do not have a positive image of the public sector. A majority (68%) of citizens believe they do not have any possibility to affect local governments policy decisions or implementations (Faktum 2003). This perhaps is the result of three things. First, it reflects the former Soviet legacy when the public sector was simply another arm of the communist party system implementing repressive actions towards the citizens. Second, it perhaps reflects current public attitude that the "private sector" (associated with free market, economic development, innovation, etc) is regarded as superior to the "public sector" (mostly associated with political battles, inefficiency, bureaucracy, etc). Third, the image of the public sector may be undermined by journalists who have a tendency to highlight unethical deeds and the major mistakes made by public officials and the political 'power games' which take place. However, previous studies have also shown that there is correlation between the people's attitudes and personal experience (Tõnnisson 2004). Those who have had recent personal experience with the public sector in Estonia have a more positive attitude towards Estonian public administration than those who have not.

**Challenging:** As Table 3 indicates, respondents overwhelmingly indicate that they review the need for services at least once every three years. These answers might reflect either the fact that the situation is rather good or it might reflect the fact that the situation is bad, but the administrators do not want or are unable to recognize it. Consistency reliability concerning the first two questions is 0.74. Since in most municipalities there is not any built-in formal process of reviewing the services, it is questionable if overburdened public administrators (96% of respondents feel that their workloads have been significantly increased during last years) have time left for extra tasks.

**Table 3**  
 Respondents' Views on Own Authority: CHALLENGE

Statement	Strongly Agree/ Agree	Disagree/ Strongly Disagree	No Response
	%	%	%
My authority reviews the need for the services we provide at least once every 3 years	87	12	1
My managers are encouraged to question the need for each service to be provided	87	13	
My colleagues are aware of the organization's strategic goals	92	7	1
My colleagues are committed to the organization's strategic goals	91	8	1
Innovation is a strong characteristic of my organization	55	44	1
In my authority, individual managers are held accountable for performance	87	12	1

Over 90% of respondents indicate that their colleagues are both aware of and committed to the organization's strategic goals. Since consistency and reliability concerning these questions is 0.83 one might conclude that the ones knowing the goals are also committed to them. However, it is interesting to note that 44% disagreed/strongly disagreed with the view that innovation is a strong characteristic in their organization. The respondents might not have considered innovation important or they might have considered it important, but just do not exercise it. Anyway, it is hard to imagine that these municipalities can strongly enough challenge themselves. The ones who have been implementing innovative practices, have done is mostly in the areas of information technology, managerial practices, environmental policies and public-private partnerships.

A large proportion (87%) of the respondents believes that the managers of the municipalities are held accountable for performance, at the same time only 60% provided any examples when invited to do so. Most of them consider managers to

be accountable through reporting systems to the political bodies or to the public, but also through colleagues' trust, elections, public attention and financial bonuses. Only a few of the municipalities have some performance related pay system in place; financial bonuses are mostly paid based on additional projects' income, if at all. It seems reasonable to conclude there would appear to be a lack of managerial accountability. Although there are formal reporting requirements, these are such that they do not adequately hold managers to account. Acting within the law is of course necessary, and it is right that this should be demonstrated, but this does not help ensure managerial accountability in terms of efficiency and quality of service provision. The responses indicated an over-reliance on "soft accountability" measures, including colleagues' trust and public attitudes.

**Comparing:** One important instrument of local government reforms, and a key component of Best Value in the UK, is to ensure local authorities compare themselves with other providers, thereby enabling them to benchmark themselves and to judge and monitor their level of efficiency. Since "benchmarking at the local level is methodologically relatively easy and not as politically contentious" (Bovaird, Löffler 2002: 9), one might expect that it is happening quite often. To this end, the respondents were asked to indicate on the basis of their own authority the extent to which this peer review was undertaken.

**Table 4**  
Respondents' Views on Own Authority: COMPARE

<b>Statement</b>	<b>Strongly Agree/ Agree</b>	<b>Disagree/ Strongly Disagree</b>	<b>No Response</b>
<b>My authority:</b>	<b>%</b>	<b>%</b>	<b>%</b>
Compares the costs of its services with the business sector	78	20	2
Compares the costs of its services with the voluntary sector	74	24	2
Compares the costs of its services with other local authorities	94	5	1
Compares the quality of its services with the business sector	76	21	3
Compares the quality of its services with the voluntary sector	83	16	1
Compares the quality of its services with other local authorities	92	7	1

Based on Table 4, it would seem that Estonian local authorities compare the cost and quality of the services they provide not only with other local authorities, but also with voluntary sector organizations and with the business sector. Based on the current responses, the main benchmarking is with other local authorities (94%).

One-fifth of respondents do not compare their service costs (20%) or service quality (21%) to those which prevail in the private sector. At the same time, one has to understand that some local government services do not have parallels in the private sector. Also, the willingness to compare the public services with the ones that are provided by the third sector is relatively low. Internal consistency reliability concerning the question of comparing the cost (0.77) and the question of comparing the quality (0.78) was rather high.

Since the response rates both to “cost” and “quality” questions are similar, one might assume that, while comparing the costs of the services, Estonian municipalities also compare the quality of the services. At the same time comparing the quality is not as easy as comparing the cost and it requires additional resources. Since not all local governments might have it, it is questionable if they really do that or they believe they do.

**Consulting:** There has been a radical change in interpretation of the role of “policy making” and “service delivery” in public sector. More accountability of the public sector to its stakeholders was one of the central themes of public sector reforms in the eighties and nineties (Aucoin, Heintzman 2000). No longer is policy making seen as a simple top down process and centrally governed action. It is now seen as the negotiated outcome of many interested stakeholders and as a process based on various networks that operate from a different logic to conventional management. Networks rely on trust, reciprocity and thick communication processes as the mechanisms to bind actors together into collective action (Ansell 2000). These features require also different managing approaches and strategies since they are mostly relationship oriented and therefore not always synonymous with conventional management ideas (Kickert, Klijn, Koppenjan 1997). They are more based on horizontal than on vertical management; they require more skills and knowledge to manage relationships than just to manage outcomes; they need to constantly adapt and accept changes, not just make adjustments when there is not any other way.

Decisions to consult, how to consult and what to expect from consulting and stakeholders’ engagement are ultimately political decisions. The different rationales produce also different processes and different levels of engagement. The political push to consult might lead to “window dressing” – when consulting is taking place just for its own sake. Although views of citizens seldom seem to be the driving or shaping force for particular reforms, they can be an important background influence (Pollitt, Bouckaert 2004). That is why the pure fact of consulting does not say much of real citizens’ involvement. Especially in transition countries, where it is fashionable to follow the practices of developed countries, consultation is often taking place because of outlook, not because of content.

**Table 5**  
 Respondents' Views on Own Authority: CONSULT

Statement	Strongly Agree/ Agree	Disagree/ Strongly Disagree	No Response
	%	%	%
In my authority, decisions are generally reached through a process of in-house consultation	98	1	1
My authority undertakes extensive consultation	84	15	1

It would appear that consultation is extensively undertaken in Estonian municipalities. Almost all (98%) of the respondents believe that decisions are reached through in-house consultations and the majority of municipalities (84%) undertake extensive external consultation. Previous studies have shown that many public administrators are afraid to make decisions on their own and they like to share responsibilities as often as possible (Tõnnisson 2004). This might explain why the in-house consultation rate is extremely high. Concerning the nature of outside consultation, the respondents referred mostly to public meetings (73%), to consultations with other local authorities (71%) and with local businesses (63%). Thus, municipalities use rather equally both in-house consultation, as well as extensive external consultation. Among “other forms of consultations” the respondents pointed out public discussions through local media, feedback via internet sites, consultations with partner institutions abroad, satisfaction surveys among customers and discussions with politicians.

**Table 6**  
 Methods of Consultation

Method	%
Public meetings	73
Formal consultation with local agencies	71
Formal consultation with local business	63
Formal consultation with local NGOs	60
Discussions with user representatives	42
Market research surveys	10
Other	10

Comments showed that consultations have been happening mainly concerning the issues of development plans, tourism and infrastructure. It seems that consultation happens mostly in the areas where it has been required in law, or is needed because of funding requirements. Very few municipalities have consulted about delivering of the services or about principles that might directly affect customers and

that has not been required from others. Thus, consultation at local level seems to derive more from “outside push” rather than from “inside call”.

On one hand, one might blame municipalities for being reluctant and passive and not supportive, but on the other hand not consulting might be better than doing so but actually ridiculing the whole process. Broader consultations require much more time, effort and skills than are currently available. From this perspective Estonian local governments are doing rather well. Municipalities are practicing consultation, but they have not blindly rushed to implement it everywhere. The fact, that only 20% of local governments compare the costs and the quality of their services with the business sector, but three times more municipalities (63%) consult with local business, might also suggest that some answers are based more on practical deeds and some more on theoretical plans.

**Competing:** The fourth C – *competing* – is becoming more and more important both in the light of the scarcity of resources and in the light of competitiveness in general. Competitiveness has become a key component of many countries’ strategies, as well as for the EU. Public organizations are forced more and more to follow principles of competing. They are forced to create alliances and partnerships both within public sector as well as between public and private organizations in order to implement policies more effectively and in order to survive in increasing competing process.

Public-private partnership can be considered hybrid organizations as they blend together the public and private sectors (Starr 1990) to offer services and create value across sectors’ boundaries. It requires two or more organizations to work together in a collaborative relationship and all of them must put some effort into making this relationship work. Partnerships could be seen as developing mutual relationship in which both parties take risks – one has to trust the other one and vice versa. Since this is not always the case, partnership might look good on paper and in theory, but not always in the real world. Often municipalities struggle heavily to keep partnerships going, especially when they have had no previous knowledge and experience in this field.

It would seem that among Estonian local governments, there is a very clear predisposition to involving the private sector in service delivery (94%) and to exploring opportunities for strategic alliances in service delivery (93%). Internal consistency reliability concerning these questions is 0.75. However, 44% of Estonian local authorities prefer to deliver services directly rather than contract them out, though 84% of the respondents are familiar with the concept. It might mean that even if they know the concept, they are not willing to do it or it might also mean that some services are delivered better by public agencies or that there are no appropriate private companies. In order to find out the reasons, more research is needed about contradiction between the facts that both involvement of private sector and

strategic alliances are supported, but at the same time almost half of the municipalities prefer to deliver the services directly. Additionally, it might refer to the move from “public management” back to “public administration”, but it is hard to believe it since “public management area” has not yet really reached Estonian local municipalities.

**Table 7**  
 Respondents’ Views on Own Authority: COMPETE

Statement	Strongly Agree/ Agree	Disagree/ Strongly Disagree	No Response
	%	%	%
My managers are encouraged to facilitate private sector involvement in the delivery of services	94	6	
My managers are encouraged to explore opportunities for strategic alliances/partnerships in service delivery	93	6	1
My colleagues possess the skills local govt administrators require to deliver excellent services in a market economy	86	13	1
My authority experiences difficulty in recruiting particular types of professional expertise	60	39	1
My colleagues are familiar with the concept of contracting out	84	14	2
My authority prefers to deliver services directly rather than contract them out.	44	55	1

All these strategic alliances and partnerships are good on one hand, but on the other hand they require some additional attention. There are enough reasons to believe that implementing new working principles or new ideas before having a working system in place, and without adequate information in hand, can harm public institutions. Also Pollitt (2002: 278) argues that “countries have not started from the same point, either in terms of the make-up of their public sectors or in terms of the way they think about the role and character of the state”. Involvement of the private sector, and delivering services via networks can be easily violated in transitional countries where “the ways of doing” are still in the process of developing. Secondly, in areas where users and key stakeholders should play key roles in the definition and delivery of the services, it is pointless for agencies to form stronger, closer and better partnerships unless they also closely involve citizens. Partnerships themselves should not be outcomes, they are just possible ways to serve public.

In a situation where partnerships should be more and more tested and policy implementation should be more and more negotiated rather than planned, municipalities require new skills and knowledge. The majority of municipalities (60%) experience recruitment difficulties, mostly in recruiting lawyers (31%), city plan-

ners and personnel with the ability to think strategically and speak foreign languages (23%). Additional comments pointed out the lack of specific EU knowledge and project management skills within local governments. “Hence, for civil servants working at local, regional or central government level, their daily work increasingly obligates them to act internationally” (Verheijen, Connaughton 2003: 841). Membership in the EU, and the general movement towards globalization, force public administrators to gain these new knowledge and skills as fast as possible.

These skills and abilities do not grow overnight, they require time and effort. Even if a certain municipality is able to demonstrate them, it does not mean that Estonian municipalities are doing well. “Even if each individual public organization approaches perfection, the totality of their effects may be found wanting” (Kirlin, 1996: 416). In addition to having knowledge, the appropriate system to take advantage of this knowledge – both within an organization as well as among organizations – should be in place.

## Conclusions

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The study has shown that many Estonian local governments believe they are broadly taking advantage of new managerial principles and they also believe they are rather effective in doing it. From the perspective of Best Value and the 4C framework, the situation in Estonian municipalities looks quite positive. Many principles and ideas carried on by NPM and Best Value have been followed by Estonian municipalities. They have tried to be “liberal” and “pro-market”, to compare cost, increase quality, and collaborate in networks. Still, some contradictions in answers require further research and raise cautiousness about the appropriateness of implementing NPM principles in Estonia.

According to the study NPM principles have made Estonian local governments more similar to each other. Often they have implemented the same ideas and managerial approaches. Another question is if these approaches have actually made municipalities more effective and efficient. On one hand, the municipalities believe in their positive development. However, the social desirability bias should be taken into account when analyzing the results. Combining them with the theoretical background of the appropriateness of NPM in transitional countries might mean that NPM has caused municipalities to create a “positive public face” that is actually different from the reality.

Good policy implementation relies both on the core centers of public management as well as of public administration. In addition to efficiency and effectiveness, it is important to pay attention to other values as well, like accountability, democracy, etc. Especially transitional countries should consciously keep that in mind. It might happen that they do not have strong enough “public administration” in order to be able to take full advantage of NPM principles. In this case, new managerial

approaches might actually harm more than help. If implemented with cautiousness and in an appropriate way, they could give public organizations the push needed for continuous improvement and development. That is why NPM should be considered in a particular context and in particular time, if not – NPM, transitional countries and bad policy implementation might easily become fatal friends.

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## Gypsy Women in Hungarian Community Life

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This paper presents a detailed report with regard to the role of minority women in various types of local governments and in public life in general, during the past few years. One can not expect radical changes in political and public participation by women. For real advancement, the social conception of politics, politicians and political roles must be amended and such processes need much more time. Based on the data of several researchers<sup>2</sup> there has not been a positive turn in the past decade but, rather, a decrease has occurred in the participation of females in assorted public bodies. Programs announced by political parties still address issues of equal opportunity in a simplistic manner – if they affect it at all, and until now not a single politician, man or woman, has appeared who has stood for an election with a “feminist program”. As in preceding years, initiatives within parties promoting female interests at parliamentary or local government elections are, at best, very isolated.

In fact, the primary issue is not to have women participating in public life in proportion to their demographic ratio. There are several examples of political systems and movements in Western Europe that consider ‘parity democracy’ to be the only legitimate and acceptable system. Among their claims is that the ratio of 50 percent each of men and women in political decision making is a crucial one. In reality, compulsory rates are neither the solution for women’s role in public life nor even the most important question.

In public management literature it is argued that women can add many elements to making an organization more effective and flexible.<sup>3</sup> The same could easily apply to political decisions and for political culture in general. In the past few decades, it has been argued that, for example, in town management decisions (transport management, housing programme, environmental protection, security,

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2 Kiss, Róbert: *Nők a közéletben* (Women in Public Life) in: *Közpolitika az EU csatlakozás küszöbén* (Public Policy on the Verge of EU Accession), Eger 2004.

3 Koncz, Katalin: *Nők a vezetésben; létezik-e női vezetési stílus?* (Women in Leadership; Is There a Female Style of Leadership?) *Munkaügyi Szemle* (Labour Review) 1996. No.3.

flexible social services, operation of cultural institutions) more extensive female participation would portray special needs more effectively and thus facilitate more efficient and successful town management<sup>4</sup>. It is undisputed that Hungarian political culture could benefit from all the traits referred to by researchers as typical female political characteristics. This is why more extensive political participation by women is a well-founded issue in Hungary. In addition, the decreasing participation of women in public life in Hungary is contradictory to tendencies in Europe and the rest of the world.

How could the question of women become a serious political issue in numerous European countries? It was highly affected by the belief that those women who became successful female politicians at an early stage focused on women's rights. This way they could call attention to questions such as equal employment, equal salary for equal work, and family policy. At the next stage, politicians succeeded in realising more general social, political ideas. Over time more and more political figures realised that they could win voters by committing themselves to equal opportunity. Partly because of this, it has become accepted in the documents of international organizations dealing with equal opportunities for women that for general advancement a "critical mass" of women (according to UN researchers about 30%) has to be present in decision making bodies.<sup>5</sup>

This of course is not achieved as a result of a "natural improvement process". While a subject of some dispute, certain mechanisms like quota systems have been employed. These mechanisms work well if there is an awareness that the whole society loses out by keeping women away from political decisions. It is important that the state make efforts to implement an environment where men and women can be equal partners. These efforts need to be accompanied by education and training programs to help women overcome their disadvantages and support them in public life. Women's accessibility to information must be improved so that they become familiar with decision making processes so they can be a part of them.

In Hungary, even leading female politicians tend to agree that there is no need to talk about female perspectives in connection with decisions made in the Parliament since all citizens are equally bound by law and special 'female interests' do not exist. So it is enough to make correct law and these will automatically have equally positive effects on men and women. Thus, Hungary's female politicians usually do not follow the well-tried European path, and most of them do not consider the representation of women's interests to be their task. Furthermore, groups who would call attention to differences between men's and women's interests, who could protest an order that is disadvantageous to women are at an inchoative stage in their formation. Governmental organizations whose task is to monitor lawmaking regarding

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4 McFarlain, Lindsay: Women and urban planning. The OECD Observer Paris 195 o. 1995.

5 Kiss, Róbert: Nők a közéletben (Women in Public Life) in: Közpolitika az EU csatlakozás küszöbén (Public Policy on the Verge of EU Accession), Eger 2004.

women's issues, are continuously being weakened by abolition and 'realignment' instead of strengthening. However, by raising equal opportunity to the Ministry level, the issue has gained strength within the government.

The intention of local government elections – like parliamentary elections – saw an initial decline in women's participation rates. However, the emergence at the local level of candidates independent from parties enabled women to achieve a participation ratio in many local government bodies twice as high as in the Parliament.

In examining women's political influence and participation in political decision making processes, one must consider the question of what positions women can/do acquire in political bodies and organizations. At the local government level, even more than at national political level, informal relations and information networks play a significant role in decision making procedures. These networks weave through institutions taking part in the management of communities and often these networks create much stronger positions than the formal corporate body. It is a set phrase that it is difficult for women to get into good positions in these networks because the informal influence groups often connect to 'manly' social events and activities (e.g.: hunting and golf) in which women rarely take part.

As in the case of the Parliament, there have been local government surveys to examine female membership in different committees, and explore whether there are special "female" areas and tasks.<sup>6</sup> From the Hungarian data, it is evident that women involved in local government not only work in the fields of education, culture and social affairs, but they often participate in the financial, economic and budget management committees, though they rarely obtain leading positions in these bodies.

## **Gypsy Community**

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Before addressing the question of gypsy women's participation in public life, it is necessary to highlight some defining aspects of gypsy life and gypsy political organizations. In examining minority political behavior, there are some indispensable questions that must be considered, such as the role of the community in minority identity and life; the role of the individual and how are they involved in building the community; how does the community and the political authority relate to each other; is the community able to serve as a protecting wall against authority, or, does this need to be created by the minority community?

As the 2001 census suggests, only a small percent of minorities in Hungary had a strong sense of national identity. How much can the differences between the results of the census and the data collected by researchers and various minority

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<sup>6</sup> Kiss, Róbert: *Nők a közéletben (Women in Public Life)* in: *Közpolitika az EU csatlakozás küszöbén (Public Policy on the Verge of EU Accession)*, Eger 2004. p115.

organizations be blamed on identity loss? Is it possible that the development of national and ethnic minority communities will bring the strengthening of identity? Can stronger minority communities more efficiently facilitate social participation?

The role of local communities in the life of minorities can be a high priority from several aspects. On the one hand, local communities act as important arenas for preserving ethnic identity and become community-forming forces. This usually brings on social cohesion<sup>7</sup>.

Most gypsy culture researchers suggest that the individual and community life of gypsies is guided by special values. The majority society in many instances considers these different values to be the root of conflicts and problems. These differences in values may, in fact, be the starting point for the integration of minority and majority. According to István Kemény, the main characteristic of gypsies' life is shortage: "the lack of a good enough salary, a proper house, satisfactory clothing and eating, healthy drinking water, education and competitiveness with non-gypsies. But, we observe not only a deficit, but the warmth of personal relationships, spontaneity of their personalities, and the capability to live the happiness of the moment."<sup>8</sup>

If the different traditions and cultures can live side by side, it may establish a macro-community – a community within local society where the majority and minority do not act as separate entities. In local communities, personal relations are usually at a high level and are built on a reliance that considers the known close and, at the same time, definitely separates the unknown. It is important to know what can be looked on as a building element of the community. Minority local governments have become an important organization of community building, especially when their foundation was in a solid civil sphere.

Before the political systems transition, the self-organization of gypsy minorities had already begun. In 1990, twenty-two gypsy organizations were registered. At the beginning of 1991, 36 organizations had submitted tenders for state support and, by the end of 1991, there were already 96 gypsy organizations.<sup>9</sup> After the transition, the majority's political dividedness impressed the gypsies' political organizations. Each of the major parties tried to establish a satellite organization among gypsies; they wanted to maximize their votes. Each government conferred with representatives of gypsy organizations, dealt with them as 'equal partners' and invited them to

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7 Zsebéné Dobó, Marianna: Helyi közösségek szerepe a kisebbségi létben (Role of Local Communities in Minority Life) In: Közpolitika az EU csatlakozás küszöbén, (Public Policy on the Verge of EU Accession), Eger 2004. p118

8 Péterfi, Ferenc: A romák társadalmi részvételének erősítése közösségi fejlesztőmunkával. (Reinforcing the Social Participation of the Gypsy by Community Development Work) Parola, 2002/1.

9 Bogdán, Béla: A cigány kisebbség rendszerváltás utáni helyzete a változások tükrében. (Changes Reflecting the Status of the Gypsy Minority after the Political Transition) In: Régió 1993/1 Írók Szakszervezete Szépfalomból Közműhely, Budapest, p115.

government discussions about minorities. Majority parties nowadays give certain positions on their national lists to gypsy representatives who sympathize with them. The gypsy political and civil organizations are of much importance since they offer gypsies the opportunity to express and represent their interests. In addition, the act on the establishment of minority local governments<sup>10</sup> secures all minorities' rights – including the gypsy minority – in Hungary.

Rights given to women during the dictatorial Kádár-era (the right to work with the same salary for the same work, prohibition of discrimination, the right to political representation) after the transition dissipated. After 1990, many felt that women could return to their “right place” in the family home. Thus, when it came to dismissals the first ones to go were the women and gypsies, a phenomenon later documented by István Kemény.<sup>11</sup>

We examined gypsy women's activities in public life through research conducted in 2003 – 2004. We randomly chose women, both gypsy and non-gypsy, from 3 counties in the north-Hungarian region, from groups of present or former public functionaries. Three hundred questionnaires were completed and 60 intensive interviews done.

Unfortunately, it is difficult to present truly accurate statistics of gypsy women's participation. Data from the offices of public administration is theoretically accurate. However, during the data collecting process, it became evident that there are significant differences between official data and the actual composition of minority local governments. There are 1,326 minority local governments, including 724 gypsy ones. In the period between the two elections, the number of gypsy minority local governments has decreased, mainly because of their inability to function. Registration of personal changes within Gypsy Minority Local Governments (GMLG) and of the termination of them, is difficult to obtain and is not up-to-date.

## **Political Context**

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The participation of gypsy women in public life is a new field of research in Hungary. In women's research, the examination of national identity has not been a key concern, and gypsy research has not focused on the examination of gender roles. The present research was motivated by the hypothesis that, in Hungarian society, gypsy women “suffer double discrimination: because of their sex and their ethnic origin. Gypsy women face prejudice and the sometimes racist attitudes of the majority and also the patriarchal environment of their own community”<sup>12</sup> What follows is data from a survey that addresses several issues, including:

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10 Törvény a nemzeti és etnikai kisebbségek jogairól 1993/LXXVII.tv.

11 Magyarországi romák (The Gypsy in Hungary), edit. Kemény, István, Útmutató kiadó, Budapest 2000

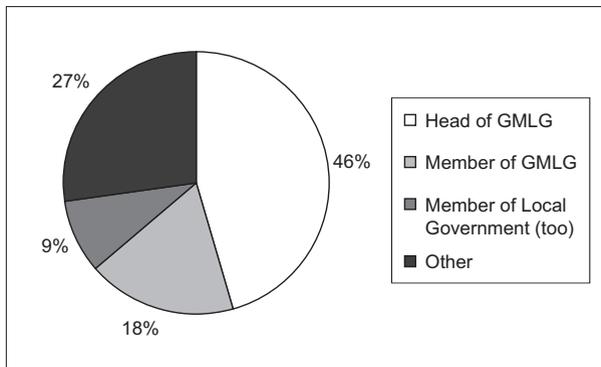
12 Kóczé, Angéla: her presentation in European Parliament on 26<sup>th</sup> November, 2003.

- the participation of gypsy women in decision making processes
- the levels of education and employment of women in decision making
- the values and priorities of women in decision making
- Their and others' opinion about female decision makers.

The research seeks to answer such questions as: how does the micro-environment affect gender roles and identities? Is there any change in this field? Can one see the effects of traditional social judgement in understanding the participation of gypsy women in public life? One can approach such a question from another side as well: how much does the evaluation of a gypsy woman's status depend on her position, knowledge, or even on her gender.

In Hungary 53% of all settlements have a population of less than 2000 inhabitants. The sampling also was influenced by the theoretical starting point of seeking to examine the status of gypsy women in small settlements since community relationships are the most perceptible in these villages. One can be certain that if someone belongs to the elite in a small settlement, he/she is a participant in public life. The subjects for the interviews and questionnaires were the chairs of, or members of, minority local government; other categories included school secretaries, clerks, and workers of public utilities who are official organizers of minority community life and women who work in this field "unofficially".

**Figure 1**  
Public Roles of Gypsy Women Sampled

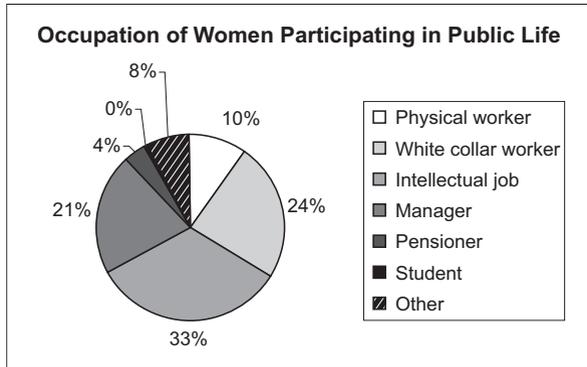


The average age of gypsy respondents was 41, while the average age of majority respondents was 52. A lot of gypsy women under 40 have been working in the public sector for eight to ten years suggesting that many of them found entered political life as early as their 20's.

Regarding employment, most gypsy women responded "currently I don't work" or "am not employed". In comparing these responses to women in the major-

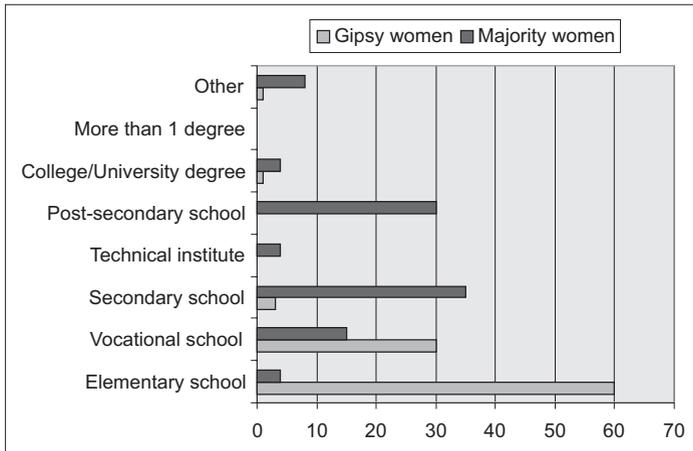
ity society, it was found that of respondent women in the majority society, 10% had physical jobs, 24% were white-collar workers and 33% had intellectual jobs.

Figure 2



There are significant differences between the level of the education of the gypsy and majority women active in public life: Most gypsy women participating in public life finished their education after elementary school (8 years) or after vocational training school. Taking into consideration the average education of the gypsy minority this is definitely above the average. Only a very small number gained secondary education or a higher education degree. In majority society the most characteristic education was a post-secondary certificate or a secondary school certificate. Primary education was the highest education level in only 4.4% of the cases.

Figure 3



When examining the gypsy communities, it is important to know in which decision making phase women were involved; how does the gypsy community judge

a woman's activities in public life and how does the woman think about her own role in public life. Nearly nobody suggested that the gypsy women were not involved in the key decision making stages. Furthermore, many indicated involvement in local government activity from defining the problem to implementation of the solution. This answer shows an idealized situation. It was also asked who gypsy women usually consult during the decision making process. In the first place was the family and the husband/partner and in a few cases, the heads of the settlement. Most often, they answered that they do not ask each others' opinion, they decide on their own.

The gypsy women's picture of themselves shows a positive attitude. They definitely sensed a difference between male and female leaders in their working style, capacity and the results of their work. They felt that women were better than men in terms of work style, capacity, work efficiency and way of thinking. So gender discrimination appeared again; in this case women placed themselves superior to men in each of the examined areas. In-depth interviews confirmed the results from at the analysis of the questionnaires.

It is interesting to compare the values and priorities of majority women participative in public life with those of gypsy women. In the majority society, models of women in the traditional role live on even more than in gypsy society. The importance of the family was in first place, or when it was not in the first place, it appeared in the second or third place. In most cases remarks were added to this question like: "*First the family, everything else comes after*" or "*the role of the family is the primary*".

The value priorities of gypsy women appeared more spread and on a wider scale, and none of the possible values remained unmarked. In the first place, the family turned up as well, but much less gypsy women noted the family as their primary value, and their choices in the other positions were totally different from that of the majority women. In the case of gypsy women, other categories with results over 10% were work and usefulness, helpfulness and trustworthiness – while in the case of majority women only helpfulness gained the same result.

**Table 1**

<b>Values</b>	<b>Gypsy women (%)</b>	<b>Majority Women (%)</b>
Family	55	80
Discipline	0	2
Readiness to help	4	10
Work, usefulness	12	0
Unprejudiced	7	0
Happiness	0	3
Social appreciation	0	5
Equality	10	0
Trustworthy	12	0

Both majority and gypsy women agreed that women should participate in public life. While gypsy women considered people's opinion about their own work both in the majority society and in their community definitely positive, they all felt it difficult to step forward. This raises the question that if the majority and the gypsy communities are positive regarding the activities of gypsy women in public life, why don't they support their efforts more greatly?

Traditional women's roles were accepted as appropriate by 85% of gypsy women, but the same percent also agreed that they could be reconciled with roles in public life. They did not see the main limit on their stepping forward as the presence of traditional female roles. The response that their families did not support their participation in public life was indicated by only 15% of gypsy women. They mostly saw the limitations on public activity as arising from the in-activity of women, followed by the opinion that women were not well-prepared or do not possess enough knowledge. The lack of self-confidence was cited by many respondents as the key factor.

In order to overcome this problem, efforts have been made to establish education and training programs to encourage the political and civic participation of gypsy women. The experiences of these training programmes are presented here from the aspect of the lessons learned in organizing, programmes for gypsy women. First, programmes where the requirement for admission is the possession of a higher educational degree are virtually inaccessible for any minority women. The percentage of gypsies with higher educational degrees is nearly indefinable. Those who possess a degree, or a secondary final exam certificate, are considered over-educated and thus gypsy women are discouraged from pursuing educational degrees.

Long term training programmes are not popular among gypsy women, in that they do not have the secure social background to attend classes every week or month for 1-2 years continuously. Indeed, in many cases, they cannot leave their families' lives for even a few days. Most women participating in public life have families and child nursing is a traditional female role in gypsy families. Finding a place for the kids for the time of the classes is almost impossible – especially in small settlements. Considering the average budget of a gypsy family, it is obvious that they do not have the financial resources a program with a registration fee. One solution could be if the minority or the local government supported the education of women, but for the same reasons, the low budget of especially small settlements will not allow financial sources for these kinds of training programmes.

For gypsy women, the unknown experience of travelling by themselves, accommodation in a hotel or youth hostel, and the meeting of real or supposed social expectations in clothing, eating and so on, causes many problems. Gypsy men still reject the idea of women's education and participation in public life. There is the definite presence of gender discrimination in gypsy society. Women indicate that they are unable to get enough information to tell their opinion in public, that they

are not allowed to study, and sometimes gypsy men simply deny that there were women among the local leaders.

The most important tool to make more gypsy woman participate and act more successfully in public life is education. Their low self-esteem, according to the interviews, originates in under-educatedness and the lack of information about public policy, and these mean not only social disadvantages to women but it also builds up a gate within them. The break through will not be successful if they do not have knowledge and possess the techniques of using this knowledge effectively. Women with wider knowledge are better at estimating their possibilities in their own community and in the majority society. The application of positive discrimination – any kind of quota system – makes sense only if there are enough women among the gypsy community who are ready for the active participation and taking responsibility in public life.

Research experiences show that the old ties are already being loosened in gypsy communities but new possibilities are not yet known and attractive enough. If the application of positive discrimination is done in a way that a lot of people who are not prepared for participation in public life get into leading positions, it can cause significant damage and can create a situation worse than today's. This could increase discrimination by women among the majority society and the gypsy men as well.

How can we support gypsy women's preparation for appearing in public life?

- We have to organize short-term training courses preferably held in the mornings or in the afternoons and so leaving the evenings free. The courses should not be longer than 5 – 10 sessions, especially in the case of beginning courses.
- It is important to support programmes that match the educational level of gypsy women. The widening of their knowledge in the fields of citizen's rights and obligations, civil politics, everyday life management, and the introduction to economics are all absolute necessary for women to be able to successfully apply conflict management and self-management techniques.
- Significant sources (not only financial ones) are needed to strengthen women's activity, and to help them break the established barriers. It is necessary to search for those women who are suitable for participation in public life and also feel affinity for it. It is also necessary to motivate them and their environment in the appropriate way. For this we need significant human resources on the part of majority society. If a gypsies family sees that education of the woman brings financial benefits, they will not fix serious bars against her participation. In this aspect, the gypsy community does not differ from the majority society.
- In the majority society the support of programmes aimed at the solving of discrimination against women and gypsies are of tremendous importance. It would be a great leap forward if the positive discrimination principles could integrate into the education of teachers, doctors, nurses and the training of people work-

ing in public administration. Another advancement could be the training of minority members in these fields in order to further strengthen the relations between the gypsy minority and the majority society.

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# Section IV

## Government Reform as a Means to Facilitate Democratic Development





# Corruption: Commonality, causes and consequences in fifteen post-communist countries

Karin Hilmer Pedersen<sup>1</sup>, Lars Johannsen<sup>2</sup>

## Introduction

A frequently quoted argument of what causes corruption is from Robert Klitgaard (1988:75) who states that “Corruption is equal to monopoly plus discretion minus accountability”. In other words corruption requires that someone has the monopoly of decision making, plus the necessary discretion to act in their own interests and at the same time not be accountable to anyone, i.e. actions in their own interests, instead of the public interest, are not subject to any penalties.

In the last ten to twenty years, research on corruption has increased. The *World Bank's* research teams have paid more attention to corruption, and in 1993 the non-governmental organization, *Transparency international*, was set up with the specific purpose to measure the level of corruption in all countries of the world.<sup>3</sup> Despite the increased attention and research about corruption, the phenomenon nevertheless stands rather under-conceptualized<sup>4</sup> and even if the association between corruption and a malfunctioning economic and political system is well documented, the causal relation is still being questioned. One train of thought sees corruption as a phenomenon having a direct negative impact on both economic and political/democratic development (World Bank, 2004; Wei, 1999), while another argues that corruption stems from the malfunction of the economic and political system creating a fertile institutional ground for corrupt practices (Bohara et al., 2004).

The essential focus of this article is political and administrative corruption, i.e. the interface between the public sphere in which political actors and administra-

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3 A look at the web-side of the two organizations should be sufficient to see the importance corruption and the discussion about anti-corruption strategies have taken. <http://www.worldbank.org>, <http://www.transparency.de>.

4 Karklins (2004) and the World Bank (2000) are interesting exceptions.

tors operate and relate to private sphere. Even with this limited approach persistent problems exist that we seek to untangle and address in our research design.

First, it is difficult to retrieve reliable and valid information about corruption due to its illicit nature. Public perception of corruption is often overestimated and influenced by scandals reported in the media (Heywood, 1997; 3). Perceptions of corruption are like the secret police – because you know it to be there you believe it to be anywhere. Actual or experienced corruption tends to be underestimated as few, even given anonymity, will willingly report their own participation in corrupt relationships. The evidence reported in this paper is generated from interview data in fifteen post-communist countries. It includes more than 900 present and former ministers of government and professional administrators within the central government.<sup>5</sup> This sample of respondents who were at the very centre of decision making in the political sphere and public administration gives us an opportunity to trace perceived and experienced corruption from the point of view of *insiders* in the process – in contrast to other surveys that measure corruption levels from the point of view of the population.

Second, in addition to the quagmire of defining corruption one should also address if all forms of corruption are the same. Are there differences in form and consequence of grand corruption, i.e. corruption in which the highest officials within the state partake, and petty corruption, i.e. the soliciting or extortion by low level official for cutting red tape? On the one hand Doig & Theobald (2000;5) argue that petty corruption is a significant problem because it bears heavily on the poorest and undermines commitment to collective projects. On the other hand Hyden (2004), argues that corruption serves a positive function in societies where family and kin networks are the basis of the economy and where the state is so weak that smoothing the system may actually improve the efficiency of the public administration. For comparative purposes a conceptualization of corruption must consider this question, thus this debate leads us to address not only issues of definition, but also at which level within the political and administrative hierarchy and institutions corrupt practices are found.

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5 A number of the indicators are developed from the Demstar survey. The Demstar survey targeted present and former ministers of government (and high placed administrators) posing a number of questions concerning state-society relations. For more information about the Demstar survey see [www.demstar.dk](http://www.demstar.dk). The Demstar survey has been carried out in 15 different countries from 2000 to 2003. The survey was carried out in the following countries at the following time; Armenia in 2002 (n = 100), Azerbaijan in 2002 (n = 100), Bulgaria in 2003 (n = 81), Czech Republic in 2002 (n = 49), Estonia in 2001 (n = 50), Georgia in 2002 (n = 100), Hungary in 2001 (n = 35), Kazakhstan in 2002 (n = 30), Kyrgyzstan in 2002 (n = 38), Latvia in 2000 (n = 51), Lithuania in 2000 (n = 53), Moldova in 2003 (n = 79), Mongolia in 2002 (n = 103), Poland in 2002 (n = 36), and Slovenia in 2003 (n = 51). For the EU countries there are a total of 325 respondents. The total number of respondents in the Demstar survey is 955. We are grateful for the financial support granted by the Danish Social Science Research Council and the Research Foundation of the University of Aarhus.

Third, we will need to consider if some forms of corruption, and the possible rise in corruption, is specifically related to different cultures, levels of development or systemic change like the one undertaken by the former communist countries? A general understanding of corruption is insensitive to different national contexts. However, it is argued that the form and character of corruption is special when we look at countries undergoing a transition from a communist regime. One line of argument is related to the belief that corruption was endemic to the communist system due to its inherent shortages (for example Jordan, 2002). Corruption is in this perspective generally viewed as one of the misfortunes of post-communist economies and politics. Following this argument, corrupt practices are thought to be part of public life, i.e. simply the way things were done under communism. Forming this way, a post-communist culture in thus one in which the rules of human conduct consist of the very concrete norms that exist in the minds of people – informing them as to what is right and wrong, proper and improper, appropriate and inappropriate in particular situations, and when it is appropriate to ignore a legally prescribed rule or to bribe an official (Cepl, 1997; 230).

A second line of argument holds that corruption in post-communist countries is a consequence of the hasty and comprehensive change in private-public relations during the creation of market mechanisms and the privatization of the state's economic assets. This situation of unclear definitions of the boundaries between private and public interest provided for unprecedented opportunities for those in power to enrich themselves (World Bank, 2000; Kaminski & Kaminski, 2001). A refinement of this second line of argument links corruption not only to the communist system but also to the privatization strategy formed by the post-communist elites (Barnes, 2003).

In addition, the economic recession that followed the early transition period resulted in relatively low salaries in the public sector which increased the motivation for petty corruption. The breakdown of the politicized and controlled civil service had a similar function increasing civil servants realm for discretionary decisions. The specific problems related to the systemic change in former communist countries can naturally only be estimated by comparing the post-communist world with other countries and areas. However, with the obvious limitations to practical research, and because our case selection comprises 15 countries from Slovenia in the West to Mongolia in the East, the internal variation within our group is, from the outset, expected to be substantial. Hence, by restricting our comparison to the post-communist countries we control (partly) for the systemic legacy, offering insights to the expected variation within the sample and paving the way for further extended cross comparative research.

Finally, not surprisingly, analyses of economic and political development in the ex-communist countries frequently bring up the issue of corruption. However, despite efforts in these countries to combat corruption, analyses suggest that it is en-

demic, in some forms institutionalized, and certainly being supported by a morality that accepts corruption as part of the game. Asking former ministers and professional administrators in public administration, we trace corruption from the point of view of *insiders* in the processes. This way we expect to get not an exact picture of the level of corruption, but an informed picture of i) the frequency of corruption in public administration and; ii) the character corruption takes, be it high level political corruption, administrative malfunction or just 'day-to-day' petty corruption; and iii) the perceived causes of corruption. If corruptive behavior in ex-communist countries is a phenomenon based upon internalized moral norms it is not an easy task to change. On the other hand if corruption is related to personal incentives, institutional reforms may be the answer. However, in order to combat corruption, or at least to curb the most glaring imperfections that it creates, it is necessary to estimate the pervasiveness, the penetration of the state and the root causes. Thus, having estimated the level of corruption, and in which political institutions, and where in the administrative hierarchy corruption is most pervasive, we finally address the association between levels of corruption with economic and political factors.

In the following we thus specifically address: 1) the conceptualization of corruption and establish a typology; 2) issues of measurement, contrasting elite's insights with measures of mass public perceptions; 3) the elite view on the commonality of corruption; 4) the character of corruption; and 5) the perceived causes of corruption, discussing issues such as low salary, moral and the legacy of communism. In the final part, we place the elite explanations into the discussion on the causal relation between corruption in society, economic performance and the level of democracy.

## **Conceptualizing corruption**

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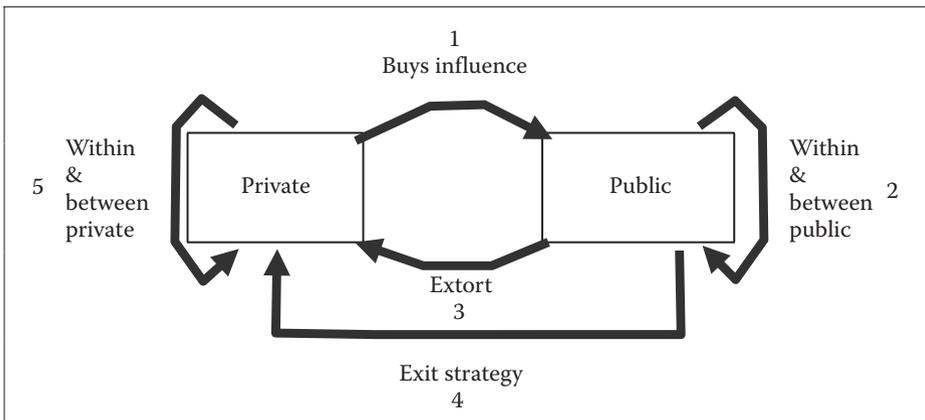
A definition of corruption includes three aspects. First, a definition of the actors involved in corruption, second a characterization of the relationship between the actors, and third a conceptualization of the relation between a corrupt action and the political and administrative system.

A commonly used definition by the World Bank and Transparency International (TI) equates corruption with the 'misuse of public power for private gain'. In this definition corruption captures an illicit relationship between the public and the private sphere. Limiting the form of corruption to private-public relations leaves us with essentially two ways of understanding corruption. First, private actors buy influence from public officers, and, second, public officers extort rents out of their public status or position from private actors (figure 1 arrow 1 and 3).

The definition disregards two aspects of corruption. First, it disregards corruption that takes place within and between private actors, for example side payments

in business-to-business relations as illustrated by arrow 5.<sup>6</sup> This form of corruption may be frequent but it does not involve the public sphere and as such it is not related to a country's political system but may naturally have ramifications on the general culture of corruption. Second, the definition disregards corruption that takes place within and between public (arrow 2) and public officials as exit strategies from the public to the private sphere (arrow 4). These two forms of corruption have been frequent and related to the process of privatization in ex-communist countries. The importance of this process is the forming of 'old comrades networks' in which public officials, the former *nomenclature* and the newly privileged managerial class use networking in an exploitative and corrupt way (Karklins, 2002: 28). Our point in limiting our concept of corruption from these two distinct forms is that they do not by themselves constitute lasting processes of behavior but are limited to the extraordinary situation of mass privatization and a situation in which the private sphere is vastly underdeveloped. On the other hand, the consequence in creating a specifically closed network between private and public actors is a lasting feature in ex-communist countries. In this way, the legacy of the communist era may make corruption more common compared to other countries where the development of private property and market economic relations has followed a more evolutionary path.

**Figure 1**  
Forms of corruption – a simple view



The second aspect in defining corruption is to identify the relationship between the actors involved. Taking the point of departure from the World Bank definition, corruption implies that public power is used for private gains. The 'gains' activated through corruptive behavior take the form of economic resources, politi-

<sup>6</sup> Business-to-business corruption is measured by the BEEP-index.

cal service or may be even a promise not to carry out a threat of physical violence.<sup>7</sup> In terms of power relations corruption covers the situation when A, by offering B some opportunities or resources, makes B behave in a way that otherwise would not have occurred. The powers used by A are resources that change the public actors' incentive structure towards private actors' interests and thereby constitute an act of coercion, where A secures B's compliance by promising gains or threat of deprivation in a situation where there is 'a conflict over values or course of action between A and B' (Lukes, 2005:21). Corruption is thereby defined by its direct power relation in which the actors knowingly engage and it is different from indirect power relations, authority and manipulation, in which B changes his behavior because he recognizes that A's request is reasonable in terms of his own values, i.e. being legitimate (op.cit.).

Following this characterization of the actors' relationship we may distinguish between a *provider* of the 'gains' involved (the public actor) and a *purchaser* of the public decision (the private actor). That is on one side we have the 'purchaser', a private person who uses their power (economic or physical resources) to change public officials' decision making so that collective decisions are taken in their private interest. On the other side, we have a 'provider', a public actor entrusted with collective decisions or actions, who breaks norms requiring action to benefit the whole society and acts instead to one's own benefit with a possible harmful effect on society. The difference between arrow 1 and arrow 3 in the figure above denotes who the active part is in the relationship. In the first case the private actor actively purchases, whereas in the latter case the public official uses power to extort (for example, payment to issue a license etc.) resources from the private actors.

Linking the concept of corruption to norm breaking practices implies that there exist norms regulating collective action, i.e. corruption is closely related to a political-administrative system requiring transparency and openness in transactions between the private and public sphere. As such corruption is a state centered phenomenon relating it first to modernization, the development of a rationalized bureaucracy in the Weberian sense, where public officials are supposed to act according to rules and in the interest of society and, secondly, to the degree of democratic consolidation implying that corruption reflects the malfunctioning of a democratic political system, in which rules are decided by the people and for the people, i.e. in the public interest.<sup>8</sup>

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7 Threat of physical violence is not normally included in surveys on corruption. A low corruption rate in Denmark measured by Transparency International may for example be questioned taken into account increasing incidents in the Danish social service of physical violence or threat thereof as reported in the Danish media.

8 In all fifteen countries in question, democratic constitutions referring to the rule of law as the basic principle were agreed upon in the early 1990s just after the break with Soviet domination. Although reference in the countries' constitutions to the rule of law is formulated very differently, there seems not to be a relation between a weaker formulation and the level of corruption.

This discussion leads us to the third aspect of our corruption concept – the relation between corrupt behavior and the political and administrative system. An often used distinction in the literature on corruption goes between petty and grand corruption (TI-report, 2004). *Petty corruption* refers to behavior that tries to affect the consequences of a political decision once it is taken while *grand corruption* refers to influence on the formation of political decisions, laws, regulations etc. Thus from the outset, the relation between petty and grand corruption and the political and administrative system is very different. It does, however, not reveal the full complexity of corruption.

In accordance with Anechiarico and Jacobs (1996: 195), we argue that petty corruption representing a payment for the expeditious provision of a routine service that in any circumstance would be provided at a later time is different from a situation where corruption represents a payment to issue a license or permit which should not otherwise have been issued at all. The first situation is a case of day-to-day corruption covering bribes that are paid in order to smooth the administrative system, i.e. to get things done. The purchasers are private individuals dealing directly with an employee in public administration, the provider may be employed in the police force, public health care or in the education system. The main characteristic of the provider in these cases is that he operates alone without direct supervision by superiors and bribes can be passed unobserved. This second category of petty corruption can be characterized as ‘administrative malpractice’ – where bribes are paid in order to ‘directly avoid the legal regulations’ and as such circumvent the democratically decided ‘rules of the game’. When we talk about ‘administrative malpractice’ purchasers are more often private firms using a bribe in order to get a license or, for example, to get more lenient environmental standards accepted by the controlling agency. When it comes to administrative malpractice, the provider is part of the hierarchy of the administrative control system; hence, the existence of this form of corruption indicate a malfunction of the formal hierarchal system.

Grand corruption indicates a situation when democratically elected politicians, the providers in our terminology, engage in close, informal relations with private actors, the purchasers who succeed in changing the voting or law-making procedure in favor of their interests. The consequence of this situation is that the electorate can not make informed choices during the election process because politicians say one thing prior to elections and act differently after, thus devastating the essence of democracy – that the electorate influence and control the political decision making through elections. The character of the actors engaged in grand corruption is also different compared to actors engaged in petty corruption. The purchasers of corruption at the political level consists not only of individuals, but also of private, collective actors, business association, Chamber’s of Commerce and trade unions, etc. In this sense, grand corruption can be closely related to lobbyism following a logic of which non-governmental actors try to influence political decisions. While lobbyism, when exercised openly, is part of the political game in

a democracy, grand corruption is characterized by secrecy and personal gains for the provider; in this case, a political actor who changes his point of view and set the rules of the game in the interests of the purchaser and not the public.

**Table 1**  
A typology of corruption based on actor categories

		<b>The purchaser</b>	<b>The provider</b>
<b>Petty corruption</b>	Day-to-day corruption	Individual citizens	Individual providers of public services – health personnel, police
	Administrative malpractice	Individual economic actors – firms etc.	Public control and licensing agencies
<b>Grand corruption</b>	Political state capture	Collective economic actors – interest organizations Individual economic actors	Politicians – individuals and political parties

The consequences of grand corruption are fundamental for democratic consolidation in society because grand corruption tends to de-legitimize the foundation of the democratic political system, political parties, parliaments and the government – thus directly conflicting with democratic norms of inclusion (Warren, 2004). However, we argue that when petty corruption takes the form of administrative malpractice, it has an equally demoralizing effect on society with respect to a country’s legal culture (a moral sense that ‘law is law and should be obeyed’). The suggested typology gives us a tool to distinction between day-to-day corruption that can be related to ways of behavior that during the communist era were necessary and appropriate to get things done and administrative malpractice that together with grand corruption is related to the specific context of transforming and redefining private-public relations in society.

Table 2 illustrates how the typology may be applied in terms of concrete position in the political and administrative sphere. According to this, corruption among lower level officials will most certainly fall into the category of ‘day-to-day’ corruption while corruption among top level officials is a sign of administrative malpractice. Moreover corruption found at the level of parliaments surely is grand corruption.

**Table 2**  
Identification of the ‘provider’ of corruption

Grand corruption	Parliament
Grand corruption/ Administrative malpractice	Ministers
Administrative malpractice	Top level officials
	Intermediate level officials
‘day-to-day’ corruption	Lower level officials

There are two categories of 'purchasers' that do not fit perfectly into the typology. First, corruption found at the level of ministers may either be a sign of administrative malpractice or of grand corruption. The political functions of ministers suggest that if they engage in a relation that is characterized as corruption it is closely related to the political system and thus a sign of grand corruption. On the other hand, ministers are placed at the top level of the hierarchal administrative system and, as such, are in a position where they have the opportunity to 'provide' private actors with valuable assets in the form of lenient individual regulative requirements. For the time being, we leave the level of 'ministers' in an intermediate position returning to the discussion on the background of our data.

Second, corruption at the intermediate level of administration may either be a sign of administrative malpractice or 'day-to-day' corruption. The functions of some officials at this level can have a character of routine practice, but mostly they have more responsibility which places them in a position where administrative malpractice is possible. In the following discussion, we investigate different aspects of the elite's view on corruption, i.e. from the perspective of the possible 'provider' those who are in a position to gain from a corrupt deal.

## **Measuring corruption**

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The commonality of corrupt practices in public administration and in the political sphere is an indicator of a malfunctioning system. However, due to the illicit nature of corruption, measuring it is in itself a complicated task. Thus, in this part we discuss some of the problems encountered when we attempt to measure corruption and compare our elite survey to other known surveys.

In contrast to surveys, one could also look at the conviction rates of public officials. This approach gives a precise measure but is nevertheless dependent on judicial quality and efficiency, thus a low conviction rate may be due to inefficiency in the judicial system rather than a non-corrupt public administration (Lambsdorff, 1999). In the specific situation of the ex-communist countries, dealing with conviction rates would be especially ill-advised because the judicial system, as all other state administrative systems, are currently being reorganized and reoriented resulting in a midstream efficiency drop. As pointed out in the European Commission's annual reports, the administrations certainly have their shortcomings and the judicial system lacks capacity. Left with the use of surveys, we must thus consider the use of mass public surveys versus elite surveys and questions concerning perception versus experience with corruption.

Since the early 1970's, the survey method has been regularly used for measuring the populations' perception of the level of corruption. The surveys conducted by the Transparency International (TI) and New Eurobarometer (NEB) represent in this field the two most known and quoted measures of corruption. In both cases, a

representative sample of the population is asked how widespread they think bribe-taking and corruption are among public officials in their country. Consequently, they reveal the *perceived* level of corruption, not the *actual* level. The perceived level of corruption may tend to *overestimate* the actual level of corruption. First, corruption affairs among politicians and in state administration are good stories for the mass media and such stories may give the population the impression that corruption is much more common than it actually is. Second, 'day-to-day' corruption was part of the way state administration functioned during the communist era and the population in ex-communist countries may be especially inclined to think that this is still the case. As an alternative it is possible to ask about ones own experiences. However, even when granted anonymity this would probably result in underreporting, as neither private individuals nor public officials willingly and publicly would admit that they have been engaged in a corrupt deals.

Trying to refine the measurement on the commonness of corruption in a sample of fourteen ex-communist countries<sup>9</sup> the *DEMSTAR*-project asked ministers and top level officials about, i) their perception of how common corruption was in their country, ii) their self-experience in terms of attempts of bribes or direct threats, and iii) their knowledge of such attempts in other ministries than their own. In this way, it was expected to find an informed measure of corrupt practices in central administrations. Looking at the data however, there is reason to believe that asking the national elites about their estimation of the level of corruption may give a vast underestimation of the actual level. There may be two reasons. First, a sense of political correctness may give the elite an incentive to underestimate the phenomenon and, second, the political culture may influence the answer because of a fear that it later on could hurt you even when promised anonymity.

Table 3 reveals first that the two international survey institutions (items 2 and 3) measuring corruption as the public's *perception* of it correlate highly with each other. Thus, peoples' perceptions are consistent providing us with reliable measure of mass perceptions. Second, table 3 reveals that the elite's perception of how common corruption is in their country (item 1) correlate with their own experience with attempts to bribe them (item 5) and with their knowledge of such attempts in other ministries (item 6). The elite's own experience or knowledge of bribery attempts in other ministries correlates with their own experience of being subjected to direct threats (item 7). This suggests that the elites are indeed vulnerable and that illicit influence is not only of economic nature. In their own mind, however, it appears that threats are not considered a direct form of corruption as the general perception of corruption does not correlate with threats.<sup>10</sup>

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9 The project includes fifteen ex-communist countries, but the direct questions concerning commonality of corruption was not possible to ask in Kazakhstan.

10 This should be subjected to further test and inquiries as threats may constitute a particular form of illicit influence not trapped sufficiently within the standard literature.

**Table 3**  
 Contrasting different measures of corruption

		Misuse is common	TI	NEB	Escape	Experience bribe	Heard of bribe	Experience threats
		1	2	3	4	5	6	7
1	Pearson R.	1	0.179	-0.522	0.482	.625(*)	.599(*)	0.315
	N	14	14	8	14	14	12	14
2	Pearson R.		1	-.738(*)	-0.237	-0.042	-0.237	-0.378
	N		15	8	15	14	12	14
3	Pearson R.			1	-0.059	-.791(*)	-0.461	-0.411
	N			8	8	8	6	8
4	Pearson R.				1	0.485	0.566	0.4
	N				15	14	12	14
5	Pearson R.					1	.664(*)	.698(**)
	N					14	12	14
6	Pearson R.						1	.733(**)
	N						12	12
7	Pearson R.							1
	N							14

\* Correlation is significant at the 0.05 level (2-tailed); \*\* Correlation is significant at the 0.01 level (2-tailed).

Questions: (1) Misuse: Do you agree that misuse of status is common in your country's politics?; (2) TI: Transparency International. Average 1998 – 2002; (3) NEB: New Europe Barometer. The question used here is: How widespread do you think bribe-taking and corruption are among public officials in this country (% saying most or almost all corrupt)?; (4) Escape: Powerful non-state actors can escape regulatory measures.; (5) Experience bribe: During your time in office did you experience attempts to bribe you into favoring specific groups or individuals?; (6) Heard of: During your time in office have you heard of such attempts in other ministries?; (7) Experience threat: During your time in office did you receive threats from non-state actors?

In the Demstar survey we posed a question concerning the possibilities to escape regulation (item 4). The question was not only intended as a control, tapping, in a more indirect way, corruption but also as measures of the malfunctioning of the administrative system and the ability to enforce policies. As table 3 reveals, it does, however, not correlate with any of the questions related to corruption. One reason is that the question avoids the trap of underreporting due to cultural or political

reasons discussed above and another is that it includes the ‘noise’ from enforcement problems.

Finally, table 3 shows that the population’s *perception* and the elites’ *perception and experienced* level of corruption do not correlate at all! In other words if the elite underestimate the level of corruption due to a common sense of political correctness, we would expect to have found a systematic difference indicated in a high correlation. But they do not. Instead their answers reveal other insights in the character of corruption.

The two population surveys do not distinguish between political and administrative corruption. Arguing that the character of corruption matters with respect to the functioning of the political and administrative system, the surveys only bring about a measure of a general but undefined perception of corruption. Thus, the reason why we do not find a high correlation between the two measures could, as suggested above, be due to the political culture or it could be because the elite’s conceptualization of corruption is different from how the population sees it. This could be because they disregard ‘day-to-day’-corruption as a real problem and focus exclusively on the political corruption or on administrative malpractice. Before turning to this later issue, we will look at the level of corruption according to national elites.

### **Corruption – how common? The elite-perspective**

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The elite’s view on how common corruption is in their country has been traced down combining their *perception* on how common they find misuse of official status in their countries and if they ever experienced attempts of bribe while they were holding office, i.e. their *self-experience*. In most countries, the elite’s *perception* of the frequency of misuse is higher than their *self-experience*. While almost half of the total answers find misuse a common phenomenon, only one fourth of them have actually experienced attempts of a bribe (table 4). This finding supports our suggestion (put forward in the previous part) that *perceived* levels of corruption in general – and thus even among the elite – tends to overestimate actual levels. The tendency to make overestimations, however, are more outspoken in some countries than in others and there are cases where the elite actually *underestimate* the level of corruption if related to their own self-experience.

**Table 4**  
Perceived and self-experienced evaluation of the level of corruption

		Do you agree that misuse of status position is common in your country's politics?			Total	During your time in office, did you experience attempts to bribe you into favoring specific groups or individuals?			Total
		Agree	disagree	D/K		Have	Never	NA	
<b>Hungary</b>	N	13	20	1	34	12	23	0	35
	%	38.2	58.8	2.9	99.9	34.3	65.7	0.0	100.0
<b>Poland</b>	N	6	28	1	35	8	28	0	36
	%	17.1	80.0	2.9	100.0	22.3	77.8	0.0	100.0
<b>Czech R</b>	N	25	21	1	47	13	35	0	48
	%	53.2	44.7	2.1	100.0	27.1	72.9	0.0	100.0
<b>Slovenia</b>	N	23	25	3	51	7	42	1	50
	%	45.1	49.0	5.9	100.0	14.0	84.0	2.0	100.0
<b>Estonia</b>	N	14	35	1	50	17	32	1	50
	%	28.0	70.0	2.0	100.0	34.0	64.0	2.0	100.0
<b>Latvia</b>	N	37	13	1	51	22	28	1	51
	%	72.5	25.5	2.0	100.0	43.1	54.9	2.0	100.0
<b>Lithuania</b>	N	39	8	2	49	25	27	0	52
	%	79.6	16.3	4.1	100.0	48.1	51.9	0.0	100.0
<b>Bulgaria</b>	N	59	12	1	72	33	43	4	80
	%	81.9	16.7	1.4	100.0	41.4	53.8	5.0	100.0
<b>Moldova</b>	N	63	10	6	79	21	53	5	79
	%	79.7	12.7	7.6	100.0	26.7	67.1	6.3	100.0
<b>Armenia</b>	N	33	48	19	100	15	82	3	100
	%	33.0	48.0	19.0	100.0	15.0	82.0	3.0	100.0
<b>Georgia</b>	N	65	31	4	100	24	72	4	100
	%	65.0	31.0	4.0	100.0	24.0	72.0	4.0	100.0
<b>Azerbaijan</b>	N	5	85	10	100	5	86	9	100
	%	5.0	85.0	10.0	100.0	5.0	86.0	9.0	100.0
<b>Kyrgyzstan</b>	N	25	12	0	37	10	26	2	38
	%	67.6	32.4	0.0	100.0	26.3	68.4	5.3	100.0
<b>Mongolia</b>	N	43	59	1	103	9	92	2	103
	%	41.7	57.3	1.0	100.0	8.8	89.3	1.9	100.0
<b>Total</b>	N	450	407	51	908	221	669	32	922
	%	49.6	44.8	5.6	100.0	23.9	72.6	3.5	100.0

The general tendency to *overestimate* actual levels of corruption makes four countries exceptional as they *perceive* the level of corruption much lower than the rest of the countries (compared to the general mean score on 49.6 percent saying that misuse is common). The four countries are Azerbaijan (5 percent), Poland (17.1 percent), Estonia (28 percent) and Armenia (33 percent). We suggest two different explanations why the elite in these countries may *underestimate* actual levels of corruption.

The first explanation we put forward relates to the situation in Azerbaijan. In this case there is a perfect fit between the very small minority of the national elite who acknowledge that misuse is common and those who have experienced attempts of bribe. However, if our assumption put forward earlier that political culture may affect the inclination of elites to underestimate the level of corruption is correct this may be the case in point. Azerbaijan has according to *Freedom House index* a very low score on the level of democracy indicating that the national elite simply does not play by democratic rules, and in an atmosphere of distrust and competitiveness they are inclined not to give honest answers. A relative low score in Armenia of 33 percent finding misuse common could also be referred to this category. However, in the Armenian case we find a similar relation between *perceived* and *self-experience* as in the other cases so the political culture argument related to an immature democratic consolidation is not that strong.

The second explanation relates to the situation in Poland and Estonia. In these cases we find first that the *perceived* level of corruption is much lower than the average but at the same time *self-experience* is higher than the perceived level (17.1 and 28.0 versus 22.3 and 34.0 percent respectfully). This finding is puzzling though indicating that the elite at a general level *perceive* that misuse is not common although they themselves have experienced such attempts. At a closer look our respondents in both countries deny that attempts of bribe had any effect on the decision making or administrative practice. In sequence, this could be a reason as to why the *perceived* level of corruption, i.e. the cases that officials actually use their position for private gain, is lower than in the other countries.

Table 5 presents the results of asking the respondents whether it was possible to escape regulatory measures. If we look at the whole sample, the mean saying that this is possible is close to the mean saying that corruption is common (45.9 versus 49.6 percent), but as we noted above the two questions do not correlate. Thus, the possibility to escape regulatory measures may stem from other factors than mere corruption. However, we find that, even if table 5 gives a somewhat different picture than table 4, the question suffers the same problems with underestimation.

In this case the sample consists of fifteen, i.e. including Kazakhstan where this question was asked while the general question of misuse and self-experience was not allowed.

The interesting point is again related to the countries scoring either high or low compared to the general mean and to their inclination of reporting misuse as common. The two lines of argument that political culture or political correctness constitutes a bias in the elite's answers are again worthy of attention. Supporting the political culture argument the elite in Azerbaijan rejected any forms of misuse and they also deny that powerful non-state actors can escape regulatory measures (3 percent compared to the mean of all fifteen countries of 45.9 percent). Compared to population surveys this is certainly an underestimation.

**Table 5**  
Powerful non-state actors can escape regulatory measures (pct. agrees).

	<b>Agree</b>	<b>Disagree</b>	<b>Do not answer</b>	<b>Total</b>
<b>Hungary</b>	56.3	43.8	0	100.0
<b>Poland</b>	57.2	37.1	5.7	100.0
<b>Czech Republic</b>	36.2	53.1	10.6	100.0
<b>Slovenia</b>	40.0	56.0	4.0	100.0
<b>Estonia</b>	68.0	32.0	0.0	100.0
<b>Latvia</b>	60.0	36.0	4.0	100.0
<b>Lithuania</b>	48.1	48.1	3.8	100.0
<b>Bulgaria</b>	75.9	24.1	0.0	100.0
<b>Moldova</b>	89.9	25.3	10.1	100.0
<b>Armenia</b>	18.0	62.0	20.0	100.0
<b>Georgia</b>	65.0	29.0	6.0	100.0
<b>Azerbaijan</b>	3.0	94.0	3.0	100.0
<b>Kazakhstan</b>	30.0	46.6	23.3	100.0
<b>Kyrgyzstan</b>	52.8	30.6	16.7	100.0
<b>Mongolia</b>	50.5	40.8	8.7	100.0
<b>Total</b>	386	387	68	841
	45.9	46.0	8.1	100.0

*Question: There are cases when powerful state and non-state actors (companies or individuals) can escape regulatory measures. Please evaluate the above statement in the case of the following actors: Percentages responding "Strongly agree" or "Agree". \* In the Estonian and Polish questionnaire it was possible for the respondents to choose between three types of state and non-state actors. These were "Individuals", "Interest Organizations" and "Business Actors". A factor-analysis accordingly showed that these responses all cover the same dimension. Therefore the percentages listed for Estonia and Poland are averages of the three types mentioned.*

Looking at the countries that scored low on the perceived level of misuse, i.e. Poland and Estonia the interesting fact according to table 5 is that the elite in both countries find that although corruption is not common, it is certainly possi-

ble for non-governmental actors to escape regulatory measures. So either the first answer is affected by political correctness due to the illicit nature of corruption, or that possibilities for actors to escape regulatory measures do not include the action of a bribe but is related to problems of societal transition and the weakness of public administration. This last argument is supported by comments from several respondents. They point to an insufficiently clear, and even contradictory, legislative framework that allows for loopholes or discretionary decisions. This relates to the changing regulatory framework reflecting the transition from communism and a command economy. Another explanation is related to more generally known problems of administrative implementation, i.e. lack of resources, efficient coordination etc. (Johannsen & Pedersen, 2004). That is although corruption in the form of misuse generally is neglected, administrative malpractice or lack of administrative capacity is admitted. This leads us to the next question: at what level do the elite find corruption?

### **What character does corruption take?**

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The character corrupt behavior takes depends on who is the 'provider' of the misuse of the public position. The perception of misuse casts light on above all the general level of corruption – be it lower level officials engaged in 'day-to-day' corruption; officials at higher administrative levels or ministers that engage in corruption as a matter of administrative malpractice; or parliamentarians utilizing their position in grand corruption by circumventing the electoral choices of the population in between election dates. In contrast, the self-experienced attempts of corruption reported by our respondents are, due to the character of our sample, neither related to administrative malpractice or grand corruption. This finding is supported statistically when we have asked at what level of political and administrative life the respondent finds corrupt practices most common. The data show a high correlation between the perception of how common corruption is at the level of parliament and ministers and the respondent's experience with attempt to bribe him or her. In other words our sample of ministers and high level officials report more specifically on corruption at the level where corruption circumvents political decisions at the administrative level and where it is directly related to the political system.

The argument corresponds well with the fact that only one third of our respondents points to corruption at the lower level – i.e. 'day-to-day' corruption as the place where the phenomenon mostly is found. Although 'day-to-day' corruption constitutes a considerable problem in public administration partly because it is socially unjust favoring the more well off part of the population (i.e. those who can afford paying bribes to lower level officials), it is less disturbing than the experience of corruption at the higher levels.

**Table 6**  
Corruption related to the level of government

	Hungary	Poland	Czech republic	Slovakia	Estonia	Latvia	Lithuania	Bulgaria	Moldova	Armenia	Georgia	Azerbaijan	Kazakhstan	Kyrgyzstan	Mongolia	Total
<b>Parliament</b>	2	10	15	5	2	16	29	32	38	6	51		8	12	25	251
	7.1	32.3	34.1	11.6	4.0	32.7	54.7	42.7	48.1	6.0	51.0		26.7	34.3	24.3	27.3
<b>Ministers</b>	9	5	11	11	16	17	23	22	37	6	44	4	11	13	14	243
	32.1	16.7	25.0	25.6	32.0	34.7	43.4	29.3	46.8	6.0	44.0	4.0	36.7	37.1	13.6	26.4
<b>Top Level</b>	7	6	8	10	14	20	23	15	35	13	32	4	10	11	5	213
	25.0	16.7	18.2	23.3	28.0	40.8	43.4	20.0	44.3	13.0	32.0	4.0	33.3	31.4	4.9	23.0
<b>Intermediate Officials</b>	16	11	20	31	19	27	32	51	48	30	59	36	17	17	63	477
	57.1	36.7	45.5	72.1	38.0	55.1	60.4	68.0	60.8	30.0	59.0	36.0	56.7	48.6	61.2	51.9
<b>Lower Level Officials</b>	7	11	19	14	9	24	27	48	31	16	36	32	4	12	29	319
	25.0	36.7	43.2	32.6	18.0	49.0	50.9	64.0	39.2	16.0	36.0	32.0	13.3	34.3	28.2	34.7

Note: At which level of government do you think that the phenomenon of misuse is most common? – Percent answering “Common”.

Table 6 indicates that in Hungary and Estonia, together with Armenia, Kazakhstan and Mongolia, corruption at the lower level of government is found less frequent than average. Bulgaria, Lithuania and Latvia on the other hand have the highest percent finding corruption common at that level. However, the higher vis-à-vis lower level of corruption may be related to successful or unsuccessful economic reform, i.e. the freeing and opening of markets and cutting away of subsidies. Surveys in Latvia (Anderson, 1998) and Lithuania (Transparency International Lithuanian Chapter, 2004) point to officials employed in customs services as among the most corrupt in the two countries. Moreover, the EU-Commission in its regular reports found that Bulgaria, partly due to irregularities at customs and trafficking, was not yet ready to join the European Union in the 2004 enlargement. Moreover, Hungary and Estonia are countries where the focus on the customs services has been high, and tight control of public administrators, especially in Estonia due to its geographical position as a border country in the European Union, has had a high political priority. Thus, when some countries seem to have gotten more control of 'day-to-day' corruption, it may be due to successful and liberal economic reform. In turn, this may have had the positive side effect of curbing corruption both in the higher level public administration and at the bottom where official cannot extract favors as the free economy have curbed their discretionary power. However, liberal reforms are not sufficient. There is plenty of discretionary power, opportunity and incentives in between the parliament and rank and file officials as pointed out by every fourth answer.

Irrespective of the differences, the elite do in fact point to significant problems at all levels. Moreover, table 6 reveals that a total of 51.9 percent of the elite in all countries point at the intermediate level as the place where corruption is most common. As pointed out in the previous section, there may be a bias as a result of the 'noise' caused by ordinary enforcement problems. Furthermore, the intermediate level is the broadest category in our typology covering aspects of both 'day-to-day'-corruption and administrative malpractice, thus making it more open for interpretation and answers.

Evidence of 'providers' of corruption at the political level is particularly concerning in terms of democratization and democratic consolidation because it indicates that the 'rules of the democratic game' are not yet settled and accepted by the key actors, i.e. the popular elected elites. While it is a problem when one out of four finds that corruption is most common at the level of parliamentary politics, it is however more telling to look into divergences from the average level because corruption at this level may suggest that political decisions are either taken in an atmosphere of open dialogue and debate or not. Leaving political, moral and culture explanations aside, another explanation for low level of corruption among parliamentarians could be the chosen neo-liberal reform strategy. If the state wipes away subsidies, import and export quotas, customs etc. there is simply less incentive for an agent to buy influence and obtain privileges through

the parliament. In these cases it may be more strategic to try to influence ministers or the top level of public administration thereby circumventing the already made political decisions. Looking at the combination of political and administrative ‘providers’ of corruption in different countries may show how these causal explanations interact in concrete cases.

**Table 7**  
Political corruption and administrative malpractice

Political (grand) corruption	Administrative malpractice	
	High:	Low:
High + medium	Latvia, Lithuania, Georgia, Moldova, Bulgaria, Kyrgyzstan	Poland
Low/average	Estonia, Hungary, Czech Republic, Slovenia, Kazakhstan	Azerbaijan, Armenia, Mongolia

A combination of high level political and administrative malpractice is found in five countries; Latvia, Lithuania, Georgia, Moldova, Bulgaria and Kyrgyzstan. The inclination to report political corruption goes well with our explanation of an unfinished democratic transformation. In the case of Lithuania, the high penetration of illicit influence in the parliament (Saimas) is supported by survey evidence from company managers and residents. Respectively, 44 and 39 percent of the surveyed managers and residents in 2001 thought the Saimas was ‘very corrupt’ (Transparency International Lithuanian Chapter, 2004). Although the level of political conflict in Lithuania may not be as tense as in the other three countries, Lithuanian politics have been characterized by several changes in office and electoral turnovers. Thus, between 1990 and 2002, no less than 10 different governments served in Lithuania (Johannsen & Stålfors, forthcoming 2005) and a history of antagonized political forces, each with their own constituency and roots in society, business and agriculture have dominated the political scene since the constitutional struggle in 1991 – 92 (Nørsgaard & Johannsen, 1999). Moreover, Lithuania is the only of the Baltic countries where the former communist party, in reformed fashion, survived the advent of independence and democracy to remain a sizable and, at times, governing party.

Georgia, Moldova and Bulgaria are also examples of a late transformation of the political system and a lasting conflict between the governing elites (Pedersen, forthcoming; Johannsen, 2004; Nørsgaard & Johannsen, 1999), thus causing a political culture inclined to expect misdeeds by the opposite parts. In all cases, the frequency of corruption in parliaments may be an overestimation due to an instable political situation in which our respondents attack their political rivals through accusations of corruption. On the other hand, the lasting political conflict over power, and the final settlement of the new political and economic order, also makes public administration more vulnerable to individual discretionary power and thus the

possibility for providing individual services to the private sector. Accordingly, our respondents in these countries also report on an above average tendency for corrupt behavior both at minister and top levels of public administration.

In contrast, low levels of corruption among parliamentarians are combined with high level of corruption among ministers and top level administrators in Estonia, Hungary, Slovenia, the Czech Republic and Kazakhstan. While the first four countries show signs of democratic consolidation implying that the elite accept the rules of the game making corruption at this level not acceptable (Johannsen & Pedersen, 2005), this is not the case in Kazakhstan. The report of high administrative malpractice in otherwise consolidated democracies indicates that when general legislation has to be transformed into detailed regulation, incentive and opportunity exists at the administrative level for ministers, as well as top level officials, for using their position for personal gains causing a persistent problem. Moreover, table 6 reveals that in two of the cases, Hungary and Slovenia, high levels of administrative malpractice are combined with high level of misuse among intermediate officials which is not the case in Estonia and the Czech Republic. This combination could indicate that intermediate officials in the two first cases are trusted with more discretionary power, thus giving them incentive and opportunity to be providers in corrupt deals, while this is not the case in the later.

Although corruption at the parliament level above was explained by an immature democratic environment, evidence of *no* (or low) corruption can be even more problematic when combined with undemocratic systems. This is the case in four of our countries where we base our democracy variable on the *Freedom House* index. In the case of Azerbaijan, political corruption according to the elite does not exist at all and in Armenia at a lower level than average. This fits well with the elite's denial of corruption at the general level of *perception*, as well as *self-experience*. It is also supported by the fact that when the elite do find corruption it is among lower level and intermediate officials. This supports our previous argument that a non-democratic political culture may encourage the elite to underestimate evidence of illicit behavior especially in the political sphere but also in administration. Furthermore, it could be argued that the relative high perception of 'day-to-day' corruption and corruption at the intermediate level of public administration reported in those countries is a sign of political immaturity and an aversion tactic of political correctness, i.e. if corruption exists it is 'the others' who are the bad guys.

Kazakhstan is an odd case combining a low level of corruption in Parliament with a high level of administrative malpractice. Following the logic that providers of corruption must be found at the place where the decision is taken, a possible explanation of the Kazakh case could be that lack of democracy in Parliament directs debates and decisions on economic reform away from the political scene to the level of higher administration.

Poland represents a fourth combination of a high level of political corruption and a low level of administrative malpractice. The political situation in Poland has much in common with the other countries reporting high political corruption. Moreover, Poland is often seen as the frontrunner of economic reform, partly due to the Balcerowicz plan implemented early in the 1990's. However, even if administrative malpractice at the top-level of the administration is, reportedly, less a problem in Poland than in the other countries, it is still substantial. The reported lower level of corruption among ministers and high-level administrators in Poland may be due to the high national priority ascribed to anti-corruption measures (Verheijen and Anusiewicz, 2002).

To sum up the findings in this part, corruption is frequently related to 'providers' at the political level and in the top administration. We have here forwarded an attempt to relate the character of 'providers' to the level of consolidation of the political system when corruption is high in parliaments and to the comprehensiveness of economic reform strategy when corruption is high among ministers and higher and intermediate level officials. Following up this explanatory attempt we now turn to the elite's own explanation of the causes behind corruption.

## **Causes of corruption as the elite see it**

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In the search for the root causes of corruption it is possible to identify at least three lines of argument: (1) the role of the state, (2) the institutional structure and function, and (3) cultural factors. This corroborates with Lampdorff's (1999) review of the empirical research. Lampdorff (1999) found that the degree of state involvement in the economy, economic freedom, institutional quality and cultural determinants are all important variables. While most of these studies are generated with the use of cross-sectional analysis on the macro-level, our data reveals the perception of elites, with first hand knowledge. We have chosen to focus upon the latter two lines of arguments, as the role of the state in ex-communist countries have been dramatically redefined in the latter years, possibly blurring the picture, and included the specific item of organized crime, which has emerged as a public concern in these countries.<sup>11</sup>

One aspect of the institutional argument is that malfunctioning political and economic institutions causes corrupt behavior. In our survey the institutional argument will be perceived as both a reference to the legacy of the soviet system and to low salaries. As table 8 suggests, taken together these two causes are the most frequent answer. The legacy problem refers to the unclear division between public-

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11 It should be noted that on aggregate level our respondents exposure and experience with threats do correlate with the level of democracy (defined as the average Freedom House score (1997 – 2002)) and the degree of economic freedom (defined as the average Heritage index score (1997 – 2002)). Thus democracy and an open economy lead to a less frequent occurrence of threats.

## Appendix

**Table 8**  
Origins of corruption

	Hungary	Poland	Czech Republic	Slovenia	Estonia	Latvia	Lithuania	Bulgaria	Moldova	Armenia	Georgia	Azerbaijan	Kazakhstan	Kyrgyzstan	Mongolia	Total
<b>Legacy of the Soviet System</b>	16.9	30.5	27.2	20.9	17.6	14.1	19.3	18.2	9.5	11.5	13.7	14.1	27.1	3.1	3.8	14.3
<b>Low Moral Quality of Civil Servants</b>	40.1	31.3	35.6	19.5	21.8	37.0	17.1	24.3	43.1	48.4	51.0	41.9	35.0	53.2	48.2	39.1
<b>Too Low Salaries</b>	25.7	23.5	26.4	40.4	45.9	26.2	39.6	38.2	26.6	22.7	22.7	23.4	21.1	27.9	36.2	29.6
<b>Illegal Organizations (Mafia)</b>	0.8	1.7	8.4	6.1	10.8	8.5	12.1	13.2	17.5	9.5	11.1	16.4	14.8	6.2	7.1	10.9
<b>Other</b>	16.5	13.0	2.4	13.2	3.9	14.1	11.9	6.0	3.2	7.8	1.5	4.2	1.9	9.6	4.8	6.2
<b>Total</b>	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100.0	100.0

Answers to question: "In your opinion, what are the main causes of corruption in the state administration?" – Weighted answers. Most important counts 1, second counts 1/2 and third counts 1/3.

private relations, the fact that many public officials are inherited from the Soviet time, and that corruption was already systemic in the latter years of Soviet life. The inherited public administration may explain why the legacy of the Soviet system seems more problematic. This is, for example, the case in Poland and Lithuania – as compared to Estonia where Russian civil servants have been replaced by ethnic Estonians (Pedersen & Johannsen, 2004: 95).

Rijckeghem and Weder (1997) found that low salaries in the public sector relative to manufacturing wages led public servants to engage in corrupt practices to supplement their income. A similar explanation for corrupt behavior at the lower level in the Soviet administration has with some strength been put forward. According to the elite in our sample, low salaries is the second most salient factor across the countries. As such it is not only directly related to the economic recession following the transition, and the relative decline of wages in the public sector, but also more related to day-to-day corruption and to lower level civil servants using their discretionary power for personal gains in a situation of individual economic difficulties. It is on the other hand hardly related to political corruption or administrative malpractice.

It is possible to see the legacy of the Soviet system as an overall cultural variable. However, we have specifically asked our respondents about the moral habits of the civil service. That is whether the general perceptions of right and wrong are the cause of corruption. The answers are most disturbing. If low salaries and the need to supplement income are related to a transitional phenomenon, then one should expect corruption to decline as the economies recover and grow. Contrary, if corruption becomes ingrained in the culture, i.e. being of a moral nature, the problems seems to be of permanent nature. Among the countries surveyed, the three Caucasian republics, Mongolia and Kyrgyzstan stands out claiming that moral qualities is the most important cause of corruption. Only in Estonia, Slovenia, Lithuania and Bulgaria low salaries are deemed more important.

Finally, the development of illegal economic activity – mafia organizations – which certainly have been front page stories both in East and West, appear to be much overstated in comparison with other factors. Illegal economic activity is endemic to hasty and comprehensive societal transformation. This has also been the case in ex-communist countries. However, as the fertilizer to corruption of public administration, only about 10 percent blame illegal institutions for the source of corruption; but there are huge differences between the countries. Thus in Hungary less than 1 percent see illegal organizations as the main cause of corruption, whereas more than 17 percent deem the mafia important in Moldova. Possibly the link between corruption and the development of mafia organizations is closely related to both the institutional and cultural argument, i.e. that stronger institutions, higher salaries and an improvement in moral would make life more difficult for illicit organizations when they seek influence in the public administration. Thus while our

data seem to corroborate the main trends of previous research, new insight has also been gained. Specifically, the much-talked about Eastern mafia do not appear to be a major cause of corruption and second, the elites see the main cause of corruption related to the moral condition of the civil service.

With the previous discussion about the level of corruption, demonstrating that it is a significant problem in all countries, it may not be a surprise that about two-thirds of our respondent deem that the courts and other state institutions engaged in the battle against corruption are ineffective. However, given that low morals are pinpointed as the most important cause of corruption, it may be more of a puzzle that more than 60 percent claim the anti-corruption legal framework insufficient. The issues may not be connected but if morality is the problem, law may not be the first and best answer – unless changes in the legal framework are, for example, made to protect whistleblowers.

### **Concluding remarks**

When asked about their perception of and self-experience with corruption, ministers and higher level officials do give an inside view that is different from what is otherwise revealed in population based surveys. Although we get a more informed picture of the level and root causes of corruption, it is still not a very precise picture – although it does reveal that corruption penetrates all level of the political and administrative institutions.

The elite's perception is that political corruption is related to immature democratic consolidation while administrative malfunction is related to unsuccessful or undecided economic reform. While successful economic reform lessens the possibilities for both political corruption and administrative malpractice, the persistent existence of corruption as reported by insiders is seen as mainly related to low moral qualities in society rather than the heritage of communist era or transitional factors such as low salaries. Moreover, this perceived causal root for corruption does not correspond to democratic consolidation or economic reform leaving it as a shared characteristic for behavior among politicians and administrators. It is thus tempting once more to quote Ralf Dahrendorf (1989) that "It will take six months to reform the political systems, six years to change the economic systems, and sixty years to effect a revolution in the peoples' hearts and minds". However, this change in the moral codex of society does not proceed in a vacuum but is effected by changes in the political environment making open and transparent action the internalized 'rule of the game'.

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# Policy-making and Policy Implementation Problems in Central and Eastern Europe: The Case of Health Care Delivery in Slovakia

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## Introduction

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Transitional countries in Central and Eastern Europe (CEE) are attempting to realize reforms in all sectors of society and the economy. These reforms started more than 15 years ago and are not yet finished. Reforming a country is not a simple process. There is little experience with this type of change, and the lessons to be learned from the more developed world have to be evaluated very carefully. Strategies and methods to change the public sector vary from country to country – even in developed countries – and there is no common view on the best one. The same methods work differently in different environment, and most, if not all, of them have some contradictory aspects (Coombes and Verheijen, 1997).

In fact, reform deficiencies, or even failures, in CEE countries are caused not only by the aforementioned objective reasons, but also by important subjective factors, connected with the processes of policy making and policy implementation. The example to be used here is the reforming of health care in Slovakia. Two starting parts create the basis for analysis – a description of general trends in Slovak health policy and an examination of how these policies were incorporated into reform initiatives, and implemented. The outcomes of health reforms in Slovakia are then assessed, focusing on two selected fields – quality of hospital services and quality of hospital financial management. The outcomes are not very positive, at least from a short term point of view. It seems that both policy formulation and policy implementation are problems in the Slovak case.

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## **Health policies in Slovakia: the main reform goals**

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The aim of the old system was to provide a comprehensive system of health care for all members of the society. All decisions on medical provision were made by the Federal Government and the national Slovak Ministry of Health. They were generally made on political or administrative grounds, and the only accountability was to the Communist Party. The important reason for the relatively low priority of health was a legacy of the Marxist-Leninist political economy. Drawing on Marx's distinction between productive and unproductive labor, the official ideology placed health in the second and less prestigious ideological category. This reinforced its position as a non-key sector, and made its problems less urgent for policymakers. It also accounted for its relatively low wages, and its overwhelmingly female labor force.

A second aspect of the planned economy that was to shape the structural aspects of post-revolutionary Czechoslovak health care was the supply-constrained nature of the system. This had a damaging effect on quality, raising the importance of quantity above quality in plans, and led to producers being insensitive to consumers' wishes. Neither demand nor supply influences necessarily affected the output plans of institutions and, when exchange occurred, it was the suppliers who dominated.

Concerning health, the services were free at point of use, but only after 1987 did patients have the right to choose their primary care providers, opticians and dentists. There were no economic incentives to improve systemic performance, and in general excess demand prevailed. There were no attempts to reduce excess supplies or demands through either coordinated treatment scheduling, or pooling the resources of the different sectors of the health care system. Resources for health continued to grow, though at very modest rates, and, in 1989, stood at roughly five percent of GDP, against an OECD average of about eight percent.

In this situation, in many aspects better than in many other post-soviet countries, the Slovak government started massive reforms, focusing on maintaining access, increasing quality, improving outcomes (especially life expectancy) and controlling the costs of health care systems. The 1992 Slovak government statement might be used as representative expression of the main goals of reform (see Programme Declaration of the Government of the Slovak Republic, 1992):

*“Government activities in the field of health care shall be based on the urgent requirements to stop the impairment of the state of health of the population. Based on the “health for all” principle, the essential element in our policy of public health is to afford health care for every citizen of our republic as required by his state of health, financially based on the principle of mandatory health insurance, with the state providing this obligation in the case of economically inactive citizens. The insurance system shall result in radical changes not only in the health care financing field but will positively influence the physician – patient relationship.”*

A slight redirection of Slovak health policies after 2002 (for example, towards higher participation of patients) was envisaged by the Prime Minister Dzurinda's coalition government proclamation (Sme, 5. 11. 2002, p. 2):

*“The government focuses to stop increasing the debt of the system, and balance its economy, on the basis of equal financial contribution (in real terms) from the state budget as in 2002. The access and flexibility of services delivered shall increase; the priority for the state will be expensive treatments that cannot be paid individually by the patient. The preventive aspects of the system, a shift to ambulatory care, home care, and same day surgery shall be priorities. The law on health care shall define the scope of services financed via compulsory insurance; all other services shall be paid from voluntary insurance system”.*

## **Health reform implementation processes**

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General trends of health policy in Slovakia were defined by the Programme Declaration of the Government and the main reform documents (the first published in 1990). The most important goals of the reform were health care for everybody, the guarantee of “needed” scope of health care to everybody, cancellation of a state monopoly in health care, plurality of provision of health care, privatization, increased participation of local self-government in the health care system, introducing of comprehensive compulsory (social) health insurance, multi-resource financing of health care and improvement of the health status of citizens. These goals did not change during the entire period, but in the later phase, after 1995, health finance and the necessity to balance costs and resources became an increasing priority, and from 2004 additional new elements were incorporated.

Two of the most important reform dimensions were the development of the insurance system and privatization. Slovakia introduced a system of social health insurance to replace the old general taxation system financing. The main laws regulating health insurance were passed in 1994, laying the foundation for establishing thirteen health insurance companies. Most of these disappeared from the “market” leaving only five by 2002.

The privatization of the Slovak health care system started in the middle of 1990's mainly in out patient care and pharmacies. The objective of privatizing inpatient care was proclaimed several times, but by 2001 there were still only three non-state hospitals in the whole country. In 2002, the management of hospitals was decentralized, and some hospitals were given self-governing status. Only in the 2003 – 2004 period did some hospitals became non-profit, semi-independent bodies.

In primary care, in 1995, the state system accounted for 58 % of expenditures, in 1996, only 8 %, and, by 2001, 5 %. For pharmacies, the development was similar – the proportion in the state sector decreased from 97 % in 1995, to 5 % in 1996, and 3 % in 2001. The privatization of specialized ambulatory care was slower, but

already by 2001 the state sector accounted only for 26 % of all facilities (see Zajac, Pažitný, 2002).

The semi-radical shift after 2002 to limited marketization of the system was concluded in June 2004, when Health Minister Zajac prepared, and submitted to the Parliament, the set of new health laws that were expected to significantly change the system by increasing the level of co-payments, introducing commercial voluntary health insurance and changing health insurance companies into joint-stock companies. All six draft laws were approved and were valid from January, 1<sup>st</sup>, 2005. Their impact on the health system in Slovakia will not be immediate, and are difficult to predict. Below, the main elements of these new laws are presented.

**The Law on Emergency Services:** This law stipulates that every citizen has the right to fast emergency service, available, at maximum, in 15 minutes. The emergency service will be produced by any form of legal person with the license (respecting the public-private-civil sector mix principle).

**The Law on Health Care and Other Health Related Services and the Law on Health Care Financed by Compulsory Social Health Insurance:** These two laws have to be evaluated together. The first one is the basic law, the second sets the rules of implementation. This new legislation incorporates into the health care system the principle of rationing (distinguishing between what shall be available free at the point of use to everybody and what will not) by setting following structure of health services:

- A: Emergency health care – delivered to all threatened, independently of individual ability to pay.
- B: Health care services, divided into two groups, as follows:
  - B1: Basic package of health services, fully covered from compulsory social health insurance
  - B2: Other health services, subject to co-payment from the patient
- C: Health related services (accommodation and catering in hospitals, etc.), delivered for fee.

The second law sets the rules for reimbursement of respective health services in detailed way.

**The Law on Health Insurance:** This law sets new rules for health insurance system. For the first time two layers of health insurance are created:

- A: Compulsory social health insurance, providing insurance services according to specific health care legislation (above mentioned laws).
- B: Individual (private) health insurance, providing insurance services according to general business law (Business Code).

The social health insurance system is still defined in broad way to maintain the guaranteed access of the citizen to the basic package of health services. It is based on fixed rate contributions from employers and employees (and from the state for the economic inactive citizen, and includes redistribution mechanisms according to risk (to prevent skimming)).

**The Law on Health Insurance Companies:** This law provides that all health insurance companies shall be transformed into shareholders companies, with 100 % of shares owned by the state in two of them. The rights and responsibilities of insurance companies significantly increases to allow them to function as real regulators of the health care system: most important, insurance companies are responsible for securing the minimum network of health facilities in their region and for contracting with health providers.

**The Law on Health Providers, Health Professionals and Their Professional Bodies:** This law enlarges the list of types of health providers (for example, by including home care, one day care), sets the principles for a minimum network and provides for transformation of all health providers to non-profit or shareholder companies (no state health care providers are expected to exist after 2006).

## **Health reform outcomes and problem of their measurement**

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It is very difficult to assess the level of success of any reform measure. Experts and politicians always want to show reform outcomes from their political or professional point of view. Frequently their opinion on the same problem dramatically differs. Often, there is no chance to find the same voice, as the values used and the goals of evaluation frequently differ. However, some (semi)objective indicators exist and provide certain space for comparisons. Such indicators are presented in the following analysis. However, the view is only a short-term one. The reform measures are in force for a relatively short period, and the long term consequences might differ from the short-time perspective.

**Quality of Hospital Services:** Concerning clinical care, there have been significant and measurable quality improvements on the supply side. These have been mainly in the structure and quality of equipment available in health establishments, and in the range of medicines available and used for treatment. After 1989, several barriers limiting the possibility of importing top “Western” technologies were dismantled, and the regulations concerning what can be purchased and prescribed were weakened. Such trends delivered contradictory outcomes – on the one hand, there were improvements in the technical aspects of quality of services; on the other hand, there was a relative “oversupply” of technologies and expensive drugs, which was one of the causes of financial problems in the system.

Compared to the positive technical developments, the trends in other aspects of clinical quality are more controversial and difficult to prove. In spite of many

promises, the Slovak government was not able to introduce systematic medical and organizational audit of health providers, which would tell us more about how care is delivered. Only in October 2002, with the appointment of a new health minister, has the government been willing to accept that problems with the clinical quality of care exist and probably increase year by year, as the consequence of the persistence of many unsolved internal problems in the system (for example not only low, demotivating wages for personnel, but also the non-existence of required technical clinical standards). The case of the mistreatment of the Slovak President in 2000 (see Zajac, Pažitný, 2000) clearly showed basic weaknesses in the daily delivery of care, but it was not used as an impetus for changes.

Trying to limit some health care quality problems, the Slovak Ministry of Health initiated from 2002 several actions to improve the situation. These included the creation of a special unit for patients' complaints to the Ministry, a promise to introduce medical standards for all levels of health care; and known cases of mistreatment are immediately inspected by the Ministry. In many such cases, the responsible doctors were suspended and even hospital departments temporarily closed.

To document existing problems in the clinical quality of care, two sets of indicators are used. One is the increased frequency of reporting (by media) on misconduct of medical personnel when treating patients, and the related increase of court cases involving medical professionals over mistreatment. In 2004, the media reported on 4 cases where the death of the patient was clearly caused by the hospital: the highest number ever reported. In 2005, a patient won for the first time in the Slovak history a case against a doctor concerning mistreatment. However, these indicators do not directly prove that clinical quality is decreasing; they just indicate increased awareness about the problem.

The second suggested indicator – frequency and structure of patient's complaints – suggests that the level of dissatisfaction has increased. However, the weakness of this indicator is connected with the problem of expectations in that:

- of there are no expectations, no claims would occur,
- if there is expectations that complaints would not help, number of complaints decreases.

There is some evidence proving that the patient's quality of care has improved, but very slowly. Compared to the old system, there is a choice of provider, but the patient is still very far from becoming the central subject of the system. In Slovakia the document "Patient Rights" was prepared and published in 2000, and some establishments have not yet adapted it fully to local conditions. Queuing for treatment without the option for a precisely appointment is typical with most providers, including private ones.

As mentioned, important indicator of both clinical (see above) and organizational quality are the reactions from patients. As the part of developing governance and e-governance system in Slovakia, all patients have now the possibility to complain for health care related problems to the special unit in the Ministry of Health Care – the Unit for Protection of Patients’ Rights. The number and structure of such appeals is warning, and tells that there are major quality problems that need to be solved. We select some of negative messages, related to hospital care:

- complaints concerning the quality of care delivered
- lack of communication between medical personnel and patient
- non-professional behavior of medical personnel
- lack of information provided to the patient
- “demotivating” to complain by medical personnel
- illegal payments – to doctors and for certain services (labs, transport ...)
- doctors ask directly for sponsorships
- foreign patient was not allowed to check the price list and to consult methods of treatments, etc.

## **Quality of financial management in hospitals: case of public procurement**

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Taken together the governmental statements identify as one of the main aims of transition as improving efficiency. But in practice such aim has not been consistently realized; and by 2002 the hospital and insurance sectors in Slovakia were heavily indebted. In addition several crucial and chronic weaknesses remained. Specifically: low economic efficiency; a lack of evidence-based decisions; low relative pay and the attendant labor retention problems; over large drugs bills and insufficiently effectively managed capital programmes, and a general underdevelopment of preventive medicine. Shortage of funds led hospitals to proliferate the range of services, and to pay low wages. Drug bills exploded, and the lack of overall control of the system led to inefficient capital investment programmes, and insufficient resources were devoted to preventive medicine.

The Table 1 provides basic data characterizing the financial situation of health care systems in Slovakia. Data from this Table, especially development trends of hospital expenditures might be important indicator of quality of financial management at micro and macro level.

**Table 1**  
The Economic Performance of the Health Care System in Slovakia  
(in billions of SKK)

	1996	1997	1998	1999	2000	2001	2002
<b>Health insurance system resources</b>	35.4	38.4	41.4	43.0	45.3	49.6	55.0
<b>Resources from the Ministry of Health</b>	4.6	4.9	4.7	4.4	4.5	4.9	4.8
<b>Resources from Social Insurance Company</b>	1.0	1.2	1.3	1.3	1.0	1.1	1.2
<b>Direct payments from inhabitants</b>	2.6	3.8	4.1	5.4	5.9	6.3	7.0
<b>Total resources</b>	43.6	48.3	51.5	54.1	56.7	61.9	68.0
<b>Primary care costs</b>	4.3	4.5	4.2	4.4	4.7	4.9	5.1
<b>Secondary ambulatory care costs</b>	0.2	1.3	1.5	1.8	1.9	2.1	2.2
<b>In-patient care costs</b>	21.4	24.0	25.6	25.0	26.0	28.1	29.5
<b>Medicaments and health aids costs</b>	12.2	14.5	16.1	18.8	20.6	22.8	24.1
<b>Other costs</b>	1.1	3.4	5.0	4.1	6.9	7.7	8.0
<b>Ministry of Health costs</b>	4.6	4.9	4.7	4.4	4.5	4.9	4.8
<b>Total costs</b>	43.8	52.5	57.1	58.5	64.6	70.5	73.7
<b>Balance</b>	-0.2	-4.2	-5.6	-4.4	-7.9	-8.6	-5.7
<b>Deficit coverage</b>	0.2	4.2	5.6	4.4	7.9	8.6	5.7
<b>External debt</b>	0.2	4.2	5.6	4.4	4.4	5.2	2.1
<b>Privatization grants</b>	0.0	0.0	0.0	0.0	3.5	3.4	3.6

Source: Nemeč, Ginter, 2003.

The data show that in spite of the economic performance of the system and that the necessity to improve is on the agenda of the Slovak government, the real results are unsatisfactory. In Slovakia from 1997 the system systematically consumed 10 – 15 % more than the available resources and this trend did not change in spite of many attempts to rectify it. Minor improvements in 2004, like decrease of total amount of drug expenditures may represent signal of “future good times”, but it is too early to assess real trends resulting from new reforms.

Reform team expected that new legislation and regulations issued after 2000 would have major positive impacts on incentives of hospitals to function effectively and efficiently, also by the mean of improved quality of financial management in hospitals. To check the reality, our team, supported by the Transparency International Slovakia, realized in 2004 field research focusing on one dimension of financial management – public procurement. The results of it are significant indicator of the real situation.

To analyze the situation 15 medium size hospitals (Malacky, Galanta, Dunajská Streda, Levice, Komárno, Myjava, Považská Bystrica, Čadca, Dolný Kubín, Lučenec, Rimavská Sobota, Humenné, Levoča, Michalovce, Trebišov) were selected and following indicators/areas used:

- organization of public procurement
- structure of public procurement
- in depth analysis of procurement in specified areas
- price benchmarking.

Concerning the organization of public procurement one hospital did not have qualified – certified staff responsible for public procurement (rule prescribed by the law). No hospital prepared and used public procurement plan and audit of public procurement outcomes was not realized. Public procurement processes in hospitals are not supported by effective software, and the evidence of data is of very low quality. Majority of hospitals has own web page, but procurement data and information are usually not displayed. Joint procurement and frame contracts are not regularly used. On the base of these indirect indicators we can conclude that the quality of the organizational system for public procurement in Slovak hospitals is very low.

The second important set of indicators to evaluate quality of financial management in hospitals via public procurement processes are outcomes. To evaluate them we used simple benchmarking of final prices of goods and services procured compared to standard market prices. Such approach to evaluate public procurement was used in Slovakia for the first time.

Data obtained by benchmarking clearly indicate major differences between unit prices under which hospitals procure medicaments, medical equipment, daily goods and services. The Table 2 indicated the scale of differences.

**Table 2**  
Benchmarking – the scale of differences between hospitals

<b>Hospital</b>	<b>Number of extreme differences</b>	<b>Average difference in %</b>	<b>Sum of rankings for all selected items procured</b>
<b>Čadca</b>	2	3	7
<b>Dolný Kubín</b>	7	2	14
<b>Levoča</b>	5	4	14
<b>Považská Bystrica</b>	12	1	21
<b>Michalovce</b>	6	6	22
<b>Rimavská Sobota</b>	3	9	24
<b>Dunajská Streda</b>	1	7	28
<b>Humenné</b>	10	5	29
<b>Lučenec</b>	4	8	29
<b>Levice</b>	9	11	40
<b>Myjava</b>	11	10	40
<b>Trebišov</b>	8	12	44

All data were obtained from accounting books from hospitals and because of this are almost reliable. Results clearly show that the quality of public procurement in hospitals measured by outcomes is very low. One concrete example might be used to document current situation – the prices of pork meat for catering services (not out-sourced in any case) were in some hospitals as follows (price paid by hospital versus price in nearby supermarket): 170,32 versus 151,00 Sk, 163,31 versus 130,00 Sk, 173,85 versus 159,00 Sk, 162,80 versus 139,90 Sk, 173,44 versus 149,00 Sk, 180,54 versus 145,00 Sk.

All information obtained by our team clearly indicates that hospitals procure in non-transparent and ineffective way. This is mainly not because of just lack of skills, but very much more general problem, as clearly visible from the statement of the director of last performing hospital (according to our evidence) in Trebšov: “The life of the patient is much more important than the Public Procurement Law. Our only concern is to provide the patient with maximum care”. The patient does not care about the procurement of medicaments; he just wants his/her drug” (*Správa STV*, 3. 11. 2004). However, without efficiency available resources cannot allow to provide enough proper drugs to all.

## **Wrong policy or wrong implementation?**

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Without too much doubts, we may conclude on the base of indicators used that the first decade of health reforms in Slovakia did not bring enough positive outcomes. The quality increased only in certain aspects, mainly because of more resources, the financial management is may be even worthier than in old regime. It is too early to predict future after major changes in beginning of this century.

Taking this situation into the account we may put in front of us the question from the title of this part. If the policy is already improperly formulated (or not effectively formulated at all) it is very difficult to achieve positive outcomes. When implementation fails, policy-making loses its purpose, mission, credibility and effectiveness. Evidence on the practice of policy making shows that the both stages: policy formulation and policy implementation, are extremely weak in Central and East European countries.

Concerning our case of the Slovak health care reform, we are able to provide some evidence showing that the original problem is connected already with policy formulation phase and that the implementation was not able to cope with original starting failures, but it just increased the scale and scope of problems.

One of crucial issues of the reform was the idea of replacing former general taxation based model of financing of health care by new social health insurance model. This change was supported by typical arguments about plurality, independence and competition as main factors stimulating positive changes in the system. Such idea could be subject of many objections by the general economic and health

economics theory, especially for transitional period, we won't discuss now (for detail see for example Nemeč and Lawson, 2003). The crucial issue is that basic preconditions for insurance market to work weren't created, either by the reform contents, or by its implementation.

### **Plurality and Competition**

In Slovakia the Parliament lays down the level of insurance payments in relation to wages. The influence of the state on insurance companies does not stop at parliamentary finance votes. The Ministries of Finance and of Health determine most aspects of companies' payments, from the structure of the reimbursement system to the point values of all medical services, set maximum level of administrative costs. Furthermore, the Slovak Parliament also deliberately decides on the level of the state contribution for economic inactive citizen, representing important part of insurance funds.

The level of equalization between insurance companies was a matter of permanent fight between different actors in both republics, involving frequent changes of the system, but ending with 100 % equalization in Slovakia already from 1999. The financial, especially reimbursement rules changed almost every year (Table 3).

**Table 3**  
Reimbursement Systems for Providers in Slovakia

<b>Date</b>	<b>Primary ambulatory care</b>	<b>Secondary ambulatory care</b>	<b>Hospitals</b>
<b>1.1.1993</b>	Capitation	Fee for service	Differentiated price per treatment day
<b>1.4.1993</b>	Point system	Point system	Point system
<b>1.5.1994</b>			Lump sum
<b>1.7.1994</b>			Differentiated price per treatment day
<b>1.9.1994</b>	Capitation		
<b>1.4.1995</b>	Combined system		
<b>1.4.1997</b>			Differentiated price per treatment day, change of basis
<b>1.12.1998</b>	Capitation		Budget
<b>1.1.1999</b>		Fee for service with upper limit	
<b>1.5.1999</b>			Prospective budget
<b>1.6.2000</b>	Capitation based on age		Maximum price
<b>1.1.2002</b>	Capitation combined with fee for service		Service contracts

Source: Zajac, Pažitný, 2002.

The impacts of such tight regulation of freedom of insurance system are straightforward. The change saw a proliferation of companies followed by rapid consolidation and final domination by single player the Slovak General Health Insurance Fund (SVZP). By late 1995 twelve insurance companies were operational in Slovakia, including the SVZP and separate companies covering the Ministry of Internal Affairs, the railways and the armed services, corresponding to their previously noted separate health care systems. However, the situation changed rapidly. In Slovakia both government and economic pressures led to a fall in the number of competing companies. Basically the eleven non-general companies were cherry picking that is, segmenting the market. The SVZP ended up with 75 % of the patients, but with the least attractive ones from a medical and hence profitability viewpoint. After several bailouts, by early 2002 the system had been reduced to only five companies. To remove the impact of cherry picking, once the companies have collected their contributions all of the funds are pooled and redistributed according to the company clients' age and sex profile. In effect competition has been removed.

### **Independence**

Depending on the legislation covering the regulation of the companies, the insurance-based system multiplied politicians' possibilities for intervention. Such path was frequently chosen by the Slovak Parliament, which has repeatedly used its powers of intervention in an unwise manner. For example, under the Act No. 374/94 Parliament determines the annual payments to the insurance system for the two-thirds of the population who are either civil servants or are inactive. From 1995 Parliament withheld significant amounts of those payments for no discernable good reasons, forcing the health care system to delay payments and waste resources in lobbying politicians for their release. By subsequent legislation the private sector lost any real legal chance to be repaid for "compulsory crediting" of health establishments, in the form of non-paid invoices for delivery of goods and services to health sector.

### **Main factors retarding achievement of reform goals**

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More factors might be found in Slovakia, limiting the chance for successful policy formulation and successful policy implementation in the area of health care reform. We mention some of them in following text.

#### **Limited skills of policy designing and self-protective behavior**

Concerning effective policy formulation, there is no doubt that there was real lack of general and specific expertise to set effective health reform policy. Persons responsible for the reform were mainly medical doctors, with limited economic background, and in some case protecting interest of medical profession.

## **Political instability**

Concerning policy formulation, but also policy implementation another factor is worth to mention. Since 1989 till 1998 Slovak governments have been mainly unstable and generally short-lived coalitions of different political groups. With real time constraint and non-continuity, the chance for successful reform is more than limited.

## **Voter's opinion**

Important factor, influencing both policy formulation and policy implementation are voter's preferences. And in a world of drastic economic and political change it is not surprising that only a minority of the Slovak electorate has shown some taste for significant social change. In late 1994 the Focus polling agency recorded that at the point of independence in late 1992, while 41 percent of respondents thought that "radical changes of society" were necessary, 46 % thought that only "small changes" would suffice (see SPACE, 1995). Radičová and Potůček (1997) go as far as arguing that health care professionals have in effect "captured" the Health Ministry to promote their interests.

## **Economic development and economic interests of main players**

Lack of resources might be dominantly connected with policy implementation phase, but has some origin already in policy formulation. From economic point of view, as more times mentioned in our text, because of relatively low level of GDP per capitam and large expectations, Slovakia has to cope with important problem – problem of discrepancy between "needs" and resources. The Slovak health care system heavily depends on public finance based resources, when the participation of patients in the form of direct payments/co-payment is still rather limited and much lower than in most developed countries, but its before 2004 structure was not designed to cope with this limitation. Opposite, it created following system of main players, contradictory to main financial goals of the health care sector:

- A: Hospitals (health establishments) – not constrained by hard fiscal discipline, their management has enough space to channel proper part of finance to private pockets.
- B: Medical doctors – not constrained by hard financial discipline, can do what they want, produce suppliers induced demand in all dimensions (extra treatments, extra equipment, extra drugs, etc.). Have enough space for shadow incomes.
- C: Politicians – by allowing extra resources "satisfy" needs of their voters.
- D: Bureaucrats – with extra resources have more power.
- E: Patients – who may get and appreciate better (more expensive) drugs or treatments.
- F: Insurance companies – not able to control the system and its finance, because of improper regulative environment.

## Conclusions

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The Slovak health care system after 1989 was influenced by set of reform steps of different character. The first ten years of reforming did not deliver enough positive outcomes – certain selected indicators were discussed in our paper. To cope with pertaining or even increasing (economic efficiency) deficiencies of the system, major market based reform was introduced after 2000, with most important reform laws passed by the Parliament in 2004, effective from 2005.

The brief analysis of processes and outcomes of past health reforms clearly indicates that several expected – proclaimed goals were not achieved. We argue that both ineffective policy making and ineffective policy implementation processes might be one important factor laying behind this situation. We do not want to say that this Slovak case is fully illustrative for similar reforms in other CEE countries. On the other hand, there is some evidence (Rosenbaum, Nemec and Tolo, 2004) that very similar, or even worthies situations occurred when reforming health care in post-communist countries.

Our main conclusion is that in situations when it is rather politics and not policy that is the main determinant of the reform contents, inefficiencies are inevitable. And such cases still dominate in CEE.

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# Public Budgeting in the Czech Republic

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## Introduction

The budgetary process is a complex of decisions taken about various subjects, which results in resource allocation in the public sector. As the public budgets in the Czech Republic distribute about 44% of the GDP it is worth studying who makes, how and when, the decisions crucial for the final use of public money. The goal of this article is to provide a comparison of the role different actors play and the powers they exercise in the budgetary process – both at the central and local (municipal) government levels. The research will answer the question of whether the scheme used at the central level is used at the municipal level or if the roles and powers in the municipalities are distributed differently.

First, a general overview of the Czech governmental system, public finance and mechanisms of democratic accountability are presented. In the second part, the budgetary process, its main steps, budget legislation and applied methods are summarized. In the third part, the roles of the individual budgetary process participants at the central government level are analyzed and a simple model is conceptualized. Then the municipal budgetary process is researched and compared to the model. Finally, the central and municipal budgetary processes are compared and the degree of democratic accountability is evaluated.

## Governmental system and public finance in the Czech Republic

In November 1989, the Communist regime agreed to a peaceful and gradual democratisation of the political system. It was under pressure from massive demonstrations and it led to the downfall of the Communist regime. This process is known

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as the Velvet Revolution and it started the building of a genuinely democratic political system based on its pre-Communist traditions (the period before 1948).

**Political context:** The current Constitution of the Czech Republic came into force 1st January 1993. It establishes a parliamentary republic. The President is head of state with largely symbolic powers and is elected by the Parliament. The President is elected for a maximum of two five-year terms by the Chamber of Deputies and the Senate. Legislative powers are vested in the Parliament of the Czech Republic which is divided into two chambers: the Senate and the Chamber of Deputies.

The Chamber of Deputies is the supreme legislative authority and has the final say on budgetary and legislative matters. Deputies are elected by proportional representation for four year terms, while Senators are elected for six year terms on the basis of a majority system. This option is crucial for the possible impact of political structure on accountability and credibility of the management of public finance in Czech Republic. The Chamber of Deputies has 200 seats and members are elected by popular vote to serve four-year terms.

The Senate has 81 senators elected in 81 constituencies. The first elections took place in 1996. A third of the senators were elected for 2 years, another third for 4 years and yet another third for 6 years. The subsequent elections took place in one third of the constituencies in 1998. Following these elections, all senators have been elected for 6 years. Every year, elections for the Senate members take place in one third of the constituencies, which makes the Senate a permanent institution that cannot be dissolved and continuously performs its work. Moreover, the political structures of Senate and the Chamber of Deputies are completely different due to 1) the different serving terms (4 years for Chamber, 6 year for Senate, 5 years for President) and also 2) due to different voting schedules. If the Chamber of Deputies is dissolved, it falls to the Senate to take legal measures in matters which cannot be delayed and which would otherwise require the passage of an act. The unconditional consent of the Senate is required for the passage of constitutional laws and some other legislation, e.g. concerning elections.

## **Judiciary and regional government**

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The judiciary is (should be) independent in law and in practice, although 1) the nomination of judges by the Ministry of Justice and 2) the President naming of new judges leaves some scope for political interference. The Ministry determines the number of judges and state prosecutors and their promotion, and administers the judiciary's budget.

However, the judiciary remains chronically understaffed. Administrative and technical support also remains insufficient, especially at the district court level. This contributes to severe delays, particularly in civil cases, of which the average length stood at 592 days for district courts. On the other hand, the speed and efficiency

of the enforcement of civil judgments have been significantly improved since the establishment of the Chamber of Judicial Executors, which began operating in 2001 under the Act on Private Bailiffs. This created 108 judicial executors' posts and the system appears to be working efficiently.

Regional governments are now an integral part of political structure of the Czech Republic. Although the constitution called for the establishment of regional governments, implementation was repeatedly postponed owing to disputes over their number, demarcation and authority, as well as the ODS's long-standing opposition to decentralisation of power. The regional governments' powers include control over educational institutions, healthcare facilities, environmental policy and regional planning.

### **Budgetary process: regulation, main steps and methods**

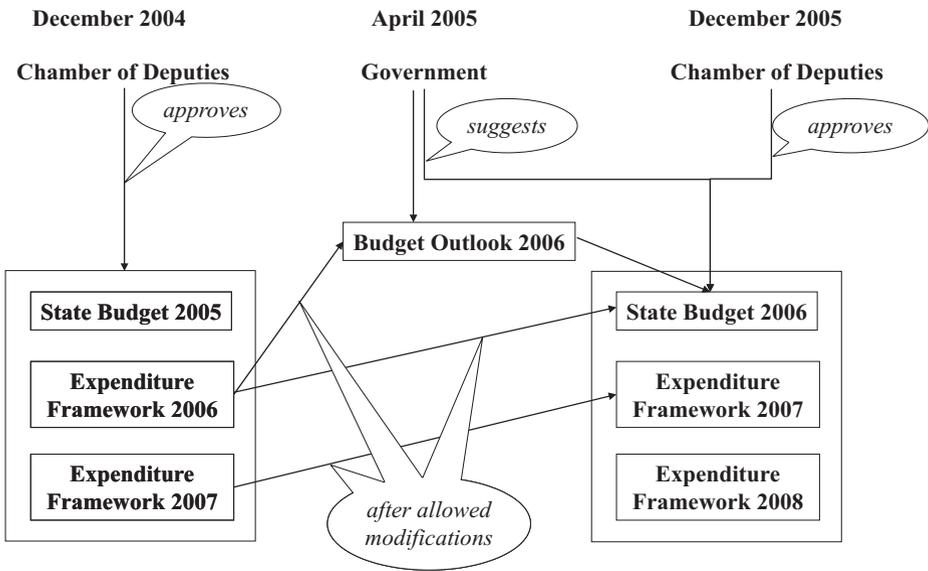
The budgetary process in the Czech Republic is mainly regulated by two laws: Budgetary Rules (Act # 218/2000 Coll.) and Budgetary Rules for Territorial Entities (Act # 250/2000 Coll.). A few other laws specify the roles different subjects play in the budgetary process (e.g., Rule of procedure of the Chamber of Deputies (Act # 90/1995 Coll.), Law on municipal establishment (Act # 128/2000 Coll.) and Law on regional establishment (Act # 129/2000 Coll.)).

The Budgetary rules define the parameters of the budgetary process and management within the public budget system. It specifies, among other things, the compilation, functions and content of the state budget; the multi-annual outlook; the multi-annual expenditure framework; and the closing account of the state budget. The Budgetary rules were significantly amended in summer 2004 as a result of the ongoing reform of the public budgets. Several new steps were included in the budgetary process to introduce the system of multi-annual budgeting. At the same time there was established a binding budget calendar for all the steps and participants in the preparation process of the state budget.

The budgetary process is composed of two mutually connected cycles: the multi-annual planning and the annual budgeting cycles. The annual budget is based on the approved multi-annual expenditure framework. The Chamber of Deputies approves in December (t-1) the state budget for the year (t) and the multi-annual expenditure framework for the years (t+1) and (t+2). The multi-annual expenditure framework contains the total expenditures of the state budget and the extra budgetary funds for the years (t+1) and (t+2). In April (t) the government discusses the budget policy for the year (t+1) and sets the limit for the total expenditures, which is equal to the amount approved in the multi-annual expenditure framework after some allowed modifications. At the same time, the government discusses the multi-annual outlook, which is the multi-annual expenditure framework elaborated for each spending ministry and each extra budgetary fund for the years (t+1) and (t+2).

Unlike the multi-annual expenditure framework, the multi-annual outlook is not approved by the Chamber of Deputies and is therefore not binding. The mechanism of the multi-annual budgeting is illustrated in Figure 1.

**Figure 1:**  
Mechanism of multi-annual budgeting<sup>3</sup>



This system should promote the fiscal targeting and gradually improve the country’s budget position (i.e., high budget deficit and growing public debt). The introduction of this mechanism is very positive because centralization of the budgetary process promotes better fiscal performance (Hagen and Harden 1994 or Alesina et al. 1996). However, this procedure will be first used for the state budget 2006, so there is no experience with it so far.

Preparation of the annual budget starts in late June (t-1) when the Ministry of Finance provides the spending limits to the spending ministries. The Ministry of Finance compiles the draft budget in August (t-1) and the government discusses and approves it in September (t-1). The draft budget must be submitted to the Chamber of Deputies by September 30, (t-1).

The parliamentary stage is regulated by the Rule of Procedure of the Chamber of Deputies and the debate has three readings. In the first reading, the Chamber approves the main parameters of the state budget (i.e., revenues, expenditures, their

<sup>3</sup> Budgetary rules (Act # 218/2000 Coll.), own adaptation

balance and its financing, total subsidies to local governments and the extent of power delegation to the executive) or it returns the draft budget to the government. Then, the individual budget chapters are discussed in the committees. The budget committee collects and discusses the resolutions of the individual committees to the budget chapters. In the second reading, the amendments are proposed and in the third reading the Chamber of Deputies votes on the amendments and approves the budget.

The budgetary process in the Czech Republic is a traditional budgetary process, as characterized by Wildavsky (1997). It is incremental, line item budgeting which focuses only on inputs. The government declared in its public budgets reform its desire to introduce performance oriented budgeting. So far there are some initiatives at individual ministries to learn more about performance measurement or introduce some measures – but these attempts are not mutually coordinated or government wide.

In 2003, the government realized so-called expenditure audits of the spending ministries. These audits should have analyzed the use of the public funds and evaluated their effectiveness and efficiency and they should have helped to set priorities and identify savings. All the ministries received detailed questionnaires and were supposed to list expenditures for all their programs, justify them and suggest their possible reductions. Not surprisingly, no ministries found any unnecessary expenditure.

## **Local government budgetary process**

The Czech central government sets minimum standards for local governments so that proper financial procedures are performed and fiscal control and accountability is ensured. These requirements comprise budgeting, accounting, auditing and financial reporting (see Table 1 for details). These standards are very similar both for the municipalities and the regions.

The central regulation leaves significant space for municipalities to choose how they will proceed preparation and debate of the draft budget. It only requires that the draft budget is available to the public for comments and that it is approved by the council.

To identify the main steps of the budgetary process we undertook interviews with five municipal budget officers in October 2003. Based on this information, we can generally describe the municipal budgetary process as follows:

1. The budget officer sends instructions and tables to the department heads;
2. The budget officer prepares the revenue estimates;
3. The department heads submit their requests;
4. Property or investment departments prepare the capital budget;

**Table 1**  
Municipal Budget Process Regulation<sup>4</sup>

**Fiscal year**

The fiscal year is given by law and it is equal to the calendar year for all public budgets.

**Budget**

Annual budget contains both current and capital operations.  
Municipal governments prepare multi-annual budgetary outlook.

**Balanced budget requirement**

Budget should be prepared as balanced.  
Deficit is allowed only if it can be covered by either surplus from previous years or from repayable resources, guaranteed by contract, which will be repaid in the future.

**Budget classification**

Uniform budget classification applies for all public budgets.  
Economic, functional and, optional, organizational classifications are used in municipal budgets.

**Accounting standard**

Cash accounting is used and the double entry system is required for all municipal governments.

**Multi-annual outlook**

It contains basic summary data on revenues, expenditures, debts, financial resources and needs for the period of two to five years.

**Budget preparation**

Preparation of the budget draft must reflect the relations to the other public budgets.  
The draft budget must be available to public. Citizens can submit their comments in writing or orally at the council session.

**Amendments**

Amendments are obligatory in case of any changes in financial relations with other public budgets, at the legal level of control or in case of danger of a deficit.  
Amendments include changes in revenues and expenditures, which do not lead in change of the budget balance and blocking of budgetary funds.

**Audit**

Audit of financial and legal compliance is obligatory for all municipal governments. It is provided by private firms or, in case of municipalities with less than 5000 inhabitants, by the regions.

**Financial reporting**

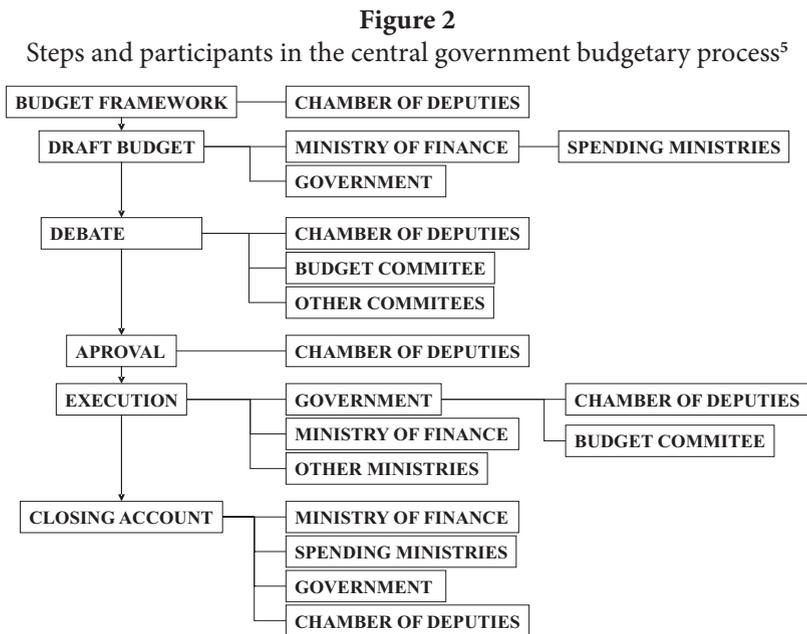
Municipalities submit through the regions monthly reports on uniform basis to the Ministry of Finance

<sup>4</sup> Budgetary rules for territorial entities (Act # 250/2000 Coll.) and Law on Municipal Establishments (Act # 128/2000 Coll.)

5. The budget officer discusses the requests with the department heads and adjusts them;
6. The budget officer summarizes the adjusted requests and prepares a draft budget and compiles summary tables;
7. The draft budget is discussed;
8. The draft budget is published;
9. The council approves the budget.

## Participants of the central government budgetary process and their roles

The budgetary process participants belong both to the executive (Minister and Ministry of Finance, spending ministers and ministries and the government, i.e., the council of the ministers) and to the legislative branch (Chamber of Deputies, budget committee and other committees). Participants of the individual steps of the budgetary process are shown in Figure 2.



Generally the legislative constrains the executive. First, during the preparation of the draft budget – as the Chamber of Deputies, in the multi-annual expenditure framework, limits the total expenditures the executive can realize – and second,

<sup>5</sup> Budgetary rules (Act # 218/2000 Coll.) and Rule of procedure of the Chamber of Deputies (Act # 90/1995 coll.) – own adaptation

during the budget execution – as the Chamber of Deputies approves the state budget, i.e., a detailed financial plan for the government and each ministry.

At the same time the executive is accountable to the legislative. The government must submit to the Chamber of Deputies the half-yearly report which assesses economic development and the management of the state budget and the local budgets, it also analyzes the state of the state financial assets, state guarantees and state debt with a detailed outlook until the end of the year. The quarterly reports assess only the management of the state budget and are submitted to the budget committee of the Chamber of Deputies. The government submits to the Chamber of Deputies the closing account of the state budget until April 30, (t+1). The limitations lie in the fact that the Chamber of Deputies cannot do much in case it is not satisfied with the submitted reports. For example the debate of the closing account of the state budget takes part in August or September (t+1), when much higher attention is already paid to the draft budget for the next year (t+2).

Next to the governmental reports to the Chamber of Deputies, the budget committee authorizes changes in the budget requested by the individual spending ministers (changes smaller than 5% of the particular budget chapter are authorized by the minister of finance).

The roles of the individual budgetary process participants are summarized in Table 2.

## **Municipal budgetary process – empirical evidence**

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Research on the municipal budgetary process was realized through a questionnaire. The questionnaire was mailed to all 377 budget officers in municipalities with designated local authority in April 2004. We received back 272 questionnaires, i.e., 72,1%. The return rate was very similar across size groups or regions. The questionnaire contained 15 questions about different steps of the budgetary process. Here we deal with information about the budget officer, type of instructions given to the department heads and participants in the budget debate.

From the questionnaire we found out that in 16 municipalities (i.e., 5,9%) the budget officer prepares the draft budget alone. This means that the description of steps 1 to 6 presented in section 3.2 does not hold there. However, in all cases these were municipalities with less than 10 000 inhabitants.

The organizational structure of the municipality influences who is the budget officer. In 243 municipalities (i.e., 89,4%) the budget officer is the head of financial, economic or similar department either alone or with some other subjects. In the remaining municipalities the budget officer is mostly the mayor or a member of the council (see Table 3).

**Table 2**  
Budgetary process participants<sup>6</sup>

<b>Ministry of Finance/Minister of Finance</b>
<ul style="list-style-type: none"> <li>• Manages the preparation of the state budget and the closing account of the state budget</li> <li>• Elaborates the multi-annual outlook and multi-annual expenditure framework</li> <li>• During the budget execution can approve changes in the budget chapters smaller than 5% of their expenditures and realize some specified expenditures above the budgeted amount (e.g., social expenditures)</li> <li>• Manages the treasury, the state debt, the state financial assets and liabilities and the National fund</li> <li>• Exercises financial control</li> </ul>
<b>Spending ministries/ministers</b>
<ul style="list-style-type: none"> <li>• Participate on the elaboration of the state budget, multi-annual outlook and closing account of the state budget</li> <li>• Submit all necessary data for the compilation of the state budget and the quarterly reports for the Chamber of Deputies</li> <li>• Prepare the closing account of their budget chapter</li> <li>• Are responsible for management of public means in their budget chapters</li> <li>• Set budget limits (i.e., expenditure limits in the given budget year) for all the organizations in their responsibility</li> </ul>
<b>Government</b>
<ul style="list-style-type: none"> <li>• Discusses and approves the draft budget, multi-annual outlook, multi-annual expenditure framework and closing account of the state budget and submits these documents to the Chamber of Deputies</li> <li>• Is accountable to the Chamber of Deputies for the budget management</li> <li>• Submits quarterly reports to the Chamber of Deputies or its budget committee</li> <li>• Informs the Chamber of Deputies about budget changes approved by the Minister of Finance</li> <li>• Decides about the use of the budget reserve</li> </ul>
<b>Chamber of Deputies</b>
<ul style="list-style-type: none"> <li>• Debates and approves the state budget and the multi-annual expenditure framework</li> <li>• Takes into account the multi-annual outlook and the half-year report on budget management</li> </ul>
<b>Budget committee</b>
<ul style="list-style-type: none"> <li>• During the budget preparation can participate on preparation of some budget chapters (i.e., President or Chamber of Deputies) if asked by the government</li> <li>• Plays an important role during the state budget debate</li> <li>• Approves budget changes during the budget year</li> </ul>

The extent to which the budget officer limits the department heads by preparation of the departmental budgets influences the centralization of the budgetary process. Table 4 summarizes the results from the less centralized (only the deadline) to the most centralized (expenditure limits). The major part of the municipalities (exactly 58,9%) does not fall to any of the extremes. The degree of centralization was similar across size groups.

<sup>6</sup> Budgetary rules (Act # 218/2000 Coll.) and Rule of procedure of the Chamber of Deputies (Act # 90/1995 coll.)

**Table 3**  
Budget officer

Budget officer	Number of municipalities	Share
head of the financial or similar department	180	66,2%
head of the financial or similar department and another subject	63	23,1%
of which		
mayor	31	11,4%
manager	12	4,4%
other	29	10,7%
of which		
mayor	8	2,9%
member of the council	7	2,6%

**Table 4**  
Instructions for the department heads

Instructions for the department heads	Number of municipalities	Share
deadline	48	17,6%
revenue and/or expenditure classification	113	41,5%
structure of indicators	31	11,4%
expenditure limits	64	23,5%
n/a	16	5,9%

It is very difficult to simply characterize the debate of the draft budget as the procedures in individual municipalities differ significantly. Therefore, we chose as the starting point the model analogical to the debate of the state budget (see Figure 2), when the draft budget is first discussed by the government (corresponds to the commission or the mayor) and then by the Chamber of Deputies (corresponds to the council) and its committees, especially the budget committee (corresponds to the financial committee). We consider the commission and the mayor one subject as both the mayor and the commission are elected by and from the members of the council. The commission is, however, not elected in small municipalities.

The procedure analogical with the state budget procedure, i.e., at the debate participate the commission and/or the mayor, the council and the financial committee, is used in almost 38% municipalities. A slightly modified procedure, where either the council or the financial committee participate with the commission and the mayor, is used in 37%. This means that in less than a quarter of municipalities the procedure is not very similar to the central government model. For more details about the budget debate participants see Table 5.

**Table 5**  
Participants in the budget debate

<b>Participants in the budget debate</b>	<b>Number of municipalities</b>	<b>Share</b>
commission/mayor, financial committee and council	103	37,9%
commission/mayor and financial committee	87	32,0%
commission/mayor	16	5,9%
commission/mayor and council	12	4,4%
other	54	19,9%
of which		
financial committee	21	7,7%
financial committee and council	19	7,0%

### **Municipal versus central government budgetary process**

There are two main differences between the state and the municipal budgetary process. First, the responsibilities of the individual participants at the municipal level are, with a few exceptions, not given by the central legislation and second, there is a mechanism of direct involvement for the public.

The Law on Municipal Establishment states that the council approves the budget, the closing account and the strategic plan of the municipality. The commission or the mayor are responsible for the budget execution and approve the budget changes given by the council. The law does not state who the budget officer is, how the budget preparation should be organized or who participates in the budget debate.

Some municipalities have an ordinance, which specifies the budgetary process participants, their responsibilities and competencies and which also includes a budget calendar. In the other municipalities, these issues are a matter of the routine practices. From the five interviewed municipalities, two had a detailed ordinance on the budget and the budgetary process.

On the other hand, the budgetary rules for territorial entities require that the draft budget is available to the public at least 14 days before the budget debate in the council. Citizens can then submit their comments in writing or orally at the council session.

Municipalities use three ways of publication of the draft budget: public notice, local paper or the Internet. The most common is the publication at the public notice (268 municipalities, i.e., 98,5%). Second is publication in the local paper (137 municipalities, i.e., 50,4%). Internet states little behind; it is used in 48 municipalities, i.e., 17,6%. The use of the local paper grows with the size of the municipality; the

differences in the use of the Internet are very small across the size groups. Table 6 shows the ways in which the researched municipalities publish their draft budget.

**Table 6**  
Ways of presenting draft budgets

<b>Ways of draft budget publications</b>	<b>Number of municipalities</b>	<b>Percent</b>
public notice	124	45,6%
public notice and local paper	96	35,3%
public notice, Internet and local paper	41	15,1%
public notice and Internet	7	2,6%
local paper	2	0,7%
n/a	2	0,7%
total	272	100,0%

The participation of the citizens in the budget debate is according to all the five interviewed budget officers low. However, there were in the Czech Republic several projects which aimed to increase public participation in local decision making. They were run by nongovernmental organizations such as Agora CE or Centrum pro Komunitní Práci (Center for Community Work). These projects showed that there are many citizens who are concerned about what is going on in their municipality.

We suppose that a low participation of the citizens in the budget debate is caused also by the inconvenient format of the published draft budget. Our research of the budget format in 11 regional capitals (Sedmihraská 2004) showed that the draft budgets published at the Internet are mostly not adapted to a citizen without special accounting or economic knowledge. It is rare that the budget draft contains a summary or commentary to the budget or that it is accompanied by charts or graphics. There is rarely comparison of the expected revenues and expenditures with the current or previous year. At the same time, we missed information on the main budget policies, level of the debt and debt service and the number of employees and personal expenditures.

## **Public budgeting and accountability in the Czech Republic**

Accountability is a process when the public agencies and the public officials are accountable to the public either directly or through the parliament for the realization of public policy, financial management and administrative decision making (Wright and Nemeč 2003). With regard to the budget and budgetary process, accountability means transparency for the citizens about what budget decisions have been made so that the citizens know where their money is going and that it will

be spent well. The budget document is therefore an important means of public accountability (Rubin 2000).

At the central government level, accountability is exercised indirectly through the parliament, which approves the budget and than is regularly informed about budget management. There is sufficient information about where the money was spent and whether it was in compliance with the approved budget. However, there is, in contrast with the municipalities, no required audit at the central government level.

At the municipal level, accountability is exercised both indirectly, through the council, and directly, through the citizens, who can participate in the budget debate. At the same time municipalities have to submit monthly their accounting data to the regions.

However, as there is no system of performance budgeting or measurement, neither the parliament nor anyone else can say how well the money was spent. The only exception are some audits of the Supreme Audit Office, which evaluates the management of public means and the performance of individual public agencies. Unfortunately the audits mostly evaluate only the legal compliance and not the efficiency of the public means (Wright and Nemec 2003).

## **Conclusions**

The central government budgetary process in the Czech Republic is regulated in detail by law, which specifies its steps with deadlines and responsibilities and competencies of its participants. The government recently introduced two new elements in the Budgetary rules: the mechanism of multi-annual budgeting and the binding budget calendar. These elements should help to reach the goal of the governmental fiscal policy, i.e., to lower the deficit of the public budgets and to limit the growth of the public debt.

Municipal budgetary process is, in contrast, regulated only to some extent. The central regulation leaves significant space for municipalities to choose how they will proceed in the preparation and debate of the draft budget, it only requires that the draft budget is available to the public for comments and that it is approved by the council.

Results of our questionnaire research showed that the budget officer is, in nearly 90% of the municipalities, the head of the financial or similar department and that in less than 6% municipalities, the budget officer prepares the draft budget alone without cooperation with heads of other departments. Instructions for the department heads contain more than the deadline in 76% of the municipalities. The department heads have to respect the expenditure limits in nearly 24 % of the municipalities.

Participants and procedures of the budget debate differ significantly across the municipalities, however procedure analogical with the state budget procedure, i.e., at the debate participate the commission and/or the mayor, the council and the financial committee, is used in almost 38% municipalities. Slightly modified procedure, when in the debate, next to the commission and/or the mayor, participate either the council or the financial committee is used in 37%. This means that only in less than a quarter of municipalities the procedure of the budget debate is not very similar to the central government model.

At the central government level accountability is exercised indirectly through the parliament, which approves the budget and then is regularly informed about budget management. At the municipal level, accountability is exercised both indirectly, through the council and directly through the citizens, who can participate in the budget debate. However, the lack of a system of performance budgeting or measurement results in only controlling where the money is spent and not how well it is spent.

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# Preparing the Public Service for Working in Multiethnic Democracies: A Survey of Schools of Public Administration in Central and Eastern Europe

*Michael Brintnall*<sup>1</sup>

## Introduction

Successful governance of multiethnic democracies and the advancement of social and political equity for minorities in Europe are well-recognized goals. This challenge has drawn attention from many sectors, and is being tackled in a wide range of different ways. (Brintnall 2004; Kovacs 2002) Solutions have been viewed variously, and often simultaneously, as a matter of law (Weller 2005); as a matter of education (Tibbetts 2002); as one of social psychology, community organizing, and social integration (Danchin and Cole 2002; Petrova 2002); as a matter of new policy and institution building (Ablyatifov 2004; Krizsán 2004; Marinova 2005); and as one of reform of governance. (Gál 2002) The issue is genuinely multi-dimensional.

This article explores what the civil service can contribute to achieving these goals and, in particular, the role that education and training for public administration can play. It reports on a survey of public administration education and training programs in the region that was intended to learn how they approach this problem and what progress they are making.

Of particular interest is the work of civil servants who are involved directly with citizens and the community. Typically, these officials work at the local government level, or what is sometimes called the “street level.” They both must know what is appropriate policy regarding the issues they deal with, but also they must be effective at implementing it and in understanding the particular circumstances of the citizens with whom they deal with. This is especially challenging, and important for achieving goals of inclusion and social equity, when the community itself is diverse in ethnic, racial, religious and other ways; and when there are groups in the population who have traditionally been excluded or underrepresented in public affairs.

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So far, the evidence seems mixed at best about how national strategies in Central and Eastern European (CEE) countries for minority protection and advancement have succeeded in reaching these local and “street level” civil servants and improving their capacity to make an effective difference. An EU Accession Monitoring report suggests the following:

*In several countries, such as the Czech Republic, Hungary, Poland, Slovakia, and Slovenia the central bodies responsible for developing and implementing governmental minority protection policy lack the competence to influence local public administration effectively. Thus, efforts to enact reforms at the national level – particularly reforms which run counter to popular attitudes and perceptions resistant to giving minority groups “special treatment” may be undermined by local opposition and sometimes by contradictory local policies. . . . In some cases individuals occupying [local] offices have managed to raise the profile of governmental programmes, to facilitate better communications between Roma communities and local governmental structures, and to increase awareness of the needs of local Roma communities. **However, most work with little institutional support, without clear definition of their competencies, and receive little or no specialised training for their positions.***

(OSI/EU Accession Monitoring Program 2002 p. 28)  
(emphasis added)

## Ways education and training can work

Successful multiethnic democracies must achieve at least three goals, including (a) assurance of rights for everyone, (b) equitable delivery of services, and (c) movement toward full inclusion. Each is important and complicated. All require public sector leadership – both political and civil service – that is alert to these challenges and skilled in managing the social and political change required.

To employ the civil service in meeting these goals, especially at the local level, we must first train it well, both in the initial education that public administrators receive and in the training that follows throughout their careers. A major challenge, thus, rests with the schools of public administration education and with the training institutes.

What’s involved? There are many ways that education and training for the civil service can contribute to building successful multiethnic democracies. In general, the strategies include teaching about management in diverse settings; providing access for minorities to public sector roles, and advancing research and knowledge gathering about the community.

**Rule of law and equality under the law:** A key responsibility of public administration (PA) education and training programs, of course, is to convey the knowledge necessary for effective management. This challenge, conveying appropriate information about laws and regulations, is the same for matters of diversity, minority inclusion, and social justice as it is for any other public responsibility, such as finance, public safety, or health and welfare. Presumably PA schools are well prepared and skillful at the latter. It is essential that effective public administration education and training include attention to issues of equality under the law, and of rights of minorities and others in the social and political setting. Many programs recognize this and carry it out well.

**Teaching about management in a diverse setting:** But there is a difference, too, between knowing the laws and carrying them out positively and effectively in socially and political complex situations.. Social and ethnic diversity is invariably coupled with inequality of resources, contests about legitimacy, histories of discrimination, and latent or overt conflict. As any police or social welfare officer knows, maintaining public order in the face of such conflict is a matter of great social skill and insight as well as formal or technical knowledge. We must prepare the next generation of public officials to understand these tensions and conflicts, to anticipate ways to apply constructive solutions, and to manage in ways that help resolve them rather than inflame them.

**Providing access for minorities to the public sector:** A matter of some less agreement is whether success in building multi-ethnic democracy also requires assuring that minority groups are themselves represented in all aspects of the public sector – that they are a part of the public service as well as served well by it. Efforts to be “inclusive” in these ways have been a major priority of efforts to address diversity in the United States, as they have in many other countries.

To the extent that inclusion is considered valuable, the work must start in the schools of public administration to assure that new generations of minority citizens are well prepared for these new roles. This has many dimensions.

**Recruitment of minority students:** One critical element is the effective recruitment of minorities into education and training. Even if the door is legally open for everyone to seek training, groups accustomed to being excluded may not walk through that door without some extra efforts to bring them in. Worse, sometimes programs that claim they are open to everyone fail to make this known among minority communities, resulting a de facto form of exclusion. Efforts for recruitment are sometimes disparaged as “affirmative action.” But recruitment of minorities need not mean favoritism or exclusion of majorities – it can start just with vigorous outreach to everyone, and with outreach to minorities that is designed to be as effective as possible in gaining their attention and involvement.

**Diversifying the Faculty themselves:** In this same spirit, we need to look to the inclusion of minority communities among the teachers as well as the students.

This both signals that the education and training is indeed intended for everyone, and provides an opportunity for greater understanding about the breadth of public needs that students are trained to meet.

**Managing a diverse classroom:** Sometimes, as education and training programs themselves become more diverse, the differences and conflicts of the larger society can appear within the classroom itself. Education and training programs should be attentive to the needs of their own instructors to understand and manage diversity in the classroom. (Canadian School of Public Service; Nelson 1999)

**Projects to advance public sector programs:** Finally, there is much that public administration schools can do to support programs and research in support of a diverse public service beyond classroom education. Much research is need in policy and practice in this area. Programs can be developed to detect and recognize excellence in public sector practice relevant to successful multiethnic democracy – housing, public health, public safety, or education projects that promoted exclusion, for instance. A program of “public sector excellence” in this area might be effective. Also, awards can be given to individual public servants, perhaps recognizing people from different minority groups, who can stand as important public models.

## **Survey of Public Administration Education in CEE**

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We know how important public administration education and training is for the future of public service, and how big the gap has been in many countries. But little is known about what public administration training and education programs in the CEE region are doing to respond to multi-ethnic communities and diversity. Thus a survey was developed to see what can be learned about current activities in CEE public administration schools to address these questions. With the help of the NISPAcee secretariat, this very brief survey was sent to the heads of NISPA member PA institutions. The survey asked very basic questions about the number of students they had, the numbers who belonged to minority groups, how they were recruited, how well they fared in the programs and what attention was being given to training how to manage in diverse settings. The survey was open-ended. A copy is in Appendix A.

Eleven programs responded to the survey. While the number was not large, it was at least geographically diverse, covering nine countries in the region.<sup>2</sup>

**Percent of minorities trained:** Most programs indicated that “very few” of the students in their public administration programs are from minority communities, though the circumstances differed among them, with several describing the situation as “very, very few.” Students from border countries were most often identified

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2 The individual institutions were promised anonymity. The institutions were in the following countries: Serbia, Russia, Slovakia, Slovenia, Armenia, Latvia, Romania, Lithuania, and Georgia.

as the included minorities – e.g. frequently Russian students were named in former USSR countries. In some Eastern European countries. Hungarians were identified as the minority community represented, but never were the Roma so identified. One school reported the minority students were: “Armenians, Osetians, and Americans.”

**Steps to recruit minorities:** None of the schools took any special steps to recruit minority students to their programs, and only one indicated it was something they have thought about doing.

**Percent minority faculty:** About half the programs reported some of their faculty were from minority communities, though percentages were small and in many cases it appears the nationalities teaching were not from the underrepresented communities within the country – e.g. German and American faculty were cited in some cases.

**Success of minority students:** It was asked if minority students in programs were able to complete their work and find employment at the same level as majority students, and no program reported any problems in this case. One said that language can sometimes be barrier. On the affirmative side, one program director noted that minority graduates may often do better than other students because “the community of the minority takes the responsibility for every one of its members. Nothing like that happens among the representatives of the majority.”

**Training on “how to manage in diverse communities”:** None of the programs indicated that they have any special courses or strategies to teach students about being public administrators in diverse communities.

**Research or other activities:** Three of the eleven programs indicated that there were relevant activities in their school besides teaching. One reported a research project on “the ethnic policy in the region;” and another cited “some research prepared by the students” during their studies. A third school indicated they were about to join a European Centre for Minority Issues project, with foundation funding, to look at EU political integration and minority mobilization.

## **Overall Survey Conclusions**

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From this short look at a small number of institutions, one has to conclude that formal attention to minority inclusion in public administration is not a major priority for public administration schools in the region.<sup>3</sup> Respondents suggested three very different commentaries on why this might be the case.

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<sup>3</sup> While the number of responses was small, one would have to assume that programs that DID have active programs on this subject would be the most likely to respond to the survey. There is little evidence that this study has overlooked substantially high rates of emphasis on minority outreach in PA education in the region.

**Questioning Special Emphasis:** One set of arguments said it was unacceptable to place special emphasis on ethnic or other group characteristics. They expressed a considered detachment from affirmative outreach to minorities on the grounds of equity. One respondent reported, for instance, “recruitment in public administration is based on formally required competencies (educational degree; special skills); ethnic minority candidates are in the same position as others – they get recruited if they fulfill the criteria.” This program could not report on how many ethnic minorities are in their program, however, because they said they do “not keep records on nationality or ethnic origin of the participants.”

**“Not on the Agenda”:** A second perspective indicated that these questions were simply not “on the agenda.” As one put it, “we don’t have special programs and at the moment are not planning any. This appears to be also the overall practice of public administration here – no special methods of recruiting minority officials, or special training for regions with diverse communities ...”

**Absence of Strategy:** And a third indicated an interest in broadening inclusion of ethnic minorities, but without a developed strategy to do so. As one put it: we have few minorities but “are trying hard to have more; [but we have not program to recruit] except constant discussion with the relevant people.”

Clearly, there is no consensus within the public administration schools surveyed here on just what their responsibilities are with respect to inclusion of ethnic minorities in their education and training programs or other issues related to this, and little clear direction on how to proceed where there is an interest in taking action.

## **What CEE Schools and NISPAcee might do**

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Given the findings of this survey, it is difficult to recommend what new steps that public administration schools in this region, or the NISPAcee as an organization might take. The evident lack of activity in the PA schools in the face of strong arguments that there is an important role for the schools and the network to play suggests that it is time for an active debate about just what are these responsibilities. The topics for discussion include some of the following themes. Within these topics of course are also suggestions about actions that public administration schools might begin to think about taking, if they are so inclined.

**What is the role of public administration in building successful multi-ethnic democracy?** This is the basic question with which to begin with. Most observers probably agree that the equitable application of the law and even-handed delivery of social services by civil servants is essential and always has room for improvement. The more debated question is whether the composition of the civil service, and the diversity management skills of civil servants themselves, must overtly reflect the diversity problems to be faced. That is, does the civil service best meet the needs of

ethnic diversity by being BLIND to differences or EMBRACING differences among citizens? Does it matter for the successful inclusion of minorities into society that some civil servants look and talk like them?

**Does public administration education and training have an affirmative role to play in preparing members of underrepresented ethnic minorities for public service?** This question of course is the big one. Should public administration education and training go to extra efforts to bring ethnic minorities into their training? Can such affirmative outreach be done in ways that are still fair to majorities?

**What sort of curriculum is most effective for teaching public administrators to manage effectively in support of multiethnic democracies?** Is the best curriculum strategy to focus on law relating equal treatment and rights of minorities (Kovacs 2004)? Is there also a need for training on so-called “street level” interactions with citizens of different cultural and social backgrounds?<sup>4</sup>

**What about the faculty – is it important that they reflect the diversity of the multiethnic community?** If so, how does a program provide a diverse faculty when there may be few qualified scholars and trainers from the minority communities. Can the use of part-time teachers from minority communities, frequent use of minority “speakers” in classes, internships in diverse settings, and so forth substitute for a shortage of minority faculty?

**How can relevant data about class and ethnic characteristics of students best be gathered?** Does effective outreach to students from ethnic minority communities require gathering and maintaining data about such ethnic or racial characteristics? What about gender? How can effective progress in inclusion be measured if no records about underrepresented groups are maintained? Is it a threat to rights to seek such data?

**Who needs to be included in discussions about the role of public administration education and training in building successful multi-ethnic democracy?** Should these discussions occur first within the academic and training setting? Should they include public officials – i.e. the leaders of government and NGO offices who will be employing the next generation of trained public administration?<sup>5</sup> What about working with leaders of ethnic minority communities?

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4 For a symposium addressing these issues in the US situation see: Gooden, Susan and Samuel Myers, Jr. 2004. Symposium: Social Equity in Public Affairs Education. *Journal of Public Affairs Education* 10 (2):91-176.

5 I recall observing a Western European Public Administration program facing this question. They had two programs – one a traditional academic PA program for young students; and one an evening PA program for adults who already had jobs in local government and the police department. The traditional program was taught almost entirely by white males from the majority community and the students thought this was fine; the program with working students had a completely different emphasis, with much attention to how to manage with diversity and with many teachers from different minority communities, because the students demanded these skills for their work “on the streets” of the city.

**How can a conversation about these topics be started and continued?** If advocates for minority protection and advancement hope to achieve lasting change, they must encourage more attention to transformation of the civil service at the “street level” to help implement this. NISPAcee seems ideally suited to be the forum then to host such a discussion about the roles, strategies, and performance of educational and training institutions in public administration to advance solutions to diversity.

## **Conclusions**

This empirical look at a small number of public administration education and training programs among the NISPAcee community suggests that there is little agreement about the proper role of education and training for preparing public administrators to face the emerging needs of multiethnic democracies. And little is being done. A vigorous discussion about the proper role of the community to face these new issues is overdue and very important.

## **APPENDIX**

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### **The Questionnaire**

*Dear NISPAcee Institutional Member:*

I am writing about a study I am conducting for the NISPAcee Working Group IV on Democratic Governance of Multiethnic Communities. I serve as co-coordinator of the working group along with Jana Krimpe, Tallinn University of Educational Sciences, Estonia. I am preparing a paper for the working group meeting at the NISPA conference in May. I am hoping you can help.

Our Working Group is interested in promoting inclusive policies that are responsive to the needs of ethnically diverse communities and that help to advance the status of minority communities and promote the well-being of the majority and minority groups together. Recently, our agenda has grown to include attention to “effective education and training for public officials to respond to multi-ethnic communities, and ... the role of schools of public affairs and administration to improve this education and training.”

We know how important public administration education and training is for the future of public service. But little is known about what public administration training and education programs in the region are doing to respond to multi-ethnic communities and diversity.

I think a very brief survey of these efforts would be valuable. Based on what we learn from a survey, the Working Group will be able to develop its agenda further, NISPAcee can perhaps develop a project that will benefit member programs such as your own, and program directors can learn more about what others are doing.

Could you please send to me very brief answers to the following questions about your program. This is informal. There is no need for you to do extra research about these questions. Please just answer those questions for which you have some information, giving your best estimate of the answer. I will keep all responses confidential. I will only report summaries of all the answers, and not reveal the comments from your institution or any other one without your permission.

Please email your responses back to me at [brintnall@apsanet.org](mailto:brintnall@apsanet.org).

### **Here are the questions:**

1. In what country is your program located?
2. a) About how many students study or are trained in public administration in your program per year? (please just estimate a number: e.g. about 20; about 100 etc.)
2. b) Approximately how many of these students in your program are members of ethnic minorities. (e.g. very few; one-quarter; etc.) What ethnicity are they?

3. Do you take any special steps to recruit ethnic minorities to become students in your program for the study of public administration? If so, what are they?
4. Are any of your faculty or trainers from ethnic minority groups? About what percentage of all your faculty or trainers are ethnic minority members?
5. Are there any differences in how ethnic minority students do in your program or training? Do they complete the courses or degrees at the same rate as other students? Do they find jobs or advance in their careers in the public service in the same ways as other students? What do you think explains any difference in the success or lack of success of ethnic minority students compared to other students?
6. Do you include any special courses or have other activities in your curriculum or training to teach students or trainees about how to be managers in diverse communities? If so, what do you do?
7. Is any research about public policies responsive to the needs of ethnically diverse communities conducted in your program? What kinds of research projects are they?
8. I would like to create a list of different activities that programs like yours are using to recruit ethnic minority students to public administration, or use to teach or train public administrators about management in diverse communities. If you have such an activity that you would like me to list, and can give me permission to use your name and your program in the list, please describe the activity here. We can share this listing among all of the NISPA programs.

Thank you very much. I promise to send you a copy of the paper when it is finished. Please email me if you have any questions. I look forward to seeing you in Moscow.

Best regards,

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# Section V

New Theories for  
Democratic Development in  
the CEE





## Public Service and the Democratic Deficit

*Anetta Debicka<sup>1</sup>, Marek Debicki<sup>2</sup>*

In recent years in both “old” and “new” democracies we increasingly have evidence of declining participation in public life and citizens’ dissatisfaction with system performance.

Increasingly, both academic and government analyses use the term “democratic deficit” to describe this illness of contemporary political systems viewing themselves as democracies.

Most of the academic literature and political opinions on the issue concentrate on providing examples of malfunctioning institutions and report results of alarming public opinion polls showing increasingly negative opinions about “the system” on the part of an increasing number of citizens.

The content of the concept of “democratic deficit” is very rarely defined. It is unclear whether there are significant and permanent changes of political culture in postindustrial societies and the notion of political participation is less attractive to the citizens or, perhaps, institutions fail to provide meaningful avenues of participation and genuine involvement in public life. Perhaps we are moving to a culture, which rejects collective goals and behavior, and prefer highly self-centered and self-actualizing life.

It is also unclear if this is a problem caused by political elites alone and thus attempts at reversing such trends have to be undertaken by political actors alone or if the public services are also contributing to the democratic deficit. What is clear is that it can be argued that the manner in which our institutions operate is becoming increasingly incongruent with postindustrial societies. We also can observe a significant shift in the division of power between main structures in most of political systems.

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Relationships between bureaucracies and political institutions, as well as the citizenry, are undergoing significant changes. The way in which public service interacts with the public and the perceptions of bureaucracy are an important part of the overall change. Political parties are no longer (if they ever were) a viable linkage between citizens and state institutions; their role is practically limited to provision of alternative personnel for legislative bodies (and some other institutions).

Public services have the capacity for acting as a two ways communicational channel in which citizens can participate in those matters, which they (and not politicians) consider as vital. Politicians attempt to provide an ideological interpretation of the system and policy alternatives, but we no longer live in an age of ideologies and a reduction of the democratic deficit can be achieved primarily by the way in which policies are administered rather than through policy change. Moreover, such changes are to a large extent a product of technocrats and not politicians who lack the specialized knowledge necessary for such work.

**Specifying the Deficit:** Voices describing and expressing concern about declining citizen participation in public life are more and more frequent. Government reports from all over the world provide evidence of declining participation in elections, even in such important referenda as those conducted in the ten countries which applied for membership in the European Union. Another illustration of this trend could be seen in the fact that in the constitutional referendum in Poland in 1997 only 42.86% of the eligible voters participated in that historical event. In those countries, which required participation of at least fifty percent of eligible voters, there were considerable worries that insufficient numbers of voters would participate in those crucial decisions which would produce radical changes resulting from entrance to the European Union. Participation in the recent election to the European Parliament in most countries was also extremely low.

In practically every developed country, survey after survey indicates increasing dissatisfaction of the citizens with traditional democratic institutions as well as growing cynicism towards politicians and bureaucrats alike. Similar phenomena are observed in those countries, which only a decade ago were celebrating the abolishment of authoritarian (or if anybody prefers the term, totalitarian) regimes.<sup>3</sup> Surveys in the “old” democracies also show among their citizens growing apathy, distrust, and unwillingness to participate in the process of governance. The relevant academic literature certainly points in that direction. Robert Putnam’s *Bowling Alone*, was one of the first books showing steady decline in political participation among adult Americans.<sup>4</sup> This downturn is not limited to the decline in voting (particularly

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3 OECD surveys show that in the former soviet block countries lack of trust in politicians, the “government” and the public servants ranges from 60 to 94%. Similar findings have been reported with respect to the local government.

4 R.D. Putnam, *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon & Schuster 2000.

in local elections) but also in party membership and involvement in public interest pressure groups. This trend is even more pronounced amongst younger citizens.

A longitudinal study in 13 advanced democracies conducted by Susan Pharr and Robert Putnam shows a steady decline in public trust and support for politicians, which the authors label a “crisis of confidence.”<sup>5</sup> In the 1996 John Manon Lecture, Putnam provided further evidence of significant decline in voting in America in the post WWII period. In the last two decades, participation in civic organizations in US declined by some 40%. In the 70s, some 73% of Americans trusted their government; presently this trust is expressed by only 20%.<sup>6</sup> Similar findings have been reported by Carty, et. al., Cross and a score of others.<sup>7</sup> F.D. Weil provides evidence of the decline in public trust in the USA, France, Spain, England and Germany in the last forty years.<sup>8</sup> In 2002, Gallup and Environics conducted a global survey of trust in public institutions. In aggregate terms, based on global data, 40% of citizens distrust their government, 49% distrust judicial institutions and 51% of the citizens of all countries don’t trust legislative institutions.

In Central and Eastern Europe, distrust of legislative bodies is expressed by some 65% of the citizens. Extremely alarming are the views of citizens of that region on the legitimacy of elected bodies – some 70% denies them legitimacy. We also see decline of trust from year to year in most countries (and particularly in Central and Eastern Europe).<sup>9</sup> Similarly in that region there is a lack of trust and negative feelings towards corporations. Another survey measuring public confidence and trust in legislative bodies, courts and governments in the Balkan states shows that only some 18% – 20% of citizens trust these institutions (the exception being a 50% trust level in the courts by Romanians and the citizens of Kosovo)<sup>10</sup>.

A very recent survey by CBOS in Poland shows that between 1993 and 2005 dissatisfaction and lack of trust in government increased from 52% to 63% of national samples. Even more disturbing, is the data showing that 40% of Poles state that it doesn’t matter which party will govern.<sup>11</sup> Surveys on a local level show equally alarming trends. In 2004, Management Systems International conducted a survey in Vladivostok. Only about 6% of the citizens of that city trust local and regional governments and 61% are of the view that bribery and corruption are unavoidable.<sup>12</sup>

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5 See S.J. Pharr and R.D. Putnam, *Disaffected Democracies*, Princeton: Princeton University Press 2000, p.17

6 R.D. Putnam, John Manon 1996 Lecture p.3.

7 See R.C. Carty et al., *Rebuilding Canadian Party Politics*, Vancouver University of British Columbia Press 2000, p.30.

8 F.D. Weil *The Sources and Structure of Legitimation in Western Democracies*, *American Sociological Review*, Vol. 54, October 1989.

9 [www.voice-of-the-people.net](http://www.voice-of-the-people.net).

10 [www.idea.int/europe\\_cis/balkans](http://www.idea.int/europe_cis/balkans).

11 [www.cbos.com.pl](http://www.cbos.com.pl).

12 [www.msiworldwide.com/antcorruption](http://www.msiworldwide.com/antcorruption).

It has to be stressed that presentation of attitudinal data doesn't show the objective state of national or local governance, but such attitudes do indicate the decline of the support for the system and its institutions.

At least in part, this growing dissatisfaction results from negative economic and social performance, lack of achievement in dealing with poverty, and the increased visibility of the corruption of political and bureaucratic elites. As US President Ronald Reagan put it, very clearly "we have declared war on poverty and poverty won." It is generally accepted that the gap between the top 20% of income earners and the bottom 20% has been increasing in most countries. Poverty, famine, and child death in the least developed countries is also at an alarming or catastrophic level. We also routinely accept significant structural unemployment. Such findings are reported on both national and international levels. Citizens' lack of trust in political institutions has strong objective foundations.

In the past, it was maintained that as long as we didn't question or examine the normative components of the notion of democracy, we trusted both our institutions and our leaders. It is now hypothesised by some scholars, however, that democracy made promises which were simply unattainable. With the increase of the levels of education and increased concerns about safety, as well as the greater availability of information, blind trust in our governments is gradually replaced by cynicism and disappointment. This inversion occurs at a time of growing fiscal deficits and the political successes of neo-conservatives with their unshakable faith in the market as the only place capable of producing well-being of societies instead. Keynes has been replaced by Friedman with his powerful critique of the public system for the delivery of goods and services. Perhaps it could be viewed as a symbol of such developments that during the last Presidential election in the US the word "liberal" was a pejorative term in the view of many. In this time of threats to universal services, and real or exaggerated danger coming from terrorists who defy basic norms of any civilized society, we need more participation and active citizens rather than their withdrawal both in affective and behavioural terms.

We should be also mindful that practically all developed societies are rapidly aging. By the year 2025, in most developed countries some 25% of citizens will be over the age of sixty-five. When combined with the uncharted future of post-industrialism, these conditions create societies in which it is not easy to trust the political institutions and bureaucratic managers who don't seem to have real answers beyond slogans.

M. Macpherson states this view in very strong language, "in its 130 year history, the modern party state has developed into an oligarchic system of rule, in which parties have degenerated into para-democratic organizations which only feign representative procedures of decision -making".<sup>13</sup> Such statements are supported by survey data, which shows that, for example, in Germany only 24 % of citizens be-

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13 M. Macpherson, *Citizen participation in politics: The role of new communication media*, www.issz.cz.

lieve that democracy is both effective and available to the citizens. Similar results come from even such countries as Sweden, which many view as one of the most advanced democracies. It is now generally accepted that even advanced democracies suffer from an “illness” which has been labelled the “democratic deficit.”

Although this term has entered our political vocabulary there is no agreement as to the meaning of this term and even fewer ideas what, if anything, can be done in order to cure democracies from this “disease.” Andrew Moravcsik is perhaps right in saying that the problem of democratic deficit is “...emerging as one of the central questions—perhaps the central question—in contemporary world politics.”<sup>14</sup> Moravcsik analyses the problem in the context of international institutions, but his analysis is equally applicable to domestic regimes. He starts by bringing to our attention the fact that we have at least four different notions of democracy that are applicable to and practiced in some fashion by all modern democratic state.

Thus we have the libertarian notion of democracy. In this model, the basic function of the state is to protect citizens against possible misuses of power resulting in the arbitrary, corrupt, or tyrannical behaviour of the state and its agents. In that conception, individual rights are paramount to the interests of the majority. Those who adhere to this view have little, if any, trust in the government and see modern technology – including information technology (IT) – as a potentially dangerous “weapon” in the hands of the self-serving technocrats or those who can purchase or control their services.

The second model is the pluralist concept of democracy in which citizens have at least potentially equal opportunity to effect policy outcomes. Representative democracy was supposed to be the basic tool to transmit the policy demands of citizens. Critics point out that in the pluralist view, we live in “delegative” democracies where the connection between political and bureaucratic elites is to a large extent a symbolic one.<sup>15</sup> On the basis of such conceptions, Jeff Rubinfeld, a Yale constitutional lawyer, cautions against the United States joining many international conventions and subjecting itself to the jurisdiction of international organizations. He is of the view that the United States is the closest country to the ideal democracy, which should provide broad avenues for citizens to participate in setting policy objectives.<sup>16</sup> Thus entering into such agreements would have negative impacts on the quality of the democratic process in the USA.

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14 A. Moravcsik, *Is there a “Democratic Deficit” in World Politics?: A Framework for Analysis, Government and Opposition* April 2004, p.7.

15 M. Macpherson, *op. cit.*, p.13.

16 See J. Rabkin, *Why Sovereignty Matters*, Chicago Law Journal (Autum 2000).

Third, we have the social democratic view of democracy, which emphasises the function of distributing goods and services in a manner providing for the greatest possible equality for the greatest possible number of people.<sup>17</sup>

The final concept is frequently labelled as the deliberative democracy. In this model, we must be provided with the means for meaningful and effective participation in both setting priorities and making decisions themselves. This notion of democracy concentrates on the need for empowerment of citizens in addition to the provision of substantive rather than procedural equality.

It should be stated that practically all surveys examining attitudes towards the state report a strong positive correlation between the strength of negative attitudes and lack of trust in the state and its institutions and a need for meaningful participation. Secondly the levels of negative attitudes are lowest in countries with the most developed system of policies traditionally associated with welfare state. Those correlations are strongest among those respondents that are increasingly referred to as “post-materialists”. These respondents are well educated, well informed about politics, relatively affluent and otherwise would have been perfect candidates for membership in political or bureaucratic elites.

Of course, in real life none of these typologies is found in a pure form. It is more a question of balance and perceptions as to the direction policy makers are taking. Regardless of the type of democracy which any group or individual views as the most desirable, studies of the democratic deficit always points out the following “weaknesses” of the democratic values in the practice of even the most trusted institutions and sub-elites. Without a doubt, political responsibility and decision-making has been delegated to rather narrow groups or even to individuals occupying strategic positions within the state. More and more expertise is required to understand policy options or policy content even in the most general terms. Many citizens are neither capable nor prepared to commit their time and personal resources to participation in the very complex analysis and decision-making processes.

Research also indicates that most of us are driven by the desire to avoid risk. Innovative policies will therefore be most frequently evaluated through the perception of their potential for increasing risk. We also observe increasing participation in the decision processes of the powerful interest groups motivated primarily by their narrow economic interests. As a result, we have strong support among such groups for privatization of public services and deregulation in practically all modern democracies.

Governing elites, however, are increasingly worried by the lack of trust and support for the system. At some point, such negative attitudes could translate into anti-systemic behaviour and undermine the stability of the market democracies. Af-

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<sup>17</sup> See f. e. C.E. Lindblom, *Politics and Markets*, New York Basic Books 1977; similar views are also found in the works of Karl Polanyi.

ter all, democracy has a relatively short history and all previous systems of governance, including the most repressive and powerful empires, have collapsed. (Nobody predicted that the Soviet Union would dissolve itself within such a short period of time – the same could be the fate of other states no matter how powerful).

Practically all political parties, legislative bodies, and executives are trying to understand the causes of such attitudes among an ever increasing number of citizens and are attempting to reduce the perceived and real democratic deficit. Governing elites need our support and must understand that the problem has to be addressed both by changes in elite behaviour with the objective of creating a culture of trust, support, and increased levels of citizen participation.

Nobody questions the proposition that democracies will perform better if citizens are well informed and engaged in public life.<sup>18</sup> The problem with that hypothesis lies in the fact that those citizens who are best informed and also have post-materialist values are at the same time the harshest critics of their governments. They also show little trust in the system and its central actors, along with having the highest level of demands for new or increased avenues of participation. They also already participate at a relatively higher level than the rest of citizens in any country.

Secondly, research on learning indicates that for effective learning, those who participate in the learning process must trust both the messenger and the message. There is a high probability that increased information provided by the “system” will be received with mistrust and therefore might not have the intended effect.

**Is Technology the Solution?** Some see information technology as a tool which can reverse the decline of both trust and citizen participation and therefore increase the quality of democracy. However, information technologies are very complex and require a high level of technical knowledge. Most (or practically all) politicians have a totally superficial understanding of such matters. It is up to civil servants to design and implement this technology in a manner increasing both institutional performance and citizens’ trust in the government and all public institutions.

Information technology (IT) has a role in the process of increasing trust in government and the level of participation in traditional political activities. Governments view with great optimism the potential which that technology offers to ailing democracies, especially in that IT generates new avenues for exercising direct democracy. However, its potential and impact is perhaps overestimated.

Without a doubt, IT is a very good tool for managing both people and programs. It can assist in faster decision making processes on the basis of better information. Computer simulations have been used for many years as tools for designing budgets, but do we see improved public finances or decline of deficits as a result of utilization of such techniques? We have a rather extensive and rapidly growing body

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<sup>18</sup> See N. Nevitte, *Citizen’s Values, Information and Democratic Life*, Report 2 Access to Information Task Force and the literature cited in that report, Ottawa 2002.

of literature showing benefits of IT in managerial decisions. This technology has capacity of lowering the cost and creating greater sophistication in managing the public sector. Achievements in this area are unquestionably very impressive.

IT also assists in better and faster service delivery, which is clearly to the benefit of citizens. By the end of 2005, Germany will have all governmental services online and several countries are not far behind. In many countries, we can send our tax returns by e-mail and obtain ever increasing numbers of forms as well as send them to the appropriate offices. Unfortunately, IT as a tool for collecting, distributing and analysing information does not discriminate between an authoritarian regime and a democratic one. Such technology could be a frightening tool in the hands of a regime wanting to engage in “ethnic cleansing”, among other evils. It is hard to see IT’s positive contributions to the development of democracy if the information we get is mostly about services we don’t want, or are not available.

Surveys indicate that the rapid growth of IT didn’t result in corresponding increase in the number of citizens who feel well informed about and interested in politics.<sup>19</sup> There is also no evidence that IT provided more avenues for meaningful participation in policy setting or decision making processes. To the contrary: from year to year we have increasing numbers of citizens in highly developed democracies utilizing or having access to the Internet and yet at the same time we observe a decline in positive attitudes towards the political institutions and elites.

This alone puts in question the hypothesis expressed by practically all governments that IT provides for new and more meaningful avenues of co-governance. We also see no evidence of positive changes through freedom of information legislation. The existing legislation and access to information it provides is used by businesses to a much higher degree than by citizens.<sup>20</sup>

Many studies of political participation point to communication with citizens by political parties, institutions, and the media as a factor having the potential to act as a mobilizing agent.<sup>21</sup> At the same time as internet usage increases in the United States, voter participation declined to the point that United States ranks 138<sup>th</sup> out of 171 countries, when results are averaged from 1945 to 1998. In European Parliament elections, participation declined from 63% in 1979 (for all countries) to 49.2% in 1999, with Great Britain reporting only 23% of eligible voters casting their ballots.

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19 For example Canadian Election Study shows increase in the numbers of those interested and informed about politics from 14% in 1974 to 19% in 1984 and some 23% in 2001 similar findings come from the already cited World Survey and the European Survey.

20 See f. e. The Access to Information Review Task Force Report Data at Glance pp. 1-6.

21 See G. Almond and S. Verba, *The Civic Culture: Political Attitudes and Democracy in Five Nations*, Princeton: NJ Princeton University Press 1972, S. Verba, K.L. Scholzman and H.E. Brady, *Voices and Equality: Civic Voluntarism in American Politics*, Cambridge MA Harvard University Press 1995, also Putnam R, *op. cit.*

Various surveys show significant increase of usage of the internet as a source of political information. In the US, in 1995, eleven million citizens regularly got news from the internet and in 1998, this figure rose to thirty-six million.<sup>22</sup> Very similar trends are observed in Europe. Data, however, shows that only a very small minority of internet users utilize this technology for active forms of civic participation. After analysing both American and European data, Norris Pipa indicates that only about 4% of internet users utilize it as a means of participation in politics.<sup>23</sup> It is also interesting to note that the group of internet activists show higher than average satisfaction with “the system”. They are therefore not the population, which has to be attracted and convinced as to the value of participation if we are to reduce the democratic deficit.

Most data clearly indicates that claims made by governments of advanced post-industrial societies that IT does increase the quality of democracy on the mass level are so far without foundation or at best overstated. One is reminded that many decades ago we thought that television would create a global village with all or most of us belonging to one clan. So far, perhaps, the greatest use of IT has been the movement of money with unprecedented speed in unprecedented quantities with almost total freedom thus facilitating co-operation of global corporations. Assessment of the impact of global corporations on democracy is beyond the scope of this paper, however, it is rather clear that the leading global corporations so far have not contributed to the reduction of the democratic deficit.

**The Role of Public Service:** In the last decade, largely due to the impact of the New School of Public Management, we have concentrated on changes of public services in such a manner as to equip them with the skills and tools of private sector management. From this type of analysis a consensus has emerged as to the primary goals and objectives of the public sector. The “reinvented” public service has to provide prudent financial management and improved – citizen oriented systems of service delivery (we on purpose exclude discussion of the analysis and prescription of public policy areas from which the governments should withdraw).

This analysis led to development of organizational frameworks knowledge and skills required from public servants functioning in these new systems. This process is continuing and we have still a great need to improve the efficiency of the public sector. It now becomes more and more important to add to the priorities of public institutions and their managers one more task – reduction of the democratic deficit.

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22 Pew Research Centre Survey May 1998.

23 N.A. Pipa, *Virtuous Circle Political Communication in Postindustrial Societies*, Cambridge: Cambridge University Press 2000 pp. 273-275.

We can observe a shift in traditional leadership literature.<sup>24</sup> Geert Bouckaert in an important work on public leadership identifies components of “renewed public leadership”.<sup>25</sup> From his model of leadership we can infer as to the skills required from administrative leaders. Without going into details, it should be noted that at the core are skills for increasing transparency and accountability. Professor Bouckaert asserts (as increasingly do many of those writing in this area) that it is the duty of administrative leaders to provide good governance, however absent from his description of the specific content of their tasks is the responsibility for development of new policies designed to reduce the democratic deficit. However, good governance cannot be reduced to efficiency and a focus on the outputs of existing programs. Since he rightly notes that we are undergoing a “rebalancing of power in society”<sup>26</sup> this should call for new or different competencies for administrative leaders not only in day-to-day management but also in the area of the development of policies essential to the overall functioning of the system. The private sector metaphor that you can have the best product and face bankruptcy if nobody buys it, is applicable to a state in which nobody has trust and nobody is willing to participate.

Many reports state that senior civil servants (particularly those managing departments, or agencies) must provide leadership in this process of transformation of attitudinal, cultural and behavioral changes.<sup>27</sup> Significant work has been done in identifying educational, experience and skill requirements for public servants in general and senior civil servants in particular.

In the United Kingdom, the Management Charter Initiative (MCI) has developed several competency lists –these are not country or sector specific but are generic descriptions of good managers.<sup>28</sup> Hendry argues that such lists may be used for the evaluation and assessment of training needs.<sup>29</sup> To the list of such competencies we have to add leadership in reducing the democratic deficit or in positive terms, the increasing of both trust and citizen participation.

Another dimension is the development of ethical standards for both individuals and institutions in both the internal and external relationships of administration. This can be evidenced by the emergence of a variety of Codes of Ethics and laws dealing with conflict of interest. In many systems, penalties for breach of ethical standards are very severe including dismissal or even criminal sanctions. Openness

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24 *Government of Future*, OECD Paris 2000; also *Public Sector Leadership for the 21<sup>st</sup> Century*, OECD Paris 2001 (6 footnote OECD 25).

25 G. Bouckaert, *Renewing Public Leadership: the Context for Public Service Delivery Reform*, in *Delivering Public Services in CEE Countries-Trends and Developments* ed. M. Debicki & J. Finlay, Bratislava 2003, p. 25.

26 *op. cit.* p. 24

27 *Public Sector Leadership for the 21<sup>st</sup> Century*, *op. cit.*

28 *Management Charter Initiative Competencies*, MCI 1999 – cited in W. Steward David, University of Northumbria, UK 2002.

29 C. Hendry, *HRM – A Strategic Approach to Employment*, Butterworth Heinemann 1995.

and transparency of administration also became an important part of the changing public sector environment. Such policies have to be effective and seen as such, given the harsh judgment citizens pass on most countries and institutions.

At the same time scientists, demographers and those who write about the future of planet earth – although disagreeing about major “illnesses” and possible remedies – are generally in agreement that we desperately need long term policies which would be radically different from the present day laws and accompanying programs. Zygmunt Bauman – one of the most prominent postmodernist thinkers – claims that we increasingly lose ability to control events. He (and many others) claim that we don’t even have answers to such basic questions as to who benefits from globalization.<sup>30</sup> Data presented in this paper shows some evidence that we are rapidly losing control over our collective institutions

Boundaries, institutions and loyalties shift in unpredictable directions. Viable national industries are being destroyed in the absence of relevant policies or inadequate policy responses. The globalizing world, according to Bauman, paradoxically divides people and countries.<sup>31</sup> This globalizing world also contributes to the alienation of citizens from institutions which they feel to be, at the best, irrelevant, and at the worst, serving interests other than those of the communities which they are supposed to be serving. We need not only competent managers skilled at managing money and programs but ones who are also capable of engaging citizens in the co-governance of public affairs. Democracy has two dimensions – one is that of competition between value systems and ideological priorities. That dimension should be the arena on which competing political parties present and implement political programs.

Evidence in this paper (and the general literature) indicates that politicians are increasingly losing credibility and the support of citizens. Civil services can and should separate themselves from participation in partisan politics. Increasingly, we have evidence of the politicization of public servants. In many countries there is evidence of a return to the system of “spoils” with the attitude of “winner takes all”. Public service has an independent role in the maintenance and development of democracy. In all democratic nations citizens have a set of rights, which are no longer a subject of debate. Development of democracy in such areas occurs through an increase in right satisfaction. For example, In all democratic societies there is a

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30 Z. Bauman, *Globalization. The human consequences*, Columbia University Press, New York 2001, p. 99.

31 P. Riceaur in *Esprit*, Paris, January 2001; W.J.M. Kickert, *Managing Complex Network; Strategies for the Public Sector*, London: Sage 1997; N. Chomsky, *World Orders New and Old*, Columbia University Press, New York 1994; J.K. Galbraith, *The World Economy Since the Wars*, Mandarin Paperback, London 1994; R. Putnam, *The Decline of Civil Society*, 2002, John Manion Lectures, 1996; J. Rifkin, *The End of Work*, Penguin 1995; P. Self, *Government by Market*, Macmillan 1993; G. Peters, *The Decline of Civil Society*, J. Manion Lectures, Ottawa 1996, and Y. Drorr, *The Capacity to Govern: a Report to the Club of Rome* – just to mention few names of thinkers who share Bauman’s concerns about the future of our organizational civilization.

norm that women should have equal access to work and advancement and equal wages for work of similar value. Yet there is not a single state in which that set of norms is fully met. This is just one example of many in which public servants should act “with all the deliberate speed” in order to close the gap between the normative statements and the social, political and economical reality. Leadership by public servants (particularly those in positions of management) should not be limited to preparation of the next budget, but should involve creating policies which will indicate to citizens that the promises of democratic theory are being realized. Citizens don’t expect overnight “miracles”, but can and should expect that the system as a whole moves towards fulfillment of its lofty promises. Democracy desperately needs an increase in credibility. Public servants should avoid participation in propaganda without substance, but concentrate on the delivery of equality to all citizens.

# Political Participation and Governance Effectiveness: Does Participation Matter?

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## Introduction

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Political change in 1989 offered most of the people in the former Communist bloc many new opportunities and chances (which until then were largely untapped or purely theoretical) to act within the public realm and take part in the administration of public affairs. People began to form new political parties and movements, engage in solving public political issues, restoring the foundations of the civic society, etc. Yet in spite of the initial euphoria and enormous public interest in politics, there gradually began to surface the trends well known in the traditional liberal democracies – slumping trust in the efficacy of the political elites and institutions, declining trust in, and loyalty to, the established political parties and dwindling voter turnouts.

These trends naturally could not escape the attention of not only social scientists, but also political leaders, journalists and many other actors in social life. In these “new democracies”, a debate is on about the roots, and possible remedies, for this unfavourable development. As in many other countries, the issue of political participation has emerged as one of the most frequently discussed topics. Expanding the citizens’ ability to take part in political decisions appears, to many observers, as a remedy to solve the larger proportion of the above-mentioned problems. It does not make any difference whether one talks about the oft-mentioned democratic deficit (mainly associated with the transfer of competences to the trans-national level, which is so remote from the citizens), the problem of declining legitimacy of the representative institutions, or the failed and largely ineffective top-down and expert-oriented forms of policy-making. The call for a greater popular participation was further enhanced by the reforms of public administration (decentralization, de-concentration) and of the public sector at large (privatization, custom orientation,

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market competition, PPP, NPM etc.). Another factor was the increased interest on the part of the nation state, as well as trans-national institutions, in participative planning and other forms of participation (as evidenced by the World Bank and its development activities).

It goes without saying that this development invites critics and opponents who point out theoretical, political and conceptual limitations and problems. With some overstatement they liken participation to a “new tyranny” (see Cooke and Kothari 2001) or express fears about the hegemony of the majority and point out the problem of legitimacy, etc. The aim of this article is to answer whether, and how, is political participation related to the efficiency of governance. Having analyzed empirical data from miscellaneous sources, we seek to find out if there is a relationship between the institutional conditions of participation in a political process and the effectiveness of its outputs.

## **Governance and Political Participation**

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A major problem arising in attempting to measure, or even compare, the quality of governance among national states (or other units) is the ambiguity and complexity of the term *governance*. It is used in many disciplines (institutional economy, international relations, public policy, organizational studies, development studies, political science, policy analysis, sociology etc.) and there are almost as many ideas of governance as there are researchers in the field.

Governance is both a very new and very old subject in political science. It marks a return to the conception of political study organized around key words like constitution, government, polity, politics and many others. The term governance has been used for the description of decision-making processes and their ensuing implementation, frequently being associated merely with the government and public administration. However, the further development of the Western democracies has aroused interest in the detailed knowledge of mechanisms and actors of governance: there have been attempts at measuring the quality of governance and – last but not least – reforms of the public sector were directly or indirectly influenced by these “reinvented” concepts of governance.

These new forms of governance should be perceived as an alternative expression of *collective interests* that supplement traditional, institutional forms of governing and channels. At present, governance predominantly refers to the co-ordination of social systems, public-private relations, increasing reliance on informal authority, and often makes the role of the state in society disputable. Attitudes to the state and its role inform theoretical concepts of two different versions of governance (Pierre a Peters, 2000) and to a certain degree determine approaches to the measurement of governance. The so-called old governance is a more traditional “steering” concept of governance. The state and its political and institutional *capacity to steer* the society

are at the centre of interest (the state-centric approach). By contrast, new governance is a modern concept focusing mainly on the role of society (society-centric) and its ability to co-ordinate common interests and *self-steering* (positive approach) or to resist the regulations and impositions of the state (negative approach). In the former approach, government (or the state as a whole) is regarded as one of many (more or less) equal actors in society, together constituting a *network* regulating and coordinating policy sectors according to the preferences and interests of their members. The latter approach perceives the government as legitimate but low-performance authority contrary to clever and capable citizens who “know better what they need” and are able to resist government interventions.

A very influential stream within the first, state-centric approach is good governance as presented by the World Bank in 1992 as part of the criteria for granting loans to developing countries. The concept referred to changes in the public sector associated with “new public management” and thus indirectly followed up on the theory of rational choice and the theory of public choice. According to the World Bank, these neo-liberal forms led to a better effectiveness of public services and the public sector in general. In this sense, the notion “governance” is most often defined as the “exercise of authority through formal and informal traditions and institutions for the common good, thus encompassing: (1) the process of selecting, monitoring, and replacing governments; (2) the capacity to formulate and implement sound policies and deliver public services, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them”. (Re-thinking Governance, Kaufmann 2003)

This concept also has been embraced by other international organizations (e.g. the United Nations) and become an integral part of their activities. The underlying idea of these activities is that bad governance is being increasingly regarded as one of the root causes of all evil within societies. International organizations should therefore gear their activities, as part of their aid, towards developing institutions and processes that are more responsive to the needs of ordinary citizens, including excluded and poor people. This core of the good governance approach is closely related to processes of democratization, where the primary challenge concerns deepening and strengthening the quality of democracy. International agencies have used a triple strategy to promote this process. Aid has been devoted to strengthening independent judiciaries and effective legislatures designed to curb and counterbalance executive powers. Democratic assistance has flowed into attempts to foster and expand civic society by nurturing grassroots organizations, advocacy non-governmental organizations (NGOs), and the news media. But among all the issues, perhaps the most resources have been invested in attempts to establish competitive, free and fair elections and other forms of participation in governance processes.

The rationale of the second (society-centric) approach are succinctly formulated within the participative theories of democracy, which stem from the assump-

tion that the public can exercise – or rather ought to exercise – more direct influence on the processes of governance than offered by representative democracy. An individual should have the right to participate in the activities of a political community, and in effective decision-making about the shared future, through individual or collective action.

The main theoretical streams comprise *communitarism*, *deliberative democracy* and *direct democracy*. In various permutations and combinations, the adherents of the participative theories emphasize the need to strengthen the lower echelons of public administration, enhance direct-participation opportunities of the citizens (e.g. through plebiscite, civic-based policy-making efforts, public debate etc.), and foster the capacity for societal self-regulation etc. Participation spurs the broadening of responsibility for the decisions adapted to each and every citizen and their commitments towards society; thereby fostering public political competences and enhancing the quality of collective decision-making. Direct democracy strengthens empathy among groups with different interests and improves the shared political culture. Conflicts between social groups get resolved openly and their sum does not equal zero. (Pierre and Peters, 2000)

On both counts, these different, even contradicting, approaches standardize on one issue. International agencies claim that political participation is a key cornerstone of good governance in harmonizing the activities of the state, private and public (non-profit) sectors and allowing markets to flourish and people to live healthier and happier lives. Yet political participation perhaps has an even more important role to play in the second approach mentioned – people can control and influence government actions, express their interests and also exert pressure for them to be asserted, this not only through representative institutions and perhaps in elections once in a blue moon. Having outlined these arguments, there are questions I want to address in this paper.

### **Is the extent of political participation rights and opportunities in different countries related to governance effectiveness, and if so, how?**

These questions are clearly referring not only to the formal institutional environment of political processes, rights and civil liberties. Citizens' opportunities to elect their representatives and government, to influence policy agenda setting and policy-making, to express their interests through political parties, civic movements etc. are also considered. Are the governments of countries with opener, freer and more competitive political participation institutions really more efficient and successful, and what is the relationship between the political-participation institutions and the quality of governance?

These questions generally have to do with the relationships between the process and outputs of governance. Performance refers to the quality of governance in terms of a (normative) outcome, such as the level of corruption, political stability,

government effectiveness, economic performance, etc. On the contrary, the process refers to the quality of governance in terms of how outcomes are achieved and stems from a human rights approach to development. (Court, Hyden and Mease 2002). Is there a connection between the process of mediating individual and group interests in society and the outcomes of this process?

We shall shortly further specify these questions and render them operational, however, first it is useful to touch upon some methodological aspects of measuring governance and political participation that are critical for the selection of adequate indicators and the methods of analyzing them.

## Methodology and Data Sources

**Governance:** The number of potential approaches to the measuring of governance is at least the same as the number of meanings of the term “governance”. If one focuses on methodology, one can find two main distinctions among these approaches. The first is between the objective and subjective measurement of governance. The objective measurement is based on the assessment of hard data coming from different branches of knowledge – economy (GDP, government debts, taxation, productivity, etc.), demography (life expectancy, infant mortality, etc.) and other social sciences (estimates of riots and strikes, literacy rate, unemployment rate, Gini index, etc.). The main advantage of the objective measurement is the accessibility of (almost complete) data for the majority of countries or regions and credibility.

However, quite a few very important and interesting facts related to and influencing the quality of governance cannot be objectively measured and hard data sources are often incomplete, especially for underdeveloped countries. Hence, there exist subjective measures that are based on the subjective perception of various aspects of governance (corruption, human rights, trust, the rule of law, freedom, evaluation of economy/public services/government, etc.). Respondents in such surveys are mainly experts or residents from a given country and so results are the aggregated collective opinions of a subjectively chosen sample (representative or not) and have a normative content unlike the objective measures. Subjective perception may often be just as important as objective measurement and has a significant explanatory power. It can give the truest and most exact picture of actual governance issues for the given unit and can be more useful for the decision-maker to formulate and implement the appropriate policies or solutions. On the other hand the quality and follow-up utility of such surveys is very dependent on the nature of the questions and the quality of the respondents. It may be that subjective assessments are influenced by the knowledge of recent situation in other fields of interests. For example an “expert” who is asked to rate a country about which he/she knows very little might surmise that corruption must not be too severe in the given country because it has been growing so rapidly and attracting so much investment.

The second distinction is between the direct and indirect measurements. The realm of governance is quite specific in this respect as there are virtually no unbiased direct yardsticks (indicators) of governance, and practically all variables of governance measurement merely convey the relationship between the measured property and the indicator. They are not the values that we really want to measure. There are basically two ways to overcome this hurdle. In the first approach, we use subjective answers to direct questions on given aspects of governance as plausible indicators of the real situation. It is a very useful and quick method for expert surveys provided that the assignment is clear and generally comprehensible for all participants and there is a valid assumption that they are genuine experts in the given field.

The second approach is based on the measurement of indirect variables (subjective or objective proxies) which are *aggregated* to indicators according to an accepted theoretical framework. In this manner indicators or indexes are developed which by several proxies measure macro political phenomena such as political stability, institutional efficiency and the rule of law, the quality of democratic institutions and many more. These aggregate indicators are usually more informative about the level of governance than any single indicator. The main advantage of this method is that it allows for the quantification of both individual sources of governance data and country-specific aggregate governance indicators and the utilization of governance data from many sources.

Drawbacks of aggregation are reduction of information and difficulties in interpretation. Also, it is deceptive to offer very precise rankings of countries according to their level of governance. Nevertheless, the measuring of governance is very useful because it allows countries to be sorted into broad groupings according to levels of governance, identifies strong and weak points of individual countries, provides investors or donors with useful information, supports more effective public policy and can be also used to study the causes and consequences of governance.

**Political participation:** Empirical investigation of political participation could be split between two basic yet mutually interlinked approaches. The first approach deals with the realistic extant level of popular engagement in the processes of governance. The chief objects of interest are the level (local, regional, national etc.) and method (voting, campaigning, contacting, protesting etc.) of political participation. In this context, the influence of various types of political participation and the motivation to either reject participation or indeed become an active part of it are studied (see for example Verba et. al 1978, 1995; Olson 1965). Individual and national patterns of political behaviour are also compared. Cross-national comparison of political participation patterns concentrate largely on voting because of the availability of internationally comparable data on voter turnout and the relevance of national elections for the given political system. As evidenced by such international comparisons, voter turnout shall be influenced largely by a number of institutional factors (e.g. voter registration systems, electoral procedures, degree of political

competition in the society and the party system) which, taken together, create an institutional environment of the given country's political system (see Crepaz 1990; Jackman and Miller 1995, Powell 1986).

**Data sources and indicators:** The two phenomena under comparison are rather complex from the methodological point of view, in part because of the non-existence of consensus on suitable and relevant indicators. The data under comparison was gleaned from four different sources.

1. **Aggregated Governance Indicators:** The World Bank Institute has compiled hundreds of individual variables measuring perceptions of governance, drawn from 25 separate data sources constructed by 18 different organizations, and that cover 199 countries and territories for four time periods: 1996, 1998, 2000, and 2002. Sources of governance data are either polls of experts or cross-country firm managers or citizens in general. Indicators based on the survey present averages by country of the responses of a large number of respondents to a variety of questions related to governance. Typically, survey respondents are asked to rate aspects of governance on a categorical scale. Individual measures of governance are assigned to categories capturing key dimensions of governance and aggregated to six governance indicators with estimates ranged between  $-2.5$  (worst governance) and  $+2.5$  (best governance). Three such indicators include:
  - **Voice and accountability** – evaluation of various aspects of political process, civil freedoms, political rights and media independence;
  - **Government effectiveness** – perception of the quality of public services provided, of public administration, competence of civil servants, independence of state administration and credibility of government;
  - **Control of corruption** – perception of corruption classically defined as the discharge of public authority for private gains, also measuring the frequency of “incentive payments so matters are successfully resolved” etc., impact of corruption on business activities, and measuring large-scale corruption in politics).
2. **Management index:** A part of the Bertelsmann Transformation Index examines the extent to which governments and important political actors have been consistent and determined in pursuing a market-based economy (Bertelsmann Foundation 2004). Five criteria – reliable pursuit of goals, effective use of resources, governance capability, consensus-building and international cooperation – are evaluated in two rounds of expert assessment on a scale ranging from one (criterion not fulfilled) to ten points (criterion fulfilled). The results are adjusted within regions and then by international comparison. In the last step, the criteria for the quality of management are weighted by the level of difficulty of the transformation processes in each country, which includes the difficulty level of the initial situation and the limitation of resources. The current reform policies of the government in power at the time of observation, and its management

achievements during a five-year period, are evaluated based on self-collected qualitative performance data. (Hartmann 2004)

3. **Polity IV:** is a database of political regime characteristics and transitions. The Polity project was originally formulated by Ted Robert Gurr to test the durability of states. It includes comparative, quantitative democracy and autocracy indicators for over 160 countries. For this analysis, the following two variables have been included:
  - **Political competition:** This is a concept which is based on two dimensions of political competition: the degree of institutionalization, or regulation, of political competition and the extent of government restriction on political competition. The first dimension assesses the existence and extent of “if, when, and how” rules and political preferences are organized and expressed. The second dimension, the competitiveness of political participation, refers to the extent to which alternative preferences for policy formation and leadership roles can be pursued in the political arena. The political competition concept combines these two dimensions and is scaled to roughly correspond with the degree of democracy and/or political competition within the polity. It identifies 10 broad patterns of political competition from suppressed competition to institutionalized open electoral participation. (Marshall and Jagers 2002)
  - **Regime durability:** This assesses the number of years since the most recent regime change (defined by a three-point change in the Polity score over a period of three years or less) or the end of a transition period defined by the lack of stable political institutions. The first year during which a new (post-change) polity is established is coded as the baseline “year zero” (value = 0) and each subsequent year adds one to the value of the variable consecutively until a new regime change or transition period occurs. Values are entered for all years beginning with the first regime change since 1800 or the date of independence if that event occurred after 1800. (Marshall and Jagers 2002)
4. **Number of veto players:** This indicator is drawn from the database of Political Institutions, prepared by the World Bank’s Development Research Group. It counts the number of veto players in a political system, adjusting for whether these veto players are independent of each other, as determined by the level of electoral competitiveness in the system, their respective party affiliations, and the electoral rules. (Beck et al. undated).

For the analysis that follows, the World Bank Institute indicators are used to characterize the institutional factors of political participation (voice and accountability) and the variable, political competition, from the Polity IV project have been used. The performance indicators are government effectiveness, control of corruption and Bertelsmann’s Management index. All the verified relationships have been controlled for economic wealth (per capita GDP in PPP), the number of veto play-

ers (DPI) and the regime durability (Polity IV). The main characteristic of these indicators are presented in the table below.

**Table 1**  
Governance indicators and control variables characteristics

<b>Group</b>	<b>Name</b>	<b>No. of countries in the analysis</b>	<b>Measure</b>	<b>Year</b>
<b>process</b>	Political competition	154	ordinal discrete (10 categories)	2002
	Voice and accountability	159	ordinal continuous (-2.5 to +2.5)	2002
<b>performance</b>	Government effectiveness	159	ordinal continuous (-2.5 to +2.5)	2002
	Control of corruption	159	ordinal continuous (-2.5 to +2.5)	2002
	Management index	115	ordinal continuous (1 to 10)	1998 – 2003
<b>control</b>	GDP per capita in PPP	152	scale	2002
	Number of veto players	139	scale	2000
	Regime durability	159	scale	2002

Through the use of these indicators, we have sought to demonstrate the relationship between process and performance in governance. However, we have not found one-way causality from more political participation to more efficient governance. The relationship is more likely mutual, thus more effective governance could be at the same time a product of and a constituent element of open political participation. Nevertheless, it does give us food for thought and discussions regarding strengthening of public influence on the governance.

## **Results**

The search for the answer to the above question has been conducted in three steps. In steps 1 and 2, correlation analysis was applied in investigating mutual relationships and their potential strength. Because of the differing character of variables used in the analysis, two types of correlation coefficients were used. For the analysis of relations between continuous variables (step 1), the parametric Pearson's correlation coefficient was used. However, the political competition variable necessitated the use of a nonparametric measure of association for ordinal or ranked variables called Kendall's tau-b (step 2). Interpretation of this coefficient is similar as for Pearson's coefficient. In step 3, a simple regression model was used to specifically focus on one selected relationship between the institutional factors of political representa-

tion and governance effectiveness. First, the relationship of voice and accountability is examined with the chosen indicators of governance effectiveness. Control variables are also taken into account by means of partial correlation.

**Table 2**

Pearson’s and partial correlations among Voice and accountability and governance effectiveness indicators

	<b>Voice and accountability</b>	
	Pearson correlation	Partial correlation**
<b>Government effectiveness</b>	,817*	,533*
<b>Control of corruption</b>	,773*	,482*
<b>Management index</b>	,891*	,822*

\* – Correlation is significant at the 0.01 level (2-tailed).

\*\* – Controlled for GDP per capita in PPP, the number of veto players and the regime durability

All the three relationships under investigation display a fair amount of strength which, however, in the first two cases is considerably influenced by control variables (difference between Pearson’s correlation coefficient and partial correlation coefficient). There nevertheless exists a very prominent relationship between analyzed variables, and all correlations are significant at the 0.01 level. The strongest relationship in the third case, the management index, is the subject of the following text.

Before that, it is useful to examine the second relationship between the political competition and the governance effectiveness indicators.

**Table 3**

Kendall’s tau-b among Political competition and governance effectiveness indicators

	<b>Political competition Kendall’s tau-b</b>
<b>Government effectiveness</b>	,435*
<b>Control of corruption</b>	,397*
<b>Management index</b>	,532*

\* – Correlation is significant at the 0.01 level (2-tailed).

There is a clear, significant, and rather strong relationship among the analyzed process and performance indicators. As in the previous case, institutional factors

of political participation bear the most on the management index and least on the control of corruption.

Based on these results, it appears that there is strong empirical evidence that the extent of political participation rights and opportunities in different countries is positively related to good governance effectiveness in terms of the government effectiveness, control of corruption and, especially, the political management of developing and transforming countries. The last mentioned relationship has been chosen to show this assertion in great detail.

The selection of the management index for further analysis is logical. The relationship between voice and accountability (process) and political management (performance) is noteworthy on several counts. This is the strongest of all of the relationships and the control variables had virtually no impact on the strength of the relationship. This was corroborated by correlation analysis (see difference between Pearson’s correlation and partial correlation coefficients), as well as by the linear regression model.

**Table 4**  
Summary of the regression model

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,888 <sup>a</sup>	,788	,779	,8617

<sup>a</sup>. Predictors: (Constant), Number of veto players, GDP per capita 2002 (PPP US), Regime Durability, Voice and Accountability

<sup>b</sup>. Dependent Variable: Management Index

**Table 5**  
Coefficients of the regression model

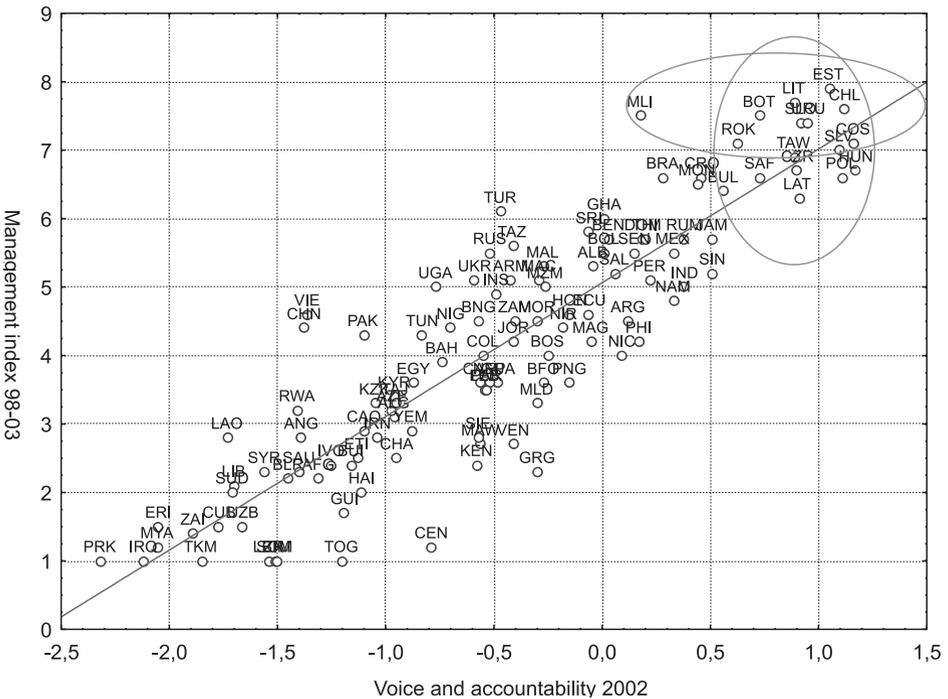
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5,155	,258		19,957	,000
Voice and Accountability	2,047	,149	,925	13,704	,000
Regime Durability	1,011E-02	,006	,092	1,731	,087
GDP per capita 2002 (PPP US)	2,699E-06	,000	,007	,105	,917
Number of veto players	-9,28E-02	,056	-,095	-1,663	,100

<sup>a</sup>. Dependent Variable: Management Index

The second reason involves the specificity of construction of the Management index. Virtually zero impact of economic wealth (per capita GDP in PPP) is particularly noticeable. This probably is due to weighing the results of the difficulty level of the transformation process (economic development, educational level of population, intensity of conflicts, civil-society traditions and the state's institutional capacity). Thus, it would appear that the model confirms that the index sensitively responds to the "real" capacities of governments and their important political actors (president, parliament, parties in opposition, representatives from non-profit sector and business) in the process of transformation towards a market-based democracy.

**Graf 1**  
Scatter plot Voice and accountability and the Management index



A positive linear trend is clearly visible in the scatter plot. There is only one among the top ten countries with the best management performance which have scored below 0.5 on voice and accountability.

## **Conclusion**

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It is not very bold to claim that a more open and competitive political system, with an institutional environment that gives more space for participation, generally produces a more adept and efficient government together with more adept and efficient political actors in the game and vice versa. Within such political systems, government works effectively, the interests of people are better mediated and the quality of public services is higher. Hand in hand with this goes more efficient and independent public administration with competent civil servants, credible government and less corrupted politicians and officials.

The more interesting finding here has to do with the important role that political participation plays in the transformation process. Even in the countries with difficult starting conditions, development towards effectively governed market-based democracy is enhanced if there is more open space for public participation. However, the strengthening and deepening of political participation is not the general solution for all countries and under all conditions. Different countries, with different conditions, must select their own solutions and utilize the strategies which best match them. On the other hand, Hartmann (2004) does point out that the majority of the top performers in the Bertelsmann Transformation Index ratings based their reform policies on a broad consensus in society. They also consolidated their democratic institutions and strengthened competitiveness.

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# Three Dimensions of Modern Social Governance: Markets, Hierarchies and Kinships

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## Alternative Meanings of the “Third Principle”

The coming new age of globalisation and the dismantling of the world conflict of the cold war brought a new vision to European politics and social governance that is associated with the “third way of new social democracy” (Giddens, 1998 and 2001) or the Lisbon strategy of the European Commission that dealt with practical politics and real economics. The idea is that the two basic pillars of the socio-economic organisation and policy-making, i.e. the markets and the direct commands, need upgrading specific to the new stage of development because their traditional organisation fails at meeting new objectives. Such concepts have appeared and disappeared many times in human history and have always drifted between being an objective phenomenon and speculation.

The subjective definition of the “third principle” (i.e. a mere political marketing trick) can be contrasted with a definition based on objective criteria. What matters here is the exogenous ontological nature of the third alternative. For example, it can be associated with an emerging new objective processes changing the present social order and its existing bi-polar constituency of interests. It is not a mere aberration of existing politics. We may call it a political break-through at the level of such fundamentals as wealth and power.

The strength of the emerging third pillar, which would be at a par with markets and hierarchies, would be magnified if it came up with a non-orthodox alternative to the existing fundamental policy variables upon which the present institutional superstructure was built. Such a superstructure would be subject to typical institutional inertia, even though previous fundamentals have lost the reason for existence. Have we entered the ground of historical breaks and their institutional

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shakeouts? What kind of variables might these be? In this article we are dealing with politics – i.e. with the ways of determining social governance related to hierarchies of social organisation and their decision-making.

The development of capitalist market economies was accompanied by an emergence of theoretical reasoning claiming that the State (or any similar hierarchy) should be nearly completely discarded. The ideology of *laissez-faire* was brought to an astonishing perfection in the models of general competitive equilibrium by Walras, Arrow and Debreu (see Weintraub, 1983). Nevertheless, as a response, the model of perfect markets was soon challenged by models of imperfect competition published in 1933 by Chamberlin and Robinson (see Hart, 1985). At the same time, the reality of big crash (1929 – 1934), and further empirical studies of industrial organisation, confirmed that a convergence towards perfect competition was not a natural state of affairs and that oligopolistic markets or market imperfections pervaded. The role of the State was steadily increasing throughout the 20<sup>th</sup> century, as could be measured by the share of taxes or government expenditure on GDP. In the 1980s, in some Scandinavian countries and in all countries of “real socialism”, the tax quota appropriated more than 50% of GDP.

The theory of second best was an attempt to reconcile the orthodox neoclassical economics with empirics (Lipsey and Lancaster, 1956). Absolutely perfect markets lead always to Pareto optimum and assured the unrivalled, most efficient usage of resources. In contrast, distortions of the market cause deadweight losses and less efficient outcomes. The policies of *laissez faire* should then strive to bring the economy to a state of zero distortions. But is it ever possible? Such renowned economists as Samuelson (1968) or even Friedman (1981, p. 4) agreed that there are no pure market economies, even in the anarchist-litertarian ideals. All real economies are actually mixed economies where both elements of markets and command co-exist in various degrees.

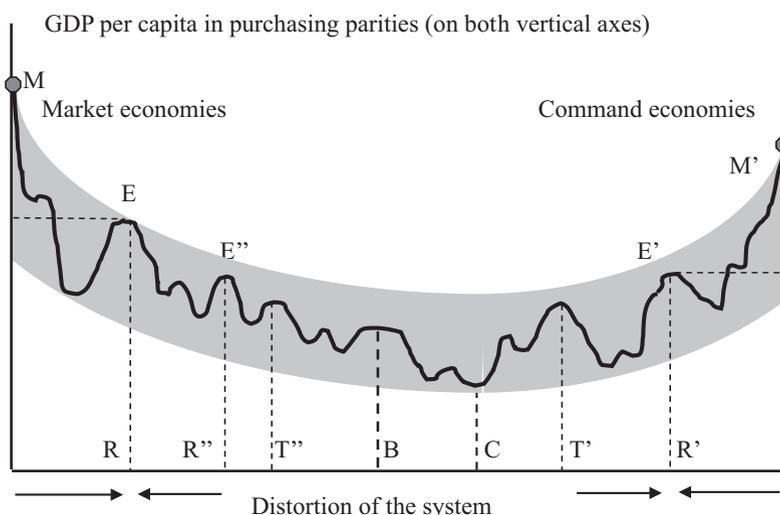
Even though there is now a nearly complete consensus around the world that markets are a necessary institution for socio-economic governance, there are also many voices adding that their existence is not a sufficient condition. An intervention by a visible hand of a hierarchy can improve the efficiency of some economic subsystems, as was argued by Keynes (1936), Coase, (1937), Schumpeter (1947), Sen (1992) or Stiglitz (1994). According to the second best theorem, there is a continuum of market distortions (i.e. a mixture of market and command principles) where the system is always outside of the absolute optimum and challenged by infinite number of local optima, which cannot be ranked by a Pareto efficiency criterion because there is always someone who gets worse off.

Let us now turn our attention to hierarchical commands (as the potential alternative to markets) and at their impacts on governance. The theory of second best can be also applied on these pure systems. We could argue that, hypothetically, the command system could perform best in a completely collectivised system where all

participants are agents of someone superior. Their aim could be a capacity build-up – by a suppressed present consumption and high investments the system would lead to the highest long-run growth on a von Neumann optimal path. According to Friedman (1981), in the ideal case that would be a hierarchy of agents only – a sort of new enlightened serfdom of *nul homme sans seigneur*.

But is it compatible with reality? Although the idea of central command (planning) could have been an appropriate technologically-dictated management of scarce resources during a war, an economy in peace would have to yield to the pressures from the civil sector, i.e. from the interests of individuals and their need for personal freedom, choice and initiative. Guided again by strong academic assumptions, we could draw Figure 1 showing a continuum of economies based on a different combination of commands and markets.

**Figure 1**  
Trade-offs between markets and hierarchies



We interpret the shaded stripe as a smooth quadratic envelope for the fluctuating efficiency indicator. If the search for optimum is constrained by transaction costs, imperfect information and short-run expectations of decision-makers, then rationality becomes bounded and the quest for an optimum is terminated if the solution is “satisfying” (Simon, 1947). For example, although the global maxima<sup>2</sup> are in M and M', points E and E' may be compatible with local maxima, pointing to

2 One should refrain from comparing the utility differential between M and M'. The objective functions of these two incongruous systems are so different (e.g. maximal consumption versus maximal military build-up) that neither the resultant numeraire of the GDP per capita nor the “lists of achievements” offer a sound base for global ranking.

arrangements to which the real system might converge and where the eclectic combination of both markets and hierarchies is sustainable. Appeals for returning back to systemic purity in  $M$  or  $M'$ , called for by market or planning fundamentalists, would not be compatible with real politics. For example, a social experiment with abandoning all government regulation and transfers in any contemporary economy would end up in a state of intolerable uncertainty, risks of anarchy and a burden of social costs that would be vetoed by vested interests entrenched in politics. Also a call for an alleged “third way” propagating a heavily mixed economy in  $B$  would have little chance for success because such arrangement offers no guarantee for efficiency either.

Figure 1 can be also interpreted as a path for “transition from planning to markets”, i.e. from  $R'$  to  $R$ , which must result in a fall of GDP until the build-up of market institutions is prevailing over the legacy of direct command. There could be an uncertainty here, too, as the whole process can run out of steam and get stuck in inefficient local maxima  $T'$  or  $T''$ , a situation illustrated by the cases of Belarus or Czechia in 1996. If we compared the performance of these two basic social systems (as in Figure 1) we might find that the objectives they followed diverged so significantly that a simple comparison would not be impossible. The alleged GDPs per capita (necessarily adjusted to non-market purchasing parities), which served for their comparison, were products emerging from virtually different demands. While the market economies satisfied the subjective demand of individuals, the planned economies satisfied the (subjective) demand of top hierarchies. Granted this inconsistency, both systems could be assumed to be efficient in their functioning *sui generis*.<sup>3</sup>

Nevertheless, collective choice dilemmas in command economies, lack of accountability for losses, undercapitalization, incentive to wage overshooting and underemployment, problems with ownership transfers and inflexibility in restructuring made firms with closer worker-control still less competitive internationally than firms under the control of private investors (Dow, 2003). The Darwinian selection turned the odds against them in the long-run whenever they were faced by a direct market confrontation with an authentic private sector or even with an authoritarian command system. It is clear then that economies with firms under the dominance of labour operate in the field of opaque markets, unstable governance, risk of defaults, and reliance on State interventions. In Figure 1 we should locate them somewhere into the middle of the graph where the economic efficiency is low.

The assumed convergence between the market and the hierarchical systems, as conceived by Tinbergen (1961), did not take place. The swing of the pendulum

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3 The problem of the more recent hierarchical systems was that, once the hierarchy without Stalin /or Mao/ became less authoritative and the choices of individuals had to be granted certain autonomy, the criteria turned in favour of the market system and the planning system commenced to falter in both its aims and its means.

to neoliberal policies in the 1970s and 1980s had wide repercussions throughout all market economies and the reforms in all European planned economies failed. The wishful thinking in redefining our Figure 1 from convex into concave, where the minimum of the shaded envelope at C would elevate to become a maximum, did not materialize. The search for a sustainable “third road” failed throughout the period 1956 – 1989.

The transition between social systems is not without deep conflicts. Each natural system is embedded in certain local equilibrium and its institutions are resistant to changes. Society in transition has to overcome mounting internal conflicts, clashes over the economic and social governance, uncertainties with ownership and its productive collective actions become paralysed by rent-seeking strategies. The idea that a modern society based on choices cannot be built exclusively on one-pillar system, because it has more than one social objective, is crucial for our argument.

## **The Untenability of One-Pillar Social Systems**

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The majority of early reforms in transition economies were marked by the belief that unfettered markets (Ellerman, 2001) would not only lead infallibly to high growth, but also that these markets were self-contrived and self-enforcing entities. The actual developments in transition economies, in direct contrast to that, followed the path of unprecedented economic slump, stagnation and slow growth for many years. Out of nineteen countries undergoing transition in Europe, only three (Poland, Slovenia and perhaps Eastern Germany) were able to recover the output recorded in 1989 after 10 years of changes. We could gather that the build-up of the market environment was much slower than expected because otherwise we could not explain why the gains in efficiency were so small. For example, in Figure 1 we could depict that the actual transitions reached the critical level of depression in C during approximately two years after its start in point E'. But it took the most successful transition economies another seven years to reach the state of high distortions approximately at E", instead of ending in the ideal arrangement of M or in the more realistic point E.

After 1996, the approach to transition, guided by a couple of simple macroeconomic imperatives of the Washington Consensus, was slowly fading away and an approach based on institutional economics (e.g. Stiglitz, 1995, Olson and Kahkonen, 2000) gained ground. These two moves had far-reaching consequences – not only for the policies of transition, but also for the re-shaping of modern economics, social governance and the re-invention of public policies. As was pointed out by Olson (2000), many modern markets are not self-enforcing and a large part of production and exchanges cannot be self-protected. It was somehow forgotten that the functioning markets were subject to long-lasting evolution and that markets could not be declared simply by a decree. Even though markets are everywhere, not all

market economies are rich. Thriving advanced market economies require socially-contrived markets, production guarded by property rights and certain mechanism of governance. The role of State, governments and other institutions assisting markets in their functioning are crucial guarantees of economic prosperity.

The lists of problematic fields in transition countries show quite clearly that they all are associated with some aspect of public goods present in the following fields: information, environment, pollution, health of the population, medical care, hygiene, education, science, research and development, technical standards and norms, culture, arts, agriculture, forestry, landscape, housing, water resources, security of individuals, national defence, public security, regulation of monopolies, competition among firms, public utilities, energy networks, transport infrastructure, telecommunication, legislation, judiciary, care for children, youth, disabled and elderly, social security, stable currency, job security, property rights enforcement, public administration, public procurement, bureaucracy and fiscal and political systems. In a wider sense, public goods of paramount importance are markets and human values themselves. In the former we can name commodity, factor and political markets, which are just information networks that can be easily distorted by power. In the field of human values there are ethics, justice, charity, benevolence, cognisance of social coexistence and human dignity, social equality, solidarity and tolerance of cultural, racial or religious differences. Their negative form (as public “bads”) is also crucial in shaping the economic co-existence: violence, malevolence, terrorism, etc. Their elimination can not be left on markets alone.

At this moment, we can conclude that the collapse of communist regimes (and of their system of social governance based on hierarchies and non-democratic authorities) was based primarily on a sudden outburst of public choice. It was because of these countries’ inability to comply with some highly demanded “post-modernist” human values, such as the provision of consumer goods, leisure, innovation, private initiative and democracy. In a search for the common denominator, we may say that it was the systemic inability of the communist system to support individualism as a value, or to receive public approval of the idea that collective subordination to the authorities, and posthumous reward, are the true reasons for life.

The subordination of the whole economy to a hierarchic command would be objectively legitimate only in a system where:

- all goods are public goods (preferably with absolute externalities);
- the central authority (due to perfect information) is able to rank all alternatives;
- objective functions of individuals are not autonomous (i.e. there is no free individual choice).

All three conditions are not valid: there are both public and private goods, authority is not omnipotent and individual choices (and initiatives) matter. Thus

all modern economies are forced to split into a dual system – leaving the allocation of private goods to the competing bidding of simulated markets, while the provision of public goods is administered by public governance. The problem left here is to agree on workable processes and instruments of governance, reconciling such amalgamated systems. Markets imply a myriad of conflicts among economic agents (Rajan, Zingales, 2000). Their organised pressure or defence against them implies politics. Big players in this game (corporations, unions, governments, states) mean big politics. But there is a paradox here: the objective reason for an active economic role of the government comes from the existence of public goods and not from politics as the rent-seeking opportunistic actions of pressure groups.

But if markets are not perfect, and if private goods are not exclusive objects forming GDP, then markets are sub-optimal. It then follows that alternative institutions, more appropriate to the nature of the problem, should be activated. It is not an accident that economics in the last 40 years have been gradually shifting its attention from technicalities behind the optimal allocation of given private resources to inter-human relationships and their institutions (which may result in economic behaviour full of conflicts, locks-in and disequilibria).

Some of the most important advances in economics in the last 20 years were dealing with transaction costs, externalities, asymmetric information, moral hazard, free riding, rent-seeking, incomplete contracts, adverse selection, signalling, uncertainty, incomplete or missing markets, altruism, oligopolies, re-distributive coalitions, increasing returns to scale, public choice, law, ethics, endogenous growth, environment, inequity and human capital. All these challenge markets as universal instruments of economic organisation and governance, and call for an additional pillar supporting system changes. Governance over public goods looks now wider than ever before – becoming the dominant economic problem in modern societies.

Today, in some countries, merely two percent of employed workers are enough to provide for self-sufficiency in agriculture and 25% in manufacturing. The remaining more than 70% of employees work in services. The majority of the services are “invisible”, like banking, insurance, communications, education, consultancy, health or entertainment. The aspects of non-excludability, parallel consumption, externalities and scale economies were present in too many of them.

The existence of public goods and the autonomy of politics outside of economics – these are main reasons why the market system could not become a single pillar dominating social organisation and governance. Similarly, based on performance, no system of command alone could take over such an exclusive role in modern societies. However, once we grant public goods an important place in modern economies, we also open the Pandora’s box with its mixed blessings. The crucial problem of public good is the problem of allocation of national resources: how to measure the net benefits of public projects, or the social costs of government regulations;

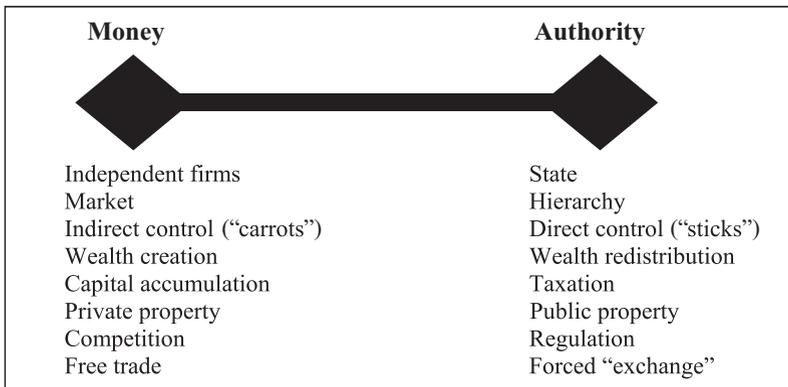
how to organise public governance without the risks of moral hazard, and how to avoid crowding-out and/or waste of resources. The stagnation of Japan or the fall of Enron are serious warnings.

## The Structure and the Governance of Two-Pillar Systems

The structure of two-pillar social systems differs substantially between command and the market economies because the position of their economic agents is substantially different. It is dependent on the way the governance elite is recruited, how their objectives are set, which algorithm of decision-making is used and what policy instruments are selected. The two-pillar socio-economic systems are therefore bipolar, as depicted in Figure 2, where there is a tendency to dominance by one of the poles (pillars). The pillars may be represented by “money” and “authority” – as the driving forces in the liberal and the totalitarian models. Each pure model has its specific mechanisms of organisation, governance, objectives and inducement mechanisms. As explained above, the pure models cannot exist in reality and there is some degree of complementarity. Therefore, we can also speak about a balanced (“Scandinavian”) model where there is a tendency to countervail the power between pillars. Actually it is a balance between the sizes of private and public sectors, and the pillars “specialise” in the control of them.

**Figure 2**

Traditional bi-polar orientation of politics and the instruments of governance



It should be noted that the extreme (Hobbesian) interpretation of these two pillars is by taking them as competing substitutes of a zero-sum game and not complements. Granting more weight to one of them means stripping the other of its influence, as was shown in Figure 1. Actually Figure 1 represents an extreme polarised concept of a two-pillar society where the envelope of performance between two poles is deeply convex and narrow. It could be admitted that such a model fitted best

the period of emerging industrial capitalism and the militant stages of communist industrialization.

The biggest paradox of developments in the last 15 years was that both traditional pillars of society were losing their credibility. Central planning lost the last residuals of practical appeal after the collapse of the Soviet empire and the subsequent fundamental transition in China. Likewise, though gradually, the beliefs in neoliberal market models joined the losing side. There were the following real developments, which became a challenge to the functioning of both the neoliberal and the “mixed” economics:

- a) Expansion of the “weightless” service sector and declining share of material production;
- b) Increasing fuzziness between the “formal” and the “informal” (shadow) economies;
- c) Growing importance of increasing returns to scale and product differentiation;
- d) Cartels and monopolistic competition raising the market transaction costs for outsiders;
- e) Globalisation of the world economy and the rise of multinational corporations;
- f) Chains of governance in the corporate sector becoming longer, leading to a separation between ownership and control;
- g) New styles of management required by technological break-through and globalisation;
- h) Dramatic changes in information technologies (IT);
- i) Increasing role of human capital as the main constraint of growth, and the rise of the knowledge economy;
- j) Weakening of physical capital and natural resources as production factor constraints;
- k) Rising demand for public goods accompanied by sharply rising rates of taxation and bureaucracy;
- l) Environmental pollution, crime and terrorism (as “public bads”), countervailing the gains in material affluence;
- m) Importance of social networks and institutions, reflected in the theory of social capital;
- n) Rising awareness of the importance (and the scarcity) of ethics, trust and consensus in economic interactions;
- o) Market failures accompanied by government failures;
- p) Increasing unemployment, income inequality and social polarisation;
- q) Rise of hierarchies parallel to the national government: bureaucracy, police, army, mafia, business oligarchy, religious or environmental fundamentalism, international organisations);
- r) Individualization of the society;
- s) Declining trust in politics, governments and democracy in capitalist countries since late 1960s.

As a result, the worlds of “money” and “authority” were losing on their polarity, becoming co-integrated more closely. As intra-enterprise hierarchies grew in their size and influence on decision-making as globalisation progressed, they became interlocked with the parallel hierarchies of the states. Thus, the systemic disjunction between markets and governments became smaller and the interdependence between them grew in intensity. The explanatory power of bi-polar graphs, like that one we depicted in Figure 1, has been becoming ever fuzzier to interpret (Marcusen, 1995; Arndt, Kierzkowski, 2001).

In contrast to the big organised players in the economic and social fields, the role of individuals in influencing their own “governance” declined. The obsession with consumption and fiscal redistribution on one hand, combined with growing uncertainties in employment on the other hand, made people highly dependent on enterprises and governments. It led to a paradox as if the people (originally conceived as the sovereigns of the capitalist/democratic society) had no reason for existence without these two pillars. What are the limits of impotence of individuals? Has the authenticity of their unique existence become superseded by the more efficient virtual world of organisations and markets?

In many aspects, the marginalisation of individuals in modern societies seems very deep. The approach to politics by representative democracy undermined the pro-active orientation that would require vision, prevention of future defaults and the offering of the people more space for their own initiatives. It seems as if the development of the world depended just on the collusion between the commanders of (big) enterprises and the top officials of the State. Our argument is that the rule of “money” and the institutionalised power of “authority” are far from being exclusive elements of modern governance.

### The Missing Third Pillar for Stability

The conclusion of our previous findings was that the pillars of markets and hierarchies must act in parallel in order to explain the functioning of real economies. It was also stressed that the structure of markets and hierarchies in societies are not able to determine the level of GDP by means of a deterministic function. We had to use the concept of an envelope in order to extract the general features, what also revealed the degree of indeterminacy and the spread of efficiency outcomes. The use of a random term (in order to describe the extent of indeterminacy of the function) is only a spurious approximation. The correct approach is to add a third pillar representing additional factors that actually act behind the seeming variations and “uncertainty”.

In Figure 1, the reality depicted by black line MM’ is a very complicated relationship between economic performance and organization, full of reversals in slopes and discontinuities. Its explanatory power had to be wrapped into a shaded

envelope in order to explain the smoothed-out trends. The width of the envelope thus suggests how important could be the third factor, which was not included in the original two-pillar world. In highly stabilized conservative societies it may be very thin, but in societies subjected to shocks of social reversals it may become the decisive explanatory factor for a suddenly improved or collapsed performance. The study of post-communist transition economies is a prime object of such studies.

The logical outcome in a quest for our missing third pillar of social governance is to concentrate on individuals as autonomous economic and social agents. It can be represented by citizens organized in families, households, clubs and other types of micro-communities, looking at the world from their down-to-earth position. Actually, this is the archetype of any human interaction and its objective function is of paramount importance: the human survival as both a biological and a social entity.

It commences with the Darwinian aim for survival of the fittest and extends to the aim of the preservation of species. The social outcome of it is a co-operative behaviour at the grassroots of social organization based on the principles of trust, morals, solidarity, altruism, long-run individual stability, consensus building, satisfying barter and “reasonable” reciprocity. This system of exchanges and cooperation is based neither on the principles of money nor on the principles of authoritative hierarchies, although its interaction with both is evident. Economic literature that points to that interface can be found in Simon (1947), Sen (1987), Meade (1989), Buchanan (1994) and Rawls (2001), among many others. According to them, the nature of modern economics downgraded when its link to individuals was limited just to an abstract *homo economicus*. Also, the growing distance between the world of colluded markets and hierarchies on one hand, and the solitary individuals on the other hand, resulted in the further crowding-out of people from their role as sovereign economic decision-making agents.

Once the number of social pillars is extended to three, so that markets and hierarchies are complemented with the civil sector as the third pillar, we arrive at a concept that is more compatible with reality. The third pillar represents individuals, their authentic relationships (“kinships”) and exchanges. Such three-pronged systems cover all three levels of organization and exchanges: micro (at the grassroots of families or citizens), mezzo (at enterprises) and macro (at the national level). It is also evident that interests at these three levels can be disjunctive and autonomous, even though in principle it was individuals who agreed to have both markets and governments as their instruments caring for their well-being. Another parallel can be raised on the democratic ideals of the French revolution: *liberté – égalité – fraternité*, which can be interpreted to involve liberal markets, equality of people in hierarchies and brotherhood of individuals. But once there would exist three parallel objectives among the social agents, there must be three policy instruments (pillars) for their management. This is the logic of Mundel’s assignment rule (Mundel, 1962).

**Table 1**  
Classification of political systems based on three pillars

Markets	Hierarchies	Kinships	Characteristics of the political system
1	0	1	Liberal
0	1	1	Syndicalist
0	0	1	Trotskyist /anarchistic/
1	1	1	Balanced, based on three social objectives
1	0	0	Business fundamentalism
0	1	0	Etatist /communist/
0	0	0	Nihilistic
1	1	0	Elitist /oligarchic/

The three-pillar socio-economic system based on markets, hierarchies and kinships allows altogether eight (2<sup>3</sup>) vectors of fundamental alternative policy strategies, of which four are involved in the support of the individual/civil society (see Table 1). The remaining four political strategies take the existence of the autonomous interests of individuals as irrelevant. The “old third way” then gets on an equal footing with the policies addressing markets or governments. We will call it a three-pronged principle of social governance. Now we arrive at a nominal criterion for testing whether some declared policies can be labelled as politics based on three pillars. For example, we can test a list of features designed for British Labour Party, as proposed by Giddens (1998), and compare it with politics of “old social democracy”, as is indicated in Table 2.

**Table 2**  
Classification of the “Old” and the “New” politics (according to Giddens (1998))

Old politics	New politics
Welfare state	Welfare society
Collectivism	Individualism
“Objectivist” consumption pattern	Personal choice
Critique of capitalism and markets	Synergy with capitalism and markets
Dominance of the State	Dominance of the civil society
Keynesian support of aggregate demand	Support of the supply side
Distrust to markets	Markets matter
Bi-polarisation of the world	Bi-polarisation is less important
Low awareness of the environment	Environment matters
Fetish of forced income equality	Equality of chances and individual performance
Mass material production	Employment in services

*Three Dimensions of Modern Social Governance: Markets, Hierarchies and Kinships*

Big business is crucial	Small and medium-sized businesses matter
Elitist state and public administration	Transparent state and public administration
NGOs as partisan interventions	NGOs are crucial for democracy
National economies	Cosmopolitan economy
Physical capital as the main factor	Human capital as the main factor
Material consumption	Quality of life and human development
Gvt. protection and discretionary intervention	Discipline and encouragement by incentives
Authority, traditionalism	Democracy, libertarianism
Traditional family	Female emancipation
"High" politics	Politics for life
Exclusion by formal hierarchies	Inclusion outside of hierarchies
Science and technology elitism	Science and technology openness to public
A-priori rights of State for re-distribution	No rights without duties (responsibilities)
Rising taxes and public administration	Reform of the state and public administration
Negative public social services	Positive public social services
Centralisation	Decentralisation, devolution, subsidiarity
Bureaucracy and corruption	Efficient service to the public
One-time big elections	Permanent direct democracy
Provision of public goods by the State	Mediated public procurement tenders
Closed national state	Cosmopolitan state and nation
Economics of selfish interests	Economics of communitarian coexistence
Formal business entrepreneurship	Informal social entrepreneurship
Traditional hierarchical family	Flexible family ties based on equality
Economic certainties and re-distribution	Promotion of wealth creation
Physical asset investment	Social asset investment
Business ethics are secondary	Business ethics are primary
Formal (positive) law and regulation	Natural law guided by moral norms
Class society	Development of the middle class
Exogenously given inequality	Justice and equality are endogenous
Dependence on external provisions	Self-support, grass-root initiative, soc. capital
Sharing of means via the State	Sharing and prevention of risks via the State
Inflexible and generous pension fund	Flexible, parametric pension funds

The “old politics” of industrial capitalism (both conservative and socialist) that developed in the late 19<sup>th</sup> century were based on an explicit acceptance of a two-pillar system of social organization, which was dominated by the co-existence of markets and hierarchies. The role of an individual dissociated from the command of markets or hierarchies was passive. Features that were not a direct functional part of these two pure systems (e.g. morals, solidarity, informal relationships or individual sovereignty) were taken as exogenous residuals that were considered constant in time and consensually recognized. As capitalism approached the limits of the welfare state, there was a gradual tendency to transfer these “exogenous residuals” into policy variables. This is clearly visible by comparing column 2 in Table 2 with column 1. The role of an individual was changing from passive to active.

At this moment, we can raise again the most basic question of human motivation: “what are the drivers of human behaviour”. As the satisfaction of human needs kept diverging with the maturity of capitalism from markets towards State provisions <sup>4</sup>, the role of individual activism (responsibility and freedom) was declining. According to the classifications of Maslow (1971), and Aldorfer (1972), the satisfaction of physiobiological needs (intake of energy, water and oxygen; procreation), relatedness (security, affiliation, recognition by others, cooperation and exchange) and competences of self-actualisation (abstract problem-solving, emotional capacities and working skills) got constrained by the traps of bureaucracy. The two channels of provision (oligopolistic markets and paternalistic State) became too dissociated from the free will of more-and-more individuals. The paramount human need of self-fulfilment has been calling more urgently for a new corrective channel. Such a channel can be found in re-installing the individual as a direct and active agent of decision-making and public governance.

We can therefore extend the philosophy of Figure 2 by adding a third fundamental pillar. Table 3 provides a review of principles that characterise the differences in functioning of our three pillars of social governance. We can see that each of the pillars is based on a set of specific principles (objectives and instruments), which allow them to perform specific tasks that an alternative pillar does not cover at all, or covers only partially. The “logics” or the form of rationalisation of individual pillars are sufficiently different for granting them the status of an existential autonomy. Therefore, the question of substitution, complementarity, specialisation and exclusivity in the functioning of the pillars is a crucial problem challenging all alternative structural compositions of social governance.

Since the ways how the society may influence the governance of pillars are rather limited and subject to the institutional inertia of embeddedness, the evolution of social systems is not only slow but also highly autocorrelated. Features of path dependency and embeddedness may therefore interfere with attempts at ap-

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4 This drift can be observed by rising share of the State budget on the GDP in advanced countries – from less than 10% in 19<sup>th</sup> century to over 50% in 1980s.

plying rationality to such designs of human engineering. Politics is a common field for the social governance of pillars. Table 3 shows how complicated its objectives are and how many vested interests act against finding a social consensus.

**Table 3**  
Characteristics of social governance in post-industrial societies

	<b>Pillar I.</b>	<b>Pillar II.</b>	<b>Pillar III.</b>
<b>Agents:</b>	<b>Firms, businesses</b>	<b>State, government</b>	<b>Individuals, citizens</b>
Channels of interaction:	Markets	Hierarchies	Informal kinships
Origin of gains (social objectives):	Wealth creation, profits	Wealth redistribution, rents	Externalities of justice, equity, solidarity; altruism
Objective of agents:	Profits, money, wealth	Power rents of discretion	Felicity – secure, pleasant and enduring life
Instruments of power:	Money, capital, contracts	Coercive administrative institutions	Human and social capital, civil society network
Means of inducing social adjustment:	Prices of goods and factors	Regulation, decrees, legal code	Culture, moral code, natural law, social cohesion
Means of governance (of the pillar):	Competition, economic policy	Political democracy, constitution	Consensus, ethics, meta-culture
Sources of growth:	Capital accumulation	Taxation capture	Education, social wisdom, cooperation, loyalty, trust
Relationship to property:	Private property	Public property	Property sharing, voluntary inter-dependence
Nature of exchanges:	Free trade	Non-equivalent, (enforced) transfers	Satisficing barter, (“reasonable” reciprocity)

The capitalism of free markets was based on an institutional and ideological support of pillar I, while communist “real socialism” did the same with pillar II. Traditional social democracy relied on the combination of both. That is the old origin of the “third way”, going back to 1880, which may be is confusing and incorrect. The key players in traditional political games in industrially advanced countries during 19<sup>th</sup> and 20<sup>th</sup> centuries were organised in businesses and governments. Their real power came from wealth creation and taxation. The bureaucratic hierarchy of the State is represented at its summit by the Government that exercises its monopoly

of coercive power down to businesses and individuals by means of police, army, legislation and judiciary.

In the ideal case, industrial capitalism could have existed nearly exclusively on the principles of the market alone. However, some exceptions were required since predation was (is and will be) a human feature as natural as production. Markets cannot function without enforcement of property rights and a defence against external invasion. That requires the existence of the minimal state – thus the introduction of a parallel second pillar to our table was inevitable. So we can see that the State is defined as an unavoidable complement and not as a competing substitute to markets even in the archetype of the neoliberal capitalist system based on free trade. The same logic must be applied if the previous two objectives call now (at the globalised post-industrial world) for a support of the authentic role of individuals, morals, solidarity and justice.

The call for political power associated with the third pillar (described in the fourth column of Table 3) has been on a gradual rise over the past 50 years, as post-industrial economic development was gaining ground and civil society strengthened. Nevertheless, it should be said that it is still not dominant at the present state of economic development. The dominant playground of “people” in modern post-industrial societies remains in their role as input factors (i.e. as labour challenged by unemployment) and consumers of both private and public goods (i.e. the recipients of public transfers). But if the value of the human and social capital of “labour” is growing (as is growing their marginal productivity), so is their political role in the economic sector rising. Its increasing role in the government sector is also recognized.

The weakness of individuals is that they are atomised and their defence against businesses or governments is generally by passive resistance. As is argued by Thurow (1999), wealth in the past was associated with the ownership of land, natural resources, plants and equipment. The new trends in creating wealth are associated ever more clearly with the control of knowledge, and with the social organisation and education that encourage creativity and curiosity. At the same time, the process of acquiring knowledge in the free open world is ever more biased to personal initiative than to the activities of governments or businesses.

The role of the third pillar in politics was coming to prominence as the nature of industrial capitalism was gradually changing – with the rise of service industries, economies to scale, product differentiation and imperfect markets. The demand for the provision of public goods, or for commodities having some aspect of public goods, grew much faster than the demand for private goods. At the same time, there were growing supplies of products with negative externalities, like pollution, congestion or crime. On one hand, markets were crowded out by the interventions of the State. But on the other hand, there rose a tendency to involve civil society more intensively in the social decision-making. That was also instrumental in building

the theory of public choice, as an application of economics to the analysis of “non-market” decision-making. Actually, the new ideas are to introduce markets, competition and/or auctioning mechanisms into fields dominated by hierarchies, traditions and morals. Thus, the decisions in big corporations, governments, bureaucracies and NGOs are supposed to be more exposed to transparency and market-like procedures. The seminal contributions of such economists like Buchanan, Olson and Stiglitz, opened new avenues in economic thought regarding development and economic organization, what was also reflected by new approaches to politics.

The preferences for former market and etatist fundamentalism changed slowly in favour of the present “European approach” to politics, economic policies and social organization. That system is marked by the idea of a “partnership economy” based on social contracts (Meade, 1989), regulation of factor and some commodity markets, heavy public spending and the stress on solidarity and justice (Rowls, 2001). The most idiosyncratic European policies are the policies of cohesion and the Lisbon agenda (Murray, 2004). They are both extending the traditional fiscal macroeconomics into their involvement with enterprise co-financing and the inclusion of the civic sector into socio-economic development.

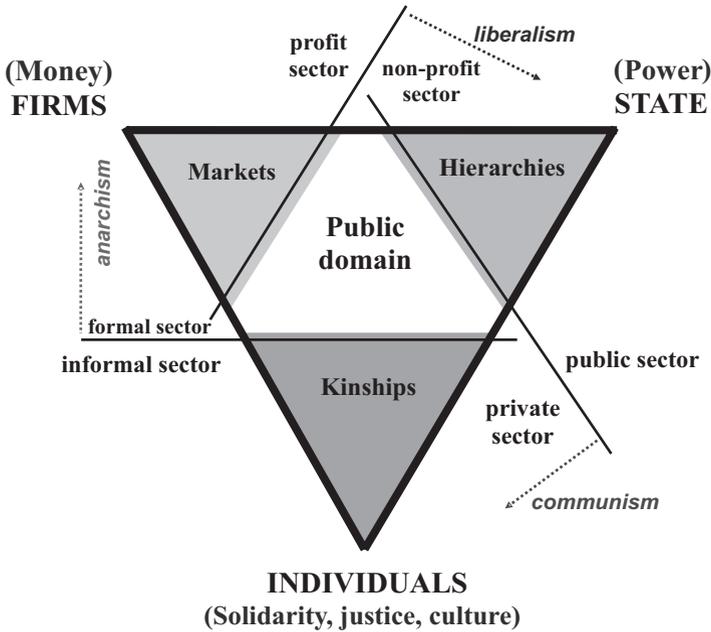
Although the parties, which gained most from applying the principles described here to their policies were the “new” Social Democrats (Giddens, 1998) or the Greens, the three-dimensional approach to politics, where the dialogue between market, state and citizens is balanced, will doubtless influence policies on the liberal side.

## **The Integration of Citizens and Civil Society into the Socio-political System**

By placing individuals on the same footing with amalgamated social players, such as enterprises and the state, we can re-design the tripod foundations of any industrial societies as is shown in Figure 3 (modified scheme of Pestoff, 1992, and Abrahamson, 1995).

In this figure, we see how the three exclusive sources of social organisation, governance and wealth divide among themselves the arena of human consensus, politics and policies. The division of fields is delineated by institutions, the most apparent of which are formal, i.e. legally enforced rules and classifications, like those ones distinguishing between profit versus non-profit organisations, between public versus private sectors and between formal and informal rules of acting. However, the criteria given by formal institutions should be double-checked for its consistency by informal institutions because they need not overlap. It is actually the real behaviour and not the official label that matters.

**Figure 3**  
The triangle of socio-political pillars and the forces changing the scope of their dominance



In the middle of the social organisation, there is left a large niche for the “public domain” as the cross-boundary for social interaction, which is subject to formal rules. Some authors call it the “civic sector” (Abrahamson, 1995) because its agents are organised individuals (often forming civic legal bodies) bargaining about objectives (i.e. their inner revealed preferences) that need the support of other social agents (i.e. other individuals, governments or enterprises). Here we touch the central idea of this paper – the hypothesis that the area of “public domain” is the *nervus rerum* (engine) of social governance.

It would be incorrect to infer that the public domain /civic sector/ should be an extended platform of individuals using formal civil initiatives for following their objectives pertaining exclusively to the field of kinships. Our inner niche is the platform for enforcement of interests coming from any of the three pillars. These can be non-profit and non-state civil organisations, churches, trade unions, professional chambers, but most markedly political parties and media.

The crucial point here is that the instruments with which the three groups of social players coordinate their activities (i.e. markets, hierarchies and kinships) are omnipresent in the whole social system. Although they have their specific home domain, where their functional principles originate (as depicted by a corner) and

where their influence is most visible, their functional principle is universal and can be used in other domains. For example, markets can be used in allocating resources for enterprises, but also in competitions for tasks of public administration, political party competitions, guiding NGO decisions, allocating leisure or finding a partner. Hierarchies are used in most varied fields of public administration, but also in running enterprises and families. Social cohesion, culture and its standards are important not only in maintaining individual social contacts, but also in running businesses and hierarchies (trust, loyalty, justice, etc.).

The imposition of new roles for the civic sector, together with assigning a more substantial role to its exchanges with the “informal community” of individuals, are the special objects of interest of our description of new features in the political economy of social governance. While we can agree with Habermas (1987), that the “system world” of money and bureaucracies in the industrial societies has colonised not only the public domain but also the life of individuals, we can also witness how the cause of individuals, families and voluntary organisations of collective (shared) interest rebounds. For this, we must rely on the role of culture (including ethics) in the functioning of societies. In its anthropological sense, culture is conceived as the reflection (abstraction) of all capabilities and habits acquired by man as a member of society. In its function, it is assigned intrinsically and exclusively to individuals. It is actually a definition of *homo sapiens* as a social and not only a biological entity. The culture assigns man two paramount social properties:

- a) The maxim about the right of an individual to be the own master of his/her creative entity, without being responsible to any higher power. This is the crucial principle of liberal approaches to society (Williams, 1996).
- b) The objective that by developing culture, life will become more secure, rich and enduring.

Both properties thus can serve as criteria for human social activities, their structures of institutions (such as ethics or laws) and the choice among alternatives of interaction. They also serve to distinguish between authentic human activities and the loss of sovereignty due to external manipulation or domination. In that sense, the objective function of individuals is superior to the objective functions of enterprises or hierarchies.

The dividing lines between sectors in the triangle of Figure 3 represent the domains of institutional arrangements particular to given society. In the terminology of Hayek (1973), they reflect the status of *taxis*. The dividing lines can be shifted in response to how much the society is willing to accept the ideas of liberal economies, totalitarian organisation or anarchism. Also, the division between sectors should not be treated in a strict discrete (binary 0 or 1) logic. Depending on the state of social formal versus informal organisations, the borders should be treated like a shadow (fuzzy) interface, not defined by a legal status, but by the actual behaviour.

The inclusion of individuals and their informal and formal organisations into the mix of agents of social governance widens substantially the processes of coordination. We have three basic instruments at our disposal (markets, hierarchies and culture) that can be exercised by three basic types of agents (firms, governments and individuals) in order to follow their three specific objectives (profits, power and felicity). It is not difficult to understand that none of them has among its objectives a concern for a globally balanced social optimum. This could be ascribed only to God. The global social optimum is an outcome of interactive processes (*"tâtonnement"*)<sup>5</sup> in the whole system – their negotiations, concessions and re-adjustments based on free exchange of information. We have also identified the core of the social system (the public domain) that include also the civic sector and where the alternative forces driving the society are conciliated. The only part that is missing in Figure 3 are external linkages to similar structures of other nations and external shocks coming from the nature.

It is only the interaction of all our players and their instruments that brings the society into a movement that is called "development". Naturally, development can be evaluated by historians using adjectives such as: balanced, harmonious, progressive, peaceful or constructive, including (more often) their antonyms. In any given moment we can only see a result of the equilibrium or disequilibrium of powers. There are no a-priory given "social" objectives. All is subject to an interplay of social powers.

A social coordination and governance that is subject to a wide combination of different objectives and instruments implies automatically choice and specialisation. The principles of comparative advantage in the usage of instruments, based on differences in local endowments and productivity, comes again to prominence. Each instrument has its own domain of efficiency, even though its usage is potentially universal. Social optimum can be achieved only if all instruments are in balance in their marginal positive effects and any potential improvement is not compensated for by a decrease in felicity by any other individual. Generally it is a black box<sup>6</sup> whose unique property is that it is hardly predictable ex-ante or empirically verifiable ex-post. Nevertheless, its message is not void: its existence helps in creating social equilibria that otherwise, if judged logically by means of comparative statics of isolated criteria, would imply that social reality evolves only within the range of seemingly suboptimal levels. If the mechanism of consolidating public and private

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5 *Tâtonnement* is an iterative process of global coordination among agents in large social systems applied by Walras to finding a general economic equilibrium. It requires perfect competition among agents for bidding prices under perfect information.

6 Black box is a processing mechanism whose inputs and outputs are known, but its functions remain hidden. The most famous regulatory black box is the "invisible hand" of economic systems. It is obvious that societies are *challenged by a similar problem of general equilibrium in many other activities than producing commodities for market sales. Any human act of choice that requires time is subject to scarcities and externalities. Its allocation requires a process of communication and negotiation similar to auctioning.*

choices gets stalled, the myriad of potential trade-offs for any social development will expose the social governance to a risk of indeterminacy.

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## Index

### A

**Albania** 6, 257

**autonomous decision competences**  
155

### B

**benchmarking** 287, 345

**Best Value** 279

**Bosnia and Herzegovina** 133

**budgetary process** 12, 353

**budgetary process participants** 353

**Bulgaria** 6, 55, 75, 134, 199, , 268,  
312, 323

**bureaucracy** 11, 15, 31, 39, 43, 50,  
55, 71, 99, 101, 111, 112, 151,  
174, 276, 293, 316, 382, 412

**bureaucratic dysfunction** 151

**bureaucratic incapacity** 152

### C

**cabinet decision making** 16

**career development** 203

**Central and Eastern Europe** 4, 7, 9,  
10, 27, 46, 74, 75, 98, 150, 172,  
196, 243, 279, 293, 335, 351,  
367, 383

**citizen survey** 260

**civil servants** 17, 48, 70, 99, 115, 135,  
155, 177, 200, 238, 292, 313,  
333, 348, 367, 387, 390, 399,  
405

**civil service** 15, 19, 43, 50, 99, 115,  
135, 159, 179, 180, 189, 200,  
313, 333, 367

**civil service wages** 136

**civil society** 37, 215, 229, 418

**Code of Ethics of the Civil Service**  
116, 127

**collective choice** 410

**corruption** 12, 31, 42, 43, 117, 126,  
152, 199, 311, 383, 396, 419

**crisis of confidence** 383

**Croatia** 133

**Czech Republic** 7, 55, 135, 140, 175,  
312, 325, 350, 364, 393, 407

### D

**Dayton agreement** 144

**decision incapacity** 154

**deliberative democracy** 386, 396

**democratic deficit** 73, 381

**democratic governance** 9, 35, 243

**democratic society** 27, 199, 416

**Denmark** 59, 96, 311, 316, 335

**depoliticization** 136

### E

**economic policy** 18, 29, 421

**economic rationality** 28

**economic transformation** 29, 38

**election program** 31

**Estonia** 66, 275, 312, 323, 375

**EU enlargement** 60

**EU integration** 77, 95, 116, 127  
**EU policy making** 60  
**European Commission** 61, 77, 97,  
141, 149, 172, 293, 319, 350,  
407  
**European Union** 27, 59, 97, 133, 147,  
170, 197, 256, 265, 276, 328,  
377, 382  
**executive decision-making** 16

## F

**fee collection** 273  
**forceful leadership** 173  
**form of corruption** 314  
**framework of 4C** 279

## G

**globalization** 44, 229, 240, 391  
**good governance** 24, 44, 293, 390,  
395, 403  
**governance indicators** 401  
**governing elites** 386  
**governmental capacity** 78  
**governmental decision-making** 78,  
176  
**governmental legislative capacity** 78  
**governmental reform** 12  
**gypsy life** 299

## H

**health care** 7, 38, 42, 246, 317, 337  
**health care reform** 346  
**hierarchies** 7, 407  
**Hungary** 4, 27, 51, 65, 151, 167, 297,  
323, 351, 368, 377

## I

**information technology** 387  
**institutional capacity** 73, 135, 174,  
195, 394, 404  
**integration hypothesis** 135

## J

**job security** 134, 194, 412

## K

**Kyiv** 244

## L

**laissez-faire** 408  
**libertarian notion of democracy** 385  
**Lithuania** 5, 66, 140, 153, 170, 312,  
323, 370  
**local communities** 211, 254, 300  
**local democracy** 6, 106, 211, 222  
**local governance** 11, 243, 384  
**local government leader survey** 280  
**local leadership** 243, 293  
**local mayor** 243  
**local participation** 212  
**local self-government** 214, 245

## M

**Macedonia** 133  
**market economy** 27, 189, 279  
**measuring corruption** 319  
**minority protection** 368  
**minority women** 297  
**modern social governance** 7, 407  
**Montenegro** 133, 198  
**multi-ethnic communities** 12, 370  
**multiethnic democracies** 367  
**municipal budgetary process** 353

## N

**Network of Institutes and Schools  
of Public Administration of  
Central and Eastern Europe  
(NISPAcee)** 10  
**non-governmental organizations** 6,  
229  
**nonprofit management** 236  
**nonprofit managers** 236

## O

Odessa 6, 243  
office of mayor 244  
Ohrid Framework Agreement 141  
organisational performance 155

## P

parochialism 22  
participation in decision making  
    221  
party fragmentation 25  
perception of corruption 312, 399  
performance indicators and targets  
    265  
performance management 258  
personnel policy 115, 146  
pluralist concept of democracy 385  
Poland 20, 51, 63, 115, 312, 351, 381,  
    411  
policy implementation 84, 275, 337  
policy making 15, 42, 59, 88, 96,  
    158, 169, 224, 277, 337  
policy volatility 21  
political decision-making 27  
political equality 100  
political freedom 102  
political leadership 175  
political participation 7, 211, 393  
political rationality 28  
political transformation 34, 189  
president-parliamentarism 49  
presidential administration 50  
public administration reform 138,  
    175, 207  
public budgeting 7, 353  
public finance 51, 349  
public goods 412  
public leadership 390  
public participation 106, 225, 297,  
    364, 405  
public procurement 343, 412  
public responsibility 277, 369

## R

radicalism and comprehensiveness  
    173  
referendum 32, 212, 245, 382  
representative democracy 396, 416  
Romania 5, 61, 153, 370  
Russia 4, 17, 47, 229, 350

## S

senior civil servants 5, 133  
senior positions in public adminis-  
    tration 116  
separation of politics and adminis-  
    tration 115  
Serbia 6, 133, 173, 370  
service delivery systems 12  
Slovakia 4, 63, 135, 256, 327, 368  
Slovenia 61, 99, 133, 211, 312, 368,  
    411  
social assistance 258  
social cohesion 300, 421  
social democratic view of democracy  
    386  
socio-economic system 418  
Soviet Union 9, 175, 198, 230, 276,  
    387  
state incapacity 152  
strategic orientation 47

## T

third sector 231, 288  
training in public administration  
    207  
Transparency international 311  
transposition 59, 78

## U

Ukraine 5, 15, 51, 171, 243, 377





The past two decades have been extraordinary ones for the countries of Central and Eastern Europe and the former Soviet Union. Many, indeed most, countries in the region have made the transition from dictatorial governments to democratic ones. Certainly, in some instances, the building of democratic institutions within the region has been a more difficult task than in others and, in some cases, this process of institution building remains a very fragile one. Nevertheless, when viewed in its totality, the achievements have been quite extraordinary.

The 2005 annual conference of the Network of Institutes and Schools of Public Administration of Central and Eastern Europe brought together scholars from throughout the region, and many other parts of the world, to examine these developments. This book includes edited papers from that conference that address both the challenges of building democratic governance and the way that many of the countries of the region are working to respond to those challenges.



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