Introduction to Public Sector Dynamics in CEE Countries

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Introduction

For some time, the mainstream thought may have been that public sector reforms could only go one way and actually did only go one way. In Central and Eastern Europe after the fall of the Berlin wall and especially because of the collapse of the communist system and the need to replace old centralistic mechanisms, the main option seemed to be lying in furthering competition, marketisation, contracting out, downsizing government, reducing governmental controls and letting the invisible hand of the free market do what is thought to be best for all people. For most public sectors in the region, the main model towards prosperity was the market based “ideology” developed under the name New Public Management (NPM), encouraging government to transform, downsize and do things similar to the way they are done in the private sector.

At present, more than two decades have passed since the beginning of this transformation. Many central European countries have indeed become members of the European Union, which is based on the principles of the free market and minimal governmental controls (while simultaneously promoting comprehensive welfare states). Other countries, especially in the Balkans, but also in Eastern Europe, still strive to become EU-member states and are trying to fulfil the requirements set by the European Union. They want to be part of this prosperous system and especially now, during the time of the crisis and lack of public funds, there seems to be no escape from a continuing transition towards free market economies with a government that pulls back, preferably transforming into what some have called a hollow state.

Notwithstanding this expectation and main trends, this volume argues that the dynamics within the public sector in these countries have never been and still are far from the one-dimensional picture. As shown by Bouckaert et al. (2009) the early reform tracks have never been the same – with Estonia on the one side as the
most visible NPM proponent to, for example, the Czech Republic, as the country of dominantly incremental reforms at the start.

The same is valid now – the current public administration reforms going on in countries such as Hungary and Slovakia in the centre, but also Poland, Lithuania and Estonia in the north, Rumania and Macedonia in the south, or Georgia and Ukraine in the east are again, for many aspects, different and not just determined by the neo-liberal ideology of NPM. It may not come as a surprise to know that the most radical Estonia is, today, visibly switching from an NPM to a Neo-Weberian state (Drechsler 2009).

This book is full of critical essays and studies arguing that during the last twenty years contrary trends are visible. This is especially the case for intergovernmental relations. From the NPM idea that decentralisation of tasks and authority is optimal, one would expect a general trend towards decentralisation in which more autonomy, responsibilities and authority is transferred to local governments (Jenei and Szalai 2002). Especially because the context in which the transformation took place in the CEE region was characterised by huge dynamics and uncertainty and the literature on organisational design has taught that such a contingency structure asks for flexible, decentralised organisational structures. However, as the investigations in several chapters of this book argue, such a transfer of powers from general to local government is often temporary, and can be reversed in the opposite direction (as in Hungary today). When there is a tradition of centralised state control, it is not self-evident that decentralisation will be preferred by governments.

In addition, decentralisation does not work out in CEE the way it does in old democracies. Expectations that it would increase the choice, accountability, responsibility, efficiency, etc., did not prove to be the reality everywhere and in all cases. For example, the data by Swianiewicz (2001) indicate that the right of independent decision-making is the most important for local politicians, in many cases allowing them to serve small interest groups rather than the overall population. High territorial fragmentation in some countries (such as the Czech Republic or Slovakia), together with limited accountability (local corruption) might be the reasons why expected increased efficiency of decentralised public service delivery is also not proved by existing studies. Davey (2002, 35) argues on this: “Reform programs are challenged by the inability of such communities to provide administrative and financial capacity and the scale economics and catchment areas necessary for essential services.”

The occurrence of different and sometimes really contrary trends of CEE public administration reforms and their results might be explained by many arguments (and may very much depend on the amount of resources available – without sufficient financial base, small states might be the only available option). In line with the ideas developed in the next chapters, this text focuses on three possible types of reasoning about NPM demise in CEE: rational considerations, changes in political
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regimes and consequently, the political ideological discourse, and third, institutional reasoning, out of the bureaucratic apparatus itself.

Table 1
Average size of municipalities in selected CEE countries

<table>
<thead>
<tr>
<th>Country</th>
<th>% of municipalities below 1000 inhabitants</th>
<th>Average population of municipality</th>
<th>Average area of municipality (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>0</td>
<td>35 000</td>
<td>432</td>
</tr>
<tr>
<td>Poland</td>
<td>0</td>
<td>16 000</td>
<td>130</td>
</tr>
<tr>
<td>Hungary</td>
<td>54</td>
<td>3 300</td>
<td>32</td>
</tr>
<tr>
<td>Slovakia</td>
<td>68</td>
<td>1 900</td>
<td>17</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>80</td>
<td>1 700</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Davey 2002, 36

Rational considerations

The first possible reason why many countries have turned away from the neo-liberal recommendations, as laid down in the ideas of New Public Management, is that it is not judged to be rational to proceed in this way. Also, in the modern public administration literature, fierce criticism on this school of thought is visible.

One argument is that NPM-reforms do not address the problems that are most pressing in the countries under review, but only a derivative thereof, i.e. the functioning of the public sector. This is argued, for instance, by Marija Risteska in this volume. In Macedonia, the most pressing problem within society was not to downsize the public sector, but rather the incorporation of ethnicities in society within the public sector and creating equal opportunities for all to become involved in public affairs (Risteska, this volume). Macedonia is a country with many different ethnic groups such as Albanians, Roma etc. Its government found out the hard way that it was not downsizing the public sector that would bring stability and progress to the country, but that it had to involve these minorities and develop recruitment procedures that would result in a more representative public administration. That such policies are difficult to accomplish and can result in trends opposite to what NPM recommends is aptly shown in this chapter.

A second line of reasoning in this regard is that the success of organisational reforms is contingent; that these have to take environmental conditions into account and have to retain or establish a fit between the organisational structure and the characteristics of the environment thereof. From contingency theories we know that there is no one best way of organising, but that the best way to organise de-
pends on the nature of the environment to which the organisation relates (Lawrence and Lorsch 1967; Scott 1995). The best way of organising is contingent upon internal and external features of the organisation.

Externally basic conditions have to be fulfilled in order to make reforms in line with NPM ideas successful. This is argued in this volume by Nikoloz Shekiladze, who analyses the contracting out and privatisation practices in Georgia. As Shekiladze argues, such privatisation, public-private partnerships and contracting out may be sensible in a state where the level of corruption is low, where public authorities have credibility, where the mechanisms of checks and balances work properly, and delegation of power is acceptable. But when the causes of corruption are not eliminated, when there is a risk that individual interests predominate, the discussion about such types of delegation is unreasonable (Shekiladze, this volume).

NPM reforms were only partly successful in standard developed countries and, as many authors state, their “chance of success” in a specific CEE environment is significantly limited: “NPM is particularly bad if pushed upon transition and development countries because if it can make any sense, then it is only in an environment of a well-functioning democratic administrative tradition” (Drechsler 2005, 101). “The greater the shortcomings in a country’s established management practices, the less suitable are the [NPM] reforms” (Schick 1998, 124).

What are the main important CEE region external environment features? We may argue, for example, that especially at the beginning of transformation, potentially competitive markets in transition countries are, in many cases, still under-developed, but characterised by monopolistic or oligopolistic structures and behaviour. Given this, it is rather optimistic to expect that competition may help to improve the performance of the public sector. Democratic institutions and norms cannot be fully developed in addition to the economic transformation that occurs during the short period of fast economic transformation. In under-developed democracies, rent-seeking behaviour of politicians and bureaucrats is fully effective (from an economic point of view), and the simplest way to maximise individual benefits, at least from a short-term viewpoint. In such an environment, corruption might flourish and data from many sources indicate this as the real problem (Table 2).

The possible success of NPM is also connected with the “quality of the state of law”. If both governments and business circles apparently neglect the need to respect the law, NPM instruments may just provide more room for corruption.
Table 2
Transparency International Corruption Perception Indexes: leaders and CEE/NIS countries, 2011

<table>
<thead>
<tr>
<th>Country rank</th>
<th>Country</th>
<th>2011 CPI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Zealand</td>
<td>9.5</td>
</tr>
<tr>
<td>2</td>
<td>Denmark</td>
<td>9.4</td>
</tr>
<tr>
<td>2</td>
<td>Finland</td>
<td>9.4</td>
</tr>
<tr>
<td>4</td>
<td>Sweden</td>
<td>9.3</td>
</tr>
<tr>
<td>29</td>
<td>Estonia</td>
<td>6.4</td>
</tr>
<tr>
<td>35</td>
<td>Slovenia</td>
<td>5.9</td>
</tr>
<tr>
<td>41</td>
<td>Poland</td>
<td>5.5</td>
</tr>
<tr>
<td>50</td>
<td>Lithuania</td>
<td>4.8</td>
</tr>
<tr>
<td>54</td>
<td>Hungary</td>
<td>4.6</td>
</tr>
<tr>
<td>57</td>
<td>Czech Republic</td>
<td>4.4</td>
</tr>
<tr>
<td>61</td>
<td>Latvia</td>
<td>4.2</td>
</tr>
<tr>
<td>64</td>
<td>Georgia</td>
<td>4.1</td>
</tr>
<tr>
<td>66</td>
<td>Croatia</td>
<td>4.0</td>
</tr>
<tr>
<td>66</td>
<td>Monte Negro</td>
<td>4.0</td>
</tr>
<tr>
<td>66</td>
<td>Slovakia</td>
<td>4.0</td>
</tr>
<tr>
<td>69</td>
<td>Macedonia</td>
<td>3.9</td>
</tr>
<tr>
<td>75</td>
<td>Romania</td>
<td>3.6</td>
</tr>
<tr>
<td>86</td>
<td>Bulgaria</td>
<td>3.3</td>
</tr>
<tr>
<td>86</td>
<td>Serbia</td>
<td>3.3</td>
</tr>
<tr>
<td>91</td>
<td>Bosnia and Herzegovina</td>
<td>3.2</td>
</tr>
<tr>
<td>95</td>
<td>Albania</td>
<td>3.1</td>
</tr>
<tr>
<td>112</td>
<td>Moldova</td>
<td>2.9</td>
</tr>
<tr>
<td>120</td>
<td>Kazakhstan</td>
<td>2.7</td>
</tr>
<tr>
<td>129</td>
<td>Armenia</td>
<td>2.6</td>
</tr>
<tr>
<td>143</td>
<td>Azerbaijan</td>
<td>2.4</td>
</tr>
<tr>
<td>143</td>
<td>Belarus</td>
<td>2.4</td>
</tr>
<tr>
<td>143</td>
<td>Russia</td>
<td>2.4</td>
</tr>
<tr>
<td>152</td>
<td>Tajikistan</td>
<td>2.3</td>
</tr>
<tr>
<td>152</td>
<td>Ukraine</td>
<td>2.3</td>
</tr>
<tr>
<td>164</td>
<td>Kyrgyzstan</td>
<td>2.1</td>
</tr>
<tr>
<td>177</td>
<td>Turkmenistan</td>
<td>1.6</td>
</tr>
<tr>
<td>177</td>
<td>Uzbekistan</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: http://cpi.transparency.org/cpi2011/results/#CountryResults

Internally, reforms have – in order to be successful – to take internal limitations of the organisation into account. This applies, for instance, to processes of decentralisation. The basic conditions under which decentralisation might flourish are
sometimes simply not available. Jolanta Urbanovic argues this aptly when analysing the decentralisation tendencies in the school system in Lithuania. Lacking capacities among school leaders, a lack of tradition in the local communities to become involved in decentralised policy making and the resulting lack of integration of local schools in local communities are the expected outcome. (Urbanovic, this volume). Second, the consequences of such decentralisation are not always perceived to be positive. This becomes visible when studies tune in on stakeholders at the local level after decentralisation reforms. It is argued by Michaela Batorova for Slovakia that after decentralisation, some stakeholders, i.e. mayors at the local level, do not even understand the impacts of decentralisation, while those mayors experiencing real change because of decentralisation practices, transform into technocrats with a preference for more technocratic decision-making, preferably without a politicised council, just treating all problems in a managerial way (Batorova, this volume).

Within such conditions, it is to be expected that the outcomes of decentralisation tendencies are disappointing and when this is recognised also by the stakeholders themselves, sometimes even a return to old fashions is seen. As Georg Sootla and Sulev Lääne argue in this volume, in Estonia, for instance, the balance between local autonomy and decentralisation has indeed swung to the other side, that is of increased centralisation, less autonomy for local governments, i.e. a growing dependence of local government on central government (Sootla and Lääne, this volume).

Mariana Dimitrova provides similar arguments on the example of the introduction of the performance management schemes in the Bulgarian civil service. She indicates the main barriers for its successful functioning – especially the fact that legislators and actors are not prepared to draft and implement the necessary schemes and approaches – the result is a trial and error method of development (Dimitrova, this volume).

**Changing political discourses**

The transition that took place in CEE countries also implied regular elections with the more or less regular alternating of political parties governing the countries. This would not be so bad in principle, but it is common that when a change of government coalition occurs, this is also connected to a change in reform policies – and as indicated above, there is almost no political continuity and politics dominate policy in CEE. (Bouckaert et al. 2009).

Many CEE governments have been unstable and generally short-lived coalitions of different political groups and the ministers responsible changed frequently. The relationship between politicians and bureaucrats in CEE is not standard or professional and a sustainable system of bureaucracy was therefore not established; administrative structures changed when the government or the minister changed.
The frequency of changes and lack of professionalism limit significantly the chances for effective reforms and represent almost non-existent long-term policies.

For example, according to Lauristin (2003, 613), the reasons why Estonia does not have comprehensive and effective policies are not just because of a scarcity of economic resources or poor administrative capacities, but especially because of a lack of sufficient political support. Rivalry between political parties has led to constant changes in the administrative reform agenda as well as to a lack of consistency in the chosen strategies.

In CEE countries, frequent political change also implies a discontinuity in the professional base for preparing the reforms. Almost all public servants in top positions are replaced with the new government in power – as confirmed by all the papers and the discussions during the 2012 Trans-European Dialogue (TED) in Budapest (the best papers will be published in the winter 2012 issue of the NISPAcee Journal). In such a situation, evidence-based continual policies cannot be expected. Moreover, independent policy making advice is really limited – when most existing “think tanks” in CEE are clearly connected with a certain political party and its ideology (Bouckaert et al. 2009).

The different studies presented in this volume judge the consequences of such elections and trends to be of the utmost importance. For instance, Gyorgy Hajnal (this volume) argues how it transpires that administrative reforms, at certain times, just turn into contrary directions and that the visible reforms and changes in this regard are mainly due to the whims and moods of individual politicians, who suddenly come to power after general elections, and who sometimes push administrative reform into the expected direction, but just as often in the opposite direction. Reforms in such cases are not caused by rational analysis and deliberation. Neither is there an evidence-base for such changes. The changes, rather, are based on ideology, self-interest, and even, sometimes, forms of nepotism.

This explains why contrary developments take place simultaneously in different sectors or different parts of the countries involved. Nana Sumbadze (this volume) argues the varying attention of politicians, and their concern for receiving support from their voters. The support they receive varies between urbanised and rural areas and so do their policies. Politicians are sometimes just plain stupid and do not understand the rationale behind public administrative reforms (Batorova, this volume). Sometimes they are only concerned with their own power position (Sootla and Laane, this volume) or see every change as a new opportunity to cash in money and develop new ways of corruption (Shekiladze, this volume). Furthermore, the next election date is often close, inducing them to take short-term policies and changes so they can tell their voters that their term in office did make a difference. This is problematic because as Monica Sidor argues in this volume, reforms take time to mature. This is seen, for instance, for the institutionalisation of democratic procedures. As Sidor argues for Poland, the introduction of the local referendum...
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dwent through a long process of trial and error, and the analysis thereof needs to take
into account the legal, social and political aspects (Sidor, this volume). That reforms
often do not have the time to mature is seen in the decentralisation tendencies in
different countries in the CEE-region, such as Estonia, where changes in policies
already occurred before the previous policy was voted on and an opposite direction
was already taken before decentralised policies could prove their worth. (Sootla and
Laane, this volume). The reforms are also not sufficiently evidence based – Marcin
Sakowicz, for example, argues that the regulatory impact assessment, after many
years of the process of its implementation in Poland, is still very much in its early
phase (Sakowicz, this volume).

Institutional resistance

Of course, the critical reader might reply that developments in public sector re-
form are also impeded by institutional resistance. In theoretical literature this is a
well-known phenomenon. Such institutional resistance is caused by the traditional
rationality dominating many organisations, inertia, and hard-to-change value sys-
tems. Change brings about uncertainty and ambiguities, whilst the public sector,
especially, is known for its predictability and continuity. This results in both indi-
vidual and institutional resistance to changes (cf. Agocs 1997). “Individuals are said
to resist change because of habit and inertia, fear of the unknown, absence of the
skills they will need after the change, and fear of losing power. Organisations are
said to resist change because of inertia, sunk costs, scarce resources, threats to the
power base of the old dominate coalition, values and beliefs, conformity to norms,
and inability to perceive alternatives.” (Agocs 1997, 918). Some scholars even argue
that resistance to change is an unavoidable and natural part of human behaviour
(Bovey and Hede 2001). Although such resistance does not have to be judged nega-
tive, per se, because it may show that a change is not sufficiently evidence-based
(Pederit 2000) or may reveal weaknesses in proposed reforms and may result in
superior alternatives.

Such resistance also effectively blocks reforms in the CEE region. Two dimen-
sions of this are worthy of mention in relation to the region. First, most CEE coun-
tries decided not to (were not able to) replace the old “post-socialist” civil service
staff or change their attitudes and approaches sufficiently. Second, many reforms
that were prepared and implemented by ministries or special bodies with limited
influence, were boycotted by implementing agencies and this fact may be one of the
reasons why most reforms were poorly implemented and planned outcomes and
impacts not achieved (Bouckaert et al. 2009).

Such resistance is also seen in the studies presented in this volume. For in-
stance, in the Macedonian case, where the policy was to recruit more ethnic minori-
ties in the public sector, in reality the public sector only hired them in name. The
minorities received a salary, but not a job. However, in other countries, the administrative apparatus seems to be more accommodating. Whether it concerns the processes of decentralisation, outsourcing, or privatisation, the apparatus often does what it is expected to do. Therefore Armenia’s Androniceanu and Simona Sora (this volume) conclude that a successful reform needs the support of civil servants and it requires their entire commitment. Due to their importance, civil servants should be well trained, efficient and motivated to do their job and be satisfied in their job as it is and as it develops through organisational reform. Job satisfaction brings with it increasing individual performance, less conflicts, creativity and cost effectiveness in a period when financial aspects are very problematic due to the global financial crisis. Androniceanu and Sora see commitment of workers as an essential condition for successful public institutions.

**Possible solutions**

Basically, the studies in this volume argue the same thing, namely that one cannot just copy and implement simple directives and recommendations from other countries – even though they seem desirable – without taking the specific nature, traditions and path dependencies of the country under consideration into account. There is a huge difference between desirability and feasibility and each of the studies in this volume points to the self-evident fact that to try to reform parts of the public sector in a direction which might look promising but is not feasible, does not make sense and is likely to result in the opposite of what one is trying to accomplish.

The CEE region provides a really interesting situation to study reforms. Local policy making and especially policy implementation capacity, is really limited. Previous NISPAcee books already describe this element in a comprehensive way (for example The Capacity to Govern in Central and Eastern Europe: dealing with policy making capacities and Implementation – the Missing Link in the Public Administration Reform in CEE, 2006: dealing with policy implementation gaps).

In such a situation, externally proposed or even externally enforced reforms are very frequent, but only rarely have the capacity to succeed. Many, if not most reforms, in countries looking forward to EU accession have been pushed and pulled by the EU accession process, frequently as compulsory or semi-compulsory measures. The important questions are whether these reforms would also have happened without EU pressure; did they succeed (by improving processes and their results), and why some of these reforms have already regressed (Slovakia and the Civil Service System as an Example – see OECD 2009).

The EU paid and pays considerable attention to the administrative capacities of the candidate countries in many areas in the accession process, especially to civil service creation. Oksana Mejere and Rita Toleikiene appreciate the impact of the EU on the quality of the Lithuanian civil service in their chapter of these proceed-
ings, but simultaneously leaves other issues, such as public management models, out of its main interest. This provides space for other international organisations and their own specific ideologies and “solutions”, which are often not suitable for specific CEE conditions, if they are suitable at all. Pension reforms based on the World Bank ideology about the necessity of the second (capital) pillar to balance systems (the World Bank is already deviating from this approach) are (in the light of today’s situation) a clear example of promoting changes with limited chance for real success, but creating too many hard financial burdens for governments (almost all CEE countries already redesigned their second pillar schemes with Hungary on top, “nationalising” it during the crisis).

In Eastern Europe, where most countries do not have accession ambitions, most reforms happen because of pressures from several international donors, and relatively few of them have been evaluated as a success. As Hovsepyan and Khudaverdyan (2006, 28) mention, “the piecemeal nature of this assistance, probably as a response to the extraordinary complexities of the public administration structures and associated political environment, and the need to disaggregate the field into manageable domains, has resulted so far in a fragmented approach to the reforms and the potential loss of a strategic perspective.”

In such a situation the question about the quality of external advisors is also of the utmost importance. Shakarashvili (2005, 13–14) points to this:

*Especially in the early phases of the post-Soviet reforms, these countries were strongly attracted by the idea of ‘westernisation’ and were open to close collaboration with international (predominantly Western-funded and Western-influenced) organisations. Often, this collaboration resembled a teacher-pupil type of relationship, when governments would not object to following the recommendations of external partners and without questioning their validity or appropriateness for the local context, whilst the Western agencies were not shy to reveal the ‘consultant knows it all’ attitude.*

Therefore, the implementation of popular concepts, connected with new public management or governance should not be carried out “by force”, as the constant strengthening of the already existing and functioning institutions of local government is just as vital (Radzik-Maruszak, this volume).

If that is not the solution, what ways out are there? At the end of this volume this topic is addressed. Leif Kalev and Mari-Liis Jakobson (this volume) point to the need of trans-nationalisation. As they argue, the emergence of trans-national spaces at first sight only creates a challenge for governance as the people's opportunity structures expand and societal variety increases. Yet, there might also be opportunities for governing via these spaces, if addressed adequately. The relevance of such
problems is clearly visible in the current context of diversification of national policy strategies in response to globalisation.

Marcin Sakowicz (this volume) points to the needs and problems involved in more rational decision-making and the promises of impact assessment, evidence based policies, and rational decision-making. In a similar way, Mariana Dimitrova (this volume) points to the need for technical, evidence based solutions, involving changes in the legislation and communication policy, increasing the objectivity of the received performance appraisal, and overcoming of the campaign nature of the trainings for performance appraisal.

A reading guide

The core of this volume consists of a selection of papers presented at the 19th NISPAcee conference in Varna, Bulgaria in May 2011 (a few older NISPAcee conference papers are included to provide a sufficiently comprehensive picture). The chapters were presented as papers in four different working groups and as editors we chose to keep this structure intact. This has implications for the way the chapters are ordered in this volume. The contributions from each working group are clustered and preceded by a brief introduction by the working group Chair giving an overview of the points of discussion within the working groups.

The working groups are the heart and soul of the NISPAcee conference and we cannot express sufficient gratitude in acknowledging the contributions of the working group Chairs to the progress in understanding what is going on in Central and Eastern Europe. This year that gratitude especially applies to Veronica Junjan, one of the Chairs of the working group on Public Administration Reform, Arto Haveri, of the working group on local government, Lesya Ilchenko, one of the Chairs of Public Policy Analysis Development Issues, and Patrycja Joanna Suwaj, one of the Chairs of the working group on civil service.

They made a selection of papers from their working groups for this volume and undertook the first editing of the chapters and drafting introductions for all four parts of these proceedings.

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