Public Policy and Administration:

Challenges and Synergies

Edited by:
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NISPAcee
THE NETWORK OF INSTITUTES AND
SCHOOLS OF PUBLIC ADMINISTRATION
IN CENTRAL AND EASTERN EUROPE

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Table of Contents

SECTION I

Public Policy and Administration

SECTION II

Public Administration Reform

SECTION III

E-government

SECTION IV

Civil Service Training

Preface

Commissioned by the NISPAcee, this volume brings together some of the papers from the NISPAcee 16th Annual Conference on *Public Policy and Administration: Challenges and Synergies*. These proceedings attempt to provide new and interesting perspectives on the subject for use by both academics and practitioners.

When assembling this volume, the editors had the objective, strongly supported by NISPAcee, to bring together new perspectives from a wide range of thinkers — from academics to government officials, from young to more experienced — on the challenges of public policy and administration. This book brings together original and high quality research connected to the main conference theme, but also selected papers from panels and working groups.

In order to achieve a high standard of the volume of Annual Conference proceedings, papers selected for the current publication had to go through a rigorous screening process by the working group leaders and editors. In the end, only 20 % per cent of the papers delivered in Bratislava are found in this volume.

We would like to thank the NISPAcee Secretariat for making a major effort to backstop the work, particularly Ludmila Gajdosova for her continued guidance and support, Juraj Sklenar for technical support and Viera Wallnerova for logistical support. Second, thanks to the Local Government and Public Service Reform Initiative of the Open Society Institute, Budapest, for the financial support, which made it possible to produce this book. Most of all, we would like to thank the contributors who allowed their work to be published and often worked extensively with edits.

Bratislava, Budapest 2008

Katarína Staroňová, László Vass

Policy Challenges in Central and Eastern Europe[1]

Jak Jabes

The 16th Annual Conference of NISPACEE on the topic of Public Policy and Administration: Challenges and Synergies was a display of ideas, projects, presentations, new publications and the launching and first issue of a journal. This vibrant meeting, bringing together some 200 plus academics from the region and elsewhere, provides signs of an organisation maturing into adulthood.

A number of indicators attest to the progress that NISPAcee has made. Membership has increased tremendously not only in terms of numbers, but also in terms of geography, conference locations are known years in advance, papers focus on strategic issues of the region with rigorous application of a method and scientific approach, and interest lies in transition as well as accession issues.

While the call for papers had a long list of paper topics, in the end, most submissions in one way or another, revolved around issues of accession. How to learn from policy reforms targeting accession, how learning could be transferred; the impact of administrative reforms, especially when they fail and the role of civil society occupied participants and presenters. The lively and animated dialogue following paper presentations and the panel discussions led me to raise three issues, which in my view, catch the essence of the 2008 conference.

1. How to understand, explain and learn from the success and more importantly, the failure of our policies and our efforts to improve governance, especially in the CEE region.

My background is in the study of behaviour in organisations, and one aspect about which there has always been a great lacuna in publications is stock taking and explaining failures when experimenting with organisational change. Many organisations undertake them but all the books tell you of the wonderful changes that occur and their success. We learn much better from failure than success, because we know that diffusion and replication are difficult in organisational experiments. And in the region, when you study the policy process and start paying attention to how policies develop and change, or how they fail (a difficult

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1   Report of the Rapporteur of the Annual Conference, presented at the end of the event.

area because you need to develop convincing definitions and examples of failure, and hardly any politicians would buy such definitions) you start building a useful trove of practical knowledge.

Some presenters referred to the elitist nature of policies, policymaking or institution building, citing this sometimes as a reason also for failure. Understanding the motives that lead to failure is useful. Failures are due to disproportionately petty, self-serving interests of policymakers, but also due to regulatory impotence (wanting to be so lawful that you end up doing nothing) and because of implementation deals between authorities (often a form of corruption or integrity problem).[2] Policies, often fail, because those that design them or implement them fail us.

In his guest lecture, Guy Peters said that we face the dilemma between decentralisation and refocusing central government.[3] In many parts of Asia, decentralisation has been in the forefront of the policy reform process in governance for a long time now, and is seen as a panacea by local politicians and many citizens. I am not sure it has delivered on the promise, and Peters' suggestion of softer governance needs to be heeded.

The CEE region, as well as the entire geography covered by NISPACEE, has to confront the realities of multi-ethnic communities. Co-existence is never easy and Europe has not been a model. There is a need for more policy work here in Central Europe. Diversity enriches and we need to study what has failed in our policies and what can succeed and I hope that the working group that deals with this issue continues to find the support it needs for conducting such work.

2. How should accession be factored into our work?

If you have become a member of the EU there is no carrot anymore, none of the levers that led to the reform of public administration systems are there anymore. But there is a state of mind called "ACCESSION", and it's a state of mind shared by those who have accessed, those who are waiting to access and those who would like to access but know they never will.

Atilla Agh in his acceptance speech for the Alena Brunowska award led us on the subject. A keen EU observer, he referred to the "post accession crisis" as a serious crisis that required attention.[4] And this crisis has been faced by all the new EU states.

One of the key reasons for the accession crisis, according to Agh, is the lack of human capacity to take the newly acceding countries into Europe. Additionally, there is reform fatigue due to 20 years of reforms, some of which were indigenous and some imposed by Europe. This has had effects on the Public Administrations of countries, leading to re-polarisation of the civil services, a capacity deficit to take

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2   Gyorgy Hajnal, Policy problems in Hungary: In search of new failure mechanisms.

3   B. Guy Peters, address to the General Session.

4   Attila Agh, Synergies and Conflicts between Policy Regimes and Political Systems.

in and ably use EU transfers, and the emergence in many ways of a class society among civil servants, i.e. the Europeanised ones and those whose knowledge remain domestically focused only. A paper by Otola giving as an example a Polish municipality pointed out clearly that local civil servants needed to know methods of programming, monitoring and evaluation in order to be able to absorb EU funds.[5] This becomes a major problem when you begin to multiply the amount of knowledge transfer needed to those that need to know.

Interestingly, researchers have been talking of the effects of the EU, of the preparations required for membership, of what needs to be done, how institutions need to be transformed, but few have discussed and studied the change process itself. As we all know, a major literature exists on changing and developing organisations. Social scientists have put in place theory and practice, and published many success, but few failure, stories about the subject. It is now time to observe this process and explain it. In one of the papers, Kelly made the point clearly that accession, whilst a political project, depends on administrative effectiveness for its success.[6] And so, what type of institution should you put in place or how do you transform an existing one is really an issue of change management, for which countries have little capacity, and Europe little interest because change management is never part of the assessment process. I guess I am making a plea here for some research dealing with the softer side of accession.

3. What is the space where politicians and civil servants can iron out their *modus operandi*?

Barbara Kudrycka, whom I know holds the subject close to her heart because she links it to ethics and integrity, led us on the subject with her opening speech of the conference and the issue has surfaced again during the workshops and discussion.[7]

'Public policies require effective administration at all stages' we were told by Pawel Swianiewicz.[8] And it is true that from formulation, to implementation to evaluation, we are after all, in the hands of politicians and public servants. If it is the state's responsibility to serve its citizens, and undertake the policy cycle adequately, then not only the quality of its public administration, but the relation that gets established between its politicians and civil servants, is crucial. Sometimes this relation is well established through tradition or law, sometimes it degenerates into behavioural aberrations that must be avoided, which is what Minister Kudrycka tried to impress on us. Specifically, addressing herself to the most senior civil servants, she simply said that it is time for them to behave well, as they are the models

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5 Iwona Otola, Local development: The natural environment protection aspects.

6 Una Kelly, Relations between change management in government and policy coordination in light of EU integration.

7 Barbara Kudrycka, Keynote address to 16th NISPACEE Conference.

8 Pawel Swianiewicz, Opening Speech in Plenary session, 16th NISPACEE Conference.

for the middle and lower level. In work carried out in Canada, we referred to these strata as the culture carriers in the public service ministries and agencies.[9]

Civil service issues have been key aspects of the NISPACEE conferences in the past years. The focus used to be on civil service laws and structure of civil services, but now it has shifted to behavioural observations of key concerns, and there are two working groups dealing with integrity and transparency as such examples.

NISPACEE, during its conferences organises two sessions, one called the main theme, and another called the General Session. These sessions take place alongside the working group meetings. In the General session, this year, 7 papers were presented. Presentations from Bulgaria, Romania, Poland and the Czech Republic dealt with, among others, the fight against corruption, the impact of demographic decline and the role of public administration in the improvement of the economic competitiveness. The conclusion we can draw from these papers is that they do not deal with success stories. Gyorgy Jenei, the convener of the general session says, "No *panacea magna* exists. We have to be problem-oriented and have to find the optimal combination of theories for mitigating or solving the problems of the region."[10]

I believe that these 3 points raised during this Conference can be framed as questions that the NISPACEE membership could also address in upcoming conferences. They are questions that have been with us, in one way or another since NISPACEE's existence, since the momentous changes of the post 89–90 period. They are not going away because they are central to the concern of this Network, which is improving public administration in the CEE region of the world.

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9   D. Zussman and J. Jabes, *The Vertical Solitude*, Halifax, Nova Scotia: The Institute for Research on Public Policy, 1989.

10 Gyorgy Jenei, personal communication.

Section I

Public Policy and
Administration

Management of the Policies of Development in the Czech Republic: CzechInvest as an Example of Public Administration Competence

Vladimír Benáček

Introduction

This paper looks at two aspects of good social governance:

a) To the strategies of such governance that materialise visions and social priorities into operational guidelines, which can have a form of long-term plans.

b) To the practices of public administration competence that are illustrated on the conceptual evolution of CzechInvest – the path-breaking agency of the Czech public administration dedicated to the promotion of investments, competitiveness, innovation and economic development.

Although these two aspects of social governance seem to illustrate highly dissimilar activities of public administration, in reality they are closely associated, as we describe, on the evolution of Czech economic policies. Beginning in 1996, there was an upsurge of initiatives across Czech political parties aimed at a fundamental revision of previous policies of transition and restructuring. CzechInvest was singled out to become an experiment in the innovative approach to public administration. Its functions and organisation evolved dramatically by responding flexibly both to the social demands and to the progress in economic transition.

CzechInvest adopted, for its development managerial techniques of transnational corporations based on teamwork, managerial initiative and regularly monitored performance. CzechInvest's agenda extended quickly from investment consultancy and intermediation to the management of policies of investment incentives, industrial parks, clusters, and innovation and development. After 2000, it became responsible for the policies supporting the supply chain linkages between foreign and indigenous firms, incentives for the enhancement of spillovers from innovative firms, for the support of domestic small and medium-sized firms, and for the distribution of European Funds.

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CzechInvest became the pivot of economic policies targeted at the objectives of a knowledge economy and competitiveness, as they were outlined by the Lisbon strategy of the European Commission. Thus we should always look at the plans (strategies) of the government as a unity of social priorities, industrial policy instruments and operational agencies responsible for bringing them to life.

1. The evolution of "planning" and its new roles in the post-communist transition economies

Concerning the methodology, this paper looks at social governance from an evolutionary point of view. Thus, the development of social governance has to be considered historically in its path-dependency that includes both its time and structural (instrumental or organisational) dimensions. First, we must distinguish between the policymaking before transition, during the stabilisation period of transition and at the end of transition.

The fall of central planning, widening of economic transition and opening up to globalisation bring about new objectives for the public administration:

- enhancing the allocative efficiency of emerging infant markets;
- speeding up the reallocation of factors sunk in declining industries;
- supporting the emerging new businesses;
- decreasing the impediments to market transactions;
- preventing the abuses of market imperfections;
- establishing new alignments in supply and marketing chains;
- offering incentives to innovations.

These objectives cannot be achieved all at once. They have their logical sequencing and also the instruments for their implementation have to evolve in time. Public administration, as a hierarchical organisation, must rely on its policymaking on the instruments of planning. Also, the planning itself evolves with the evolution of the society it is supposed to guide.

The planning procedures in communist countries, as the crucial instrument of economic governance in those societies, have not achieved their expected objectives of overtaking the advanced capitalist countries where governance was underpinned by the market mechanism. Nor did it happen in any of the former countries, whose reliance on planning differed – be it the Soviet Union, China, Hungary, Yugoslavia or Poland. The performance of the Czechoslovak economy in the period 1948–1989 was one the most disappointing. As was pointed out by Benáček, 2008, the Czech economy fell from the rank of being the 15th most developed economy in the world (in the GDP per capita in 1950) to the rank of 33rd at the end of the 1980s, which can be qualified as one of the greatest losses in relative development in modern economic history. Notwithstanding the poor experience and the deep mistrust of the role of planning techniques in the hands of the government, the Czech government

has yielded to the demands of both EU accession and the requirements of faltering transformation, and after 1996 it entered actively into the practice of economic and social policies, thus becoming engaged in the techniques of indicative planning and social priority setting.

It must be stressed that the concept of planning, adopted by Czech public administration, was diametrically different from the techniques of central (command) planning. The importance of market signals in the decision-making of economic agents in private enterprises was not questioned and the type of planning by the Czech public authorities since the late 1990s was trying to be market-compatible by targeting its aims mainly at the provision of public goods. Planning of strategic priorities, as a means of public governance, has evolved in the last 12 years. After 2005 it was implemented in the management of operational plans of the European Funds for 2007–2013, where it included the principle of competition in its procedures of financing education, innovation and investments. Such a strategy was market efficiency enhancing because it eliminated the incidence of missing markets in the provision of some public goods (e.g. in dealing with the climatic changes or in the build-up of human capital and competitiveness) and opened their emerging markets to competition.

A similar pro-market type of government interventions in an environment of market imperfections was raised by the concept of "double-organised markets" (see Groenewegen, 1994). The double organised markets presuppose that both firms and governments try to influence economic process and performance through organisation, competition and co-operation. Such policies can produce efficient outcomes, e.g. by increased innovation or market contestability. However, they may also lead to inefficiency if the process is abused and becomes a government capture.

- The usage of national planning in preparing the schemes of economic policies was, to a large extent, facilitated by the influence of the following factors:
- The transition economies had to liberalise their trade and markets in an environment of accelerated globalisation, which levied high requirements on the competitiveness and allocative flexibility of enterprises;
- The crucial markets of transition economies (i.e. those for financial capital, labour services and legal institutions) were subject to imperfections, which required the intervention of public policies;
- There was an increasing importance of public administration at European, national and regional levels in the responsibilities for the efficient provision of public goods;
- There were interventions and initiatives of the civil society present in the sphere of social governance.

The combined impacts of these factors on the governance of transition econo-mies imply that various social and political hierarchies and pressure groups were prone to intervene with the functioning of markets. The management of such hier-archies and interactions of involved social organisations requires a system of coor-dination, which should be guided by human values, ethics, political priorities and markets. There is no other alternative than to coordinate the actors by "plans" that harmonise the inter-related strategic, tactical and operational moves between all kinds of stakeholders of such multi-faceted social governance.

The provision of public goods is a crucial feature that vindicates the interfer-ence of public policies to the economy. We should be aware that the importance of public goods is not a marginal episode in the direction of public affairs. In reality, the share of public goods on GDP has accelerated quite significantly during the last 60 years. The problem can be illustrated by means of Engel curves (Lewbel, 2006) – see Figure 1. As the industrial economies transfer into knowledge economies, there are diminishing rates of growth in "traditional" goods that are crowded out in their importance by the fast developing "new" goods that are ever more associated with the features of public goods. The result is a declining share of "traditional goods" (such as agriculture or manufacturing) on GDP; meanwhile the public goods (as-sociated mainly with services and social welfare) became, in the last 25 years, the fastest growing segment of developed economies.

Figure 1
Share of Public Goods in GDP
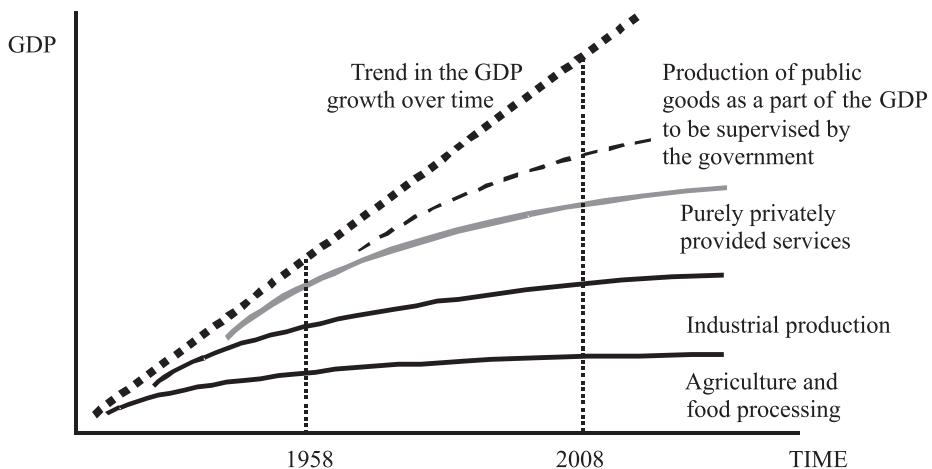
Source: author

Of course, the government supervision of public goods does not imply that they should also be exclusively produced by the public sector. This feature results in the increasing importance of public-private interaction via public policies of various kinds. The co-operation between the public and the private sectors is a feature that all market economies must include in their mechanisms of governance. The guiding principle is that such co-operation should be optimally market-enhancing or at least market-compatible. The political battle concerns the question of which goods are the true "public goods". In reality, all goods are actually mixed goods where private and public aspects of their existence are intermingled, although at highly differentiated degrees. Thus the issue is whether the "true" fuzzy division line is not lying somewhere in the space depicted by the intermittent thin blue curve in Figure 1.

Attempts at giving a parallel between this kind of indicative "plan" and the communist central planning are flawed, even though central planning could not ignore the importance of coordination of social agents. First, central planning lacked functioning markets and the majority of its interventions were insufficient attempts at providing missing information. Second, central planning was not a democratic process of nationwide negotiations. It was a dictatorship of the privileged, instead of devolution by surrendering autocratic powers to lower-ranking economic agents.

Nevertheless, one should not over-estimate the importance of these strategic (indicative) plans. First, they cannot become dominant instruments of decision-making. **They can only widen the margins of information flows concerning the public goods**. Second, the quality of planning information can be distorted, as it depends crucially on the quality of performance of public agents in their hierarchical organisation. For example, in the post-communist Czechia there have been constant problems in transforming strategic documents ("Plans") of one government into policies of a new government in the political cycle. There have even been problems in coordinating the work of ministries if they were run by different parties of the coalition. The **policies of CzechInvest** (2000–2006) were some of the rare strategic activities that were prone to inter-ministerial controversies (CzechInvest, 2007).

The system of central planning failed in all the countries in which it was introduced; notwithstanding, the myriad of reforms tried to heal their economies. The system of planning commands that precluded the existence of private property could not compete with entrepreneurial capitalist systems. Therefore, as a recoil effect characteristic for post-communism, any attempt at setting quantitative goals or commands for resource allocation by state authorities in this country was, at the beginning of transition, intuitively opposed by all entrepreneurially-minded people. During 1990–97 Czechia had a conservative government, whose leader, Václav Klaus, was against any sort of central intervention in the economy. There were only macroeconomic targets (balanced budget, stable exchange rate and stable monetary

policy under inflationary targets converging from 10 % in 1992 to 5 % in 1998). There was also the Privatisation Strategy for 1991–97 – all perfectly in harmony with the Washington Consensus of the World Bank (see Loužek, 2005, for a review of arguments). Only after 1996 did it become apparent that **the government sector (i.e. public administration, education, R&D, police, transport, healthcare, and defence)** would need some guidelines for policies and spending that would be longer than the One-Year Government Spending Plans that were controlled by Parliament.

Czech strategic plans, adopted after 1996, have been **strictly indicative** and they addressed the policies and spending in the public sector, including the interface with the private sector (such as R&D, pension contributions, FDI incentives). A large part of such plans responded to the EU/EC policies (e.g. the Lisbon Strategy covering education and R&D, or the European Funds dealing with structural, cohesion, competitiveness and agricultural policies). The positive side of such plans is that government interventions are:

- Guided by long-term visions that require the support of parliament coalition;
- They can be delegated to a special cross-ministerial agency, whose administration could adjust to the requirements of modern governance;
- They are transparent and thus better scrutinised by the national consensus and easily challenged by the political opposition;
- More resistant to ad hoc (discretionary) policymaking by opportunistic bureaucrats.

In the remaining part of this paper we will discuss in more detail on how the instruments of social and economic strategies (policies) are structured, as illustrated in the case of CzechInvest agency. Such a pivotal arrangement evolved in time, as the priorities of development (industrial) policies were dramatically changing after 1996. For a better overview, before discussing their functioning in the latter chapters, we have included the basic building blocks of such policies in Tables 1 and 2.

Table 1

Structure of economic development instruments where CzechInvest (CzI) acted as a cross-sectional government agency, generally in the operational and sometimes in coordinative positions

Instruments	Agency	Targeted sectors
Export strategy	CzechTrade, MIT, CzI	private firms
CzechInvest Strategy Projection	CzechInvest	private firms, municipalities, public institutions
Investment policy	CzI (conceptual & operational empowerment), MIT, Gvt	private firms, municipalities

Innovation policies	Government, RDC, MRD, CzI	private and public enterprises
Innovation strategy	MRD, RDC, CzI	economic agents and government institutions
Policies of R&D	Ministry of Education, RDC, CzI	economic agents and public institutions
Strategic Reference Framework	MRD, CzI, (European Commission)	economic and social organisations
Strategy of Economic Growth	Government, CzI	public administration, enterprises
National Development Plan	Gvt, MRD, CzI	national economy, EU funds, social organisations

Note: CzI = CzechInvest; MIT = Ministry of Industry and Trade; MRD = Ministry of Regional Development; Gvt = Central Government; RDC = Research and Development Council; NGO = non-government organisation.

Table 2

Structure of social, political and economic development instruments at a wide socio-political context

Instruments	Agency	Targeted sectors
One year government spending	Ministry of Finance, Parliament	whole society
Strategy of Sustainable Development	Government, Taskforce of Experts, NGOs	whole society
Tripartite	Gvt, trade unions, enterprises	political consensus building
Election programs	Political parties	whole society
Coalition Agreement	Gvt coalition	whole society
EU funds	European Commission, national government	whole society

Source: author

2. Czech long-range strategic planning institutions and instruments in a nutshell

This crucial mechanism of social governance in the Czech Republic after 1989 can be described as a **flexible evolution of the interface between the public administration and the private sector**. As a result, the metamorphosis of the entire Czech society, converging to the patterns of Western democracy, could become much faster.

After the fall of the conservative government in 1997, it became clear that the new government must set an indicative document of long-term VISIONS (without any quantitative targets of structural limits that would have an impact on the **private** sector), which should be called officially a STRATEGY or a PLAN. The first plans, targeting as a flat projection the entire society, originated as late as in 2004 – the year of the Czech EU accession. The 2004 **National Development Plan I** (NRP I – Národní rozvojový plán) was launched, which coordinated the areas of support from European Funds with national spending and policies on R&D (see NRP I, 2004). In reality, this plan influenced the real economy only marginally. Nevertheless, it had an important impact on the design of the **National Innovation Strategy** of 2004 and the **National Innovation Policy for 2005–2010**. (See NIS, 2004 – Národní inovační strategie ČR and NIP, 2005 – Národní inovační politika).

In parallel with the NRP, in 2004, **The Strategy of Sustainable Development** was proposed, which was influenced by the World Summits in Rio and Johannesburg (see SUR, 2004 – Strategie udržitelného rozvoje). It was a product of the **Government Taskforce of Experts**. This extensive document was proposed to a national debate, where it received quite a critical response. In the end, its real impact on the economy (i.e. on the behaviour of agents) was constrained by the lack of government policies.

In 2005, the government launched the first global economic document: **The Economic Growth Strategy** (see SHR, 2004 – Strategie hospodářského rozvoje). Even though it was a plan akin to the EU (e.g. Scandinavian or Austrian) growth strategies, politicians interpreted it implicitly as a document of Social Democrats and as a challenge to Conservatives (ODS) prior to the elections in 2006. SHR was prepared by the Vice-Prime Minister M. Jahn and it had an important impact on the government strategy to transfer the policies of innovation and development on CzechInvest – formerly conceived as an investment promotion agency. Czech development strategies, after 2003, were converging on the Irish schemes that were concentrated around a network of FORFAS – IDA – Enterprise Ireland. Similarly, the SHR influenced the **New Export Strategy of the MIT** (for 2006–2010, see NES, 2005) and the **Innovation Policy** (proposed by Research and Development Council with the help of the Ministry of Education and Ministry of Industry and Trade). As we have shown in Table 1, CzechInvest became an institution that was evolving in a close relationship with strategies outlined in policy instruments enlisted there.

Actually, the initial move to set the long-term Economic Growth Strategy had already come from the **Tripartite** (The Council for Economic and Social Accord) in 2004. It had a cross-party aspiration and it avoided the use of policies that might lead to left-right controversies (e.g. taxation rates, university fees, payment for healthcare or pension reform). The SHR was not repealed officially, even after the changes in the government in 2006 and 2007 (socialists out, conservatives in). However, its impact on the design of new policies – flat tax, healthcare private co-

financing, privatisation of hospitals and downsizing of CzechInvest – was minimal. The new centre-right government directed its policies to these new domains, whilst the majority of previous schemes for building economic competitiveness via EU programs were retained.

Such development can be also interpreted as an illustration of the path-dependence in the evolution of social environment in democracies. There, the past decisions remain embedded in the institutional environment and new policies crowd out some of the elements of accumulated socio-economic setup in a slow gradual process. For example, the extent of policies coordinated via CzechInvest culminated in 2004–2006 when the previous policies of investment were phased-out by being replaced by new policies of innovation and R&D. As the core of the latter shifted from private enterprises in the domain of the Ministry of Industry and Trade towards the sectors of science, ICT, European Funds and education, so the role of CzechInvest had to be attenuated and replaced by new organisations of social governance.

3. Czech National Development Plan and National Strategic Reference Framework

The **National Strategic Reference Framework (NSRF)** for 2007–2013 was drafted as a reference document for negotiating the development policies with the European Commission (see NSRF, 2007). It followed the indicative visions outlined in The **National Development Plan II** (2007–2013), see NRP II, 2006. Both documents are based on the **principle of social partnership** – a principle of crucial importance in countries ranked at the top of economic competitiveness: Ireland, Scandinavian countries, Austria, New Zealand, Malaysia, etc. In the Czech case, the partnership stresses three pillars of development: the co-operation between governments (central and regional), businesses (now practically all private) and civil society (e.g. NGOs and other civic initiatives).

In 2006, the European Commission laid down new general provisions for Common European Policies: on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, which guide the EU policies for 2007–13. Thus, all 27 members of the EU were supposed to follow similar guidelines coordinating national and communitarian socio-economic strategies. The EU approach to policymaking is quite different from what we can observe in the United States, where central coordination is rather weak and where the importance of monetary and banking policies dominates over fiscal and legal (acquis communautaire) instruments. It is even more different from what we can now observe in the patterns of governance in Putin's Russia where centralisation and political power dominate over both the micro-economy and the civil society.

The Czech **Ministry for Regional Development** (MMR – Ministerstvo pro místní rozvoj) is in charge of the overall co-ordination between the EU and the national development plans. It was also the driver behind the preparation of the National Development Plans (NRP) and the NSRF. As an illustration, CzechInvest also had the ambition to become a national leader in this agenda after 2000, especially during 2004–2006 when it could rely on its former CEO, Mr. Jahn, who became the Vice Prime Minister for economic affairs. The government, however, opted for a division of responsibilities. Thus the responsibilities of the technically more elite CzechInvest were not upgraded into this strategically paramount area and the Ministry for Regional Development dominated its field. Its minister holds a parallel position of Vice Prime Minister.

The attention to a **procedural partnership** (i.e. to processes of mutually balanced decision-making between private and public representations, including even political adversaries, in contrast to autocratic guidelines dictated a central planning authority) is in the foreground of Czech policies of development after 1989. With EU entry it also guides the coordination between the national and the EU structural and cohesion policies. Its results were quite surprising: Czech society is considered to be the leader in social equity (it has the lowest rate of poverty amongst the EU-27 countries) and in January 2008, the Czech Republic ranked number 1 (out of 125 countries) in the prestigious Bertelsmann Foundation Report on Transformation. Even though Czechia is not the country with the strongest political transformation, or the highest economic growth, a multi-criteria evaluation where economic, political and social objectives are amalgamated lifts her economic performance to the top (Bertelsmann Stiftung, 2008).

Since 1989 Czechia went through several waves of political, economic and social changes that were not always compatible with each other. A fast transition is not a linear evolution – it is characterised by bends in development, often accompanied by policies based on trial and error. Such a development reflects an enormous capacity for re-adjustments reacting to the changing nature of society and to the unexpected consequences of opening up to a global environment. The active involvement of the country in the EU since its full membership in 2004 has not attenuated such a drive to restructuring. A similar trend is apparent in other new EU members. Thus, their convergence towards the more advanced countries of the world is universally recognised. For example, in 2005, the World Bank upgraded the status of Czechia from a transition (developing) country to that of a developed country.

In spite of such fundamental progress in growth and adjustments, the Czech economy must still face serious new challenges. There are threats to competitiveness (such as sharply appreciating exchange rates, rising wages, shortage of labour, lack of human capital, replacement of FDI by indigenous investments, etc.), social cohesion, sustainability of public finance and governance without corruption or bureaucracy. The solution to these problems is definitely a long-run battle that will

require programmes in the quality of long-range strategies that would over-arch the terms of governments. The need for co-operation between the public and the private sectors has evidently survived the period of transition, notwithstanding the existence or non-existence of the European Funds. Neither has the importance of public finance declined with the progress of transition. The private sector opened to international competition and is now viable and self-sustainable. The bottleneck in growth rests with the non-tradable sector where public services are clearly its least efficient part. The re-adjustments of public services to efficiency cannot rely so much on market forces as the tradable sector could. The importance of reforms guided by long-term strategies (plans) thus seems to remain a key to further progress.

4. Principles of partnership in the Czech social and economic governance

There are two sources of mechanisms of social governance guided by plans of public policies in this country: internal (nationally autonomous) and external (coming from the European Commission). The former was associated first (1991–98) with the policies of macroeconomic stability and privatisation (following the Washington Consensus). The early policies of the Ministry of Industry and Trade and CzechInvest, that targeted the promotion of FDI and technology transfers (1996–2000), acquired a locally-based feature of strategic planning. Later, in the pre-EU accession period (1998–2003), there were attempts at outlining some partial long-term strategies for coming to terms with the annual audits (country reports) of the European Commission that conditioned EU entry. Thus, internal initiatives transformed gradually (after 1999) into activities triggered by the requirements passed on to EU members from Brussels. The domestic autonomy in development policies was gradually weakening. The accession policies dealt with the adoption of EU legislation (schedules for the adoption of the Acquis Communautaire), the absorption of EU funds and with questions of nominal and real convergence.

R&D and innovation requirements (partially a spinoff of the EU Lisbon Strategy) were outlined already in 2000 by adopting **The National Research and Development Policy** (see NPVV, 2004 – Národní politika vědy a výzkumu). It represents a list of priorities, tasks and financial requirements that integrate the R&D agendas of European Funds with the policies of the Ministry of Education, MIT and CzechInvest. It became a particularly useful instrument for implementing the policies of competitiveness. We have already mentioned that in 2002 there was a first attempt by the Czech government to define a mutually balanced indicative long-range Strategy of Sustainable Development (SUR) that covered the economy, environment and social equity. With EU accession, strategic policies of similar orientation are now coordinated with the European Commission.

Let us go back to the principles of democratic socio-economic governance where the openness to a globalised world implies a permanent re-adjustment to the changes of relative positions between internal and external factors of development. New windows of opportunities and new costs of exchanges between agents call for a smooth reallocation of activities, the gains and the costs of which fall on agents asymmetrically. Their natural outcome is that politics become an extremely sensitive centre of social interaction. No surprise that the role of governments and political parties in modern societies gained significantly in importance. In contrast to the communist or totalitarian organisation of society, the post-communist systems of governance became more open to democratic principles throughout the world. Along with the widening of democracy, there was also observed a deepening of the scope of politics (Modelski and Gardner, 2002). Also, the relationship between state and businesses reveal similar trends: the private sector depends now more intensively on partnership and co-operation with the public administration.

The concept of alliances and mutual countervailing powers of modern democratic societies arises under the pressure of **objective processes** – that means due to processes exogenous to any grouping of local agents. Thus it goes beyond lobbying and political electoral platforms of specific parties. The causes for creating alliances rise above partisan politics – they would be present, notwithstanding any political arrangements. Politics and alliances can, however, either speed-up the re-adjustments or they can become an instrument for impeding their influence. In this study, we have shown with the case of Czech society how both forces act in parallel, whose final outcome depends on the policies that alleviate the restructuring, build the consensus and enhance co-operation that lead to economic and social prosperity.

Hence there arises a paramount objective to balance the political claims of agents by means of **democratic auctioning**. There the bilateral relationship between the private and the public sectors have to be open to social accountability. The balance between agents is negotiated at the level of organised public polity – i.e. via political parties, social pressure groups and voices of civil society. Although the main body of the decision-making processes is made at the level of interacting enterprises and institutions of public governance, the final checks and balances remain with the democratic mechanisms.

Czech economic policies during 1989–2007 had to adjust to several turning points in the social setup, as they evolved extremely quickly during transition. For example, those of the transition from public to private ownership, from production commands to market-based auctioning, from state bureaucracy to competing entrepreneurship and from the shortage of capital, combined with the glut of unemployed to the excess of financial capital and the shortage of human capital. The tasks of new industrial policymaking in such a changing environment were bestowed on CzechInvest. During 1992–96 CzechInvest evolved from an information agency into a public service organisation that had to break the economic isolation by opening

the enterprise sector to international capital because the initial policies of transition (as with the majority of the countries of the former Soviet empire) were marked by excessive reliance on national capital, national entrepreneurs and national markets. Though such pro-national policies were natural in their evolution, they were in conflict with the economic globalisation and economic growth. The latter was led by massive gains that emanated from the specialisation in traded sectors.

Internationalisation of the Czech economy, which accelerated after 1997, marked an important break-even point in the policies of public-private partnership. The crucial change in the development policies came with the granting of CzechInvest powers to implement new investment incentive schemes. It also required a dramatic change in the legislative framework of the economic system. It was only the revamping of the economic institutions in 1997 and 2004, which allowed for massive inflows of foreign capital and entrepreneurship. Subsequently that **made the public sector able to become an equal partner with multinational businesses and to institutions of the European Commission**. Additional economic gains from such a partnership had to be shared with MNCs, which required new skills and new organisation of public agencies. This process took some time to develop and it was not without relying on trial and error. However, learning by doing soon brought its fruits.

One of the lessons that calibrated the new FDI policies was that subsidised activities must show clear potential for spillover and demonstration effects, and that its incentives should be provided only to (local) new activities, diversifying the economy. The build-up of agencies specialised in industrial policies required applying new techniques for both the recruitment of human resources and communication with all kinds of customers. For example, the crucial point in the performance of CzechInvest was the combination of its alignment of global strategies of the MIT with its own managerial independence in other strategic matters. Thus the minister of MIT has the right to nominate and recall the CEO of CzechInvest, but the remaining decision-making in CzechInvest was left autonomous.

Similarly, MIT nominated the Steering Committee of CzechInvest, but its powers could not go beyond being an advisory board only. Its main mission was to enhance the flow of information and coordination across ministries and other important FDI stakeholders. Thus MIT had within it two members, as did CzechInvest, the Ministry of Regional Development, the Ministry of Labour and Social Affairs, and the AFI (Association for Foreign Investment). Other partners had one member: the Foreign Ministry, Ministry of Finance, Chamber of Commerce, Confederation of Industry, Association of Entrepreneurs, Union of SME, Union of Cooperatives and the Guarantee & Development Bank. Multi-channelled financing of CzechInvest from public, private and communitarian (EU) sources made it, to a large extent, independent from fluctuations in the domestic fiscal sector. The communication between foreign investors, their domestic private partners, government

and general public was achieved by establishing AFI, even though exactly this type of interface organisation can be supposed to be in conflict with the traditional organisation of the public sector, according to which the public administration should be deemed to be at arm's length with private firms.

Enlargement of the private-public partnership into the **Tripartite** is another institution of modern social governance that is considered crucial for socio-economic stability. In the Czech case, its importance increased in parallel with expanding international openness after 1997. The official title of Tripartite is "The Council for Economic and Social Accord". It is an advisory board of the government, whose members are: the Prime Minister (chair) and six ministers of the central government. There are seven representatives from businesses (e.g. their chambers and unions) and seven representatives of trade unions. Tripartite meets six times a year and their agenda covers such topics as taxes, social safety net, employment, industrial parks, EU funds, attraction of investors, strikes as industrial actions and the institutions of PPP (public-private partnership).

In no way can the negotiations of Tripartite be described as a consensual harmony. It is an extra-parliamentary political instrument without a mechanism that would made its outcomes (strategies) binding. Nevertheless, it constitutes an important instrument for reaching politically viable strategies. It also lessens the tensions by offering its partners the scope for further negotiations. Let us mention that such negotiations can proceed in the chambers of Parliament, in negotiations between political parties, in the media and in actions of the NGOs.

We now return to the role of CzechInvest, which can be described as another public institution that, by its charter, explicitly aligns the interests of private enterprises with the objectives of the government. In addition, there is an implicit coordination of the former with the aims of citizens. Thus, the problems with development policies associated with investments, innovation and entrepreneurship, were delegated in Czechia to the development agencies. It was a follow-up to similar strategies in Ireland and Finland, where their organisations of industrial policies became the engines of prosperity and economic competitiveness.

Such institutions in Ireland included: the National Economic and Social Council, National Development Plan of the Ministry of Finance, development institutions of IDA, Enterprise Ireland (Indigenous Industry & Export Development), Science Foundation Ireland and National Competitiveness Council. In Finland there were such institutions as: the Science and Technology Policy Council, TEKES, Sintra, Academy of Finland, Finnvera, Finpro, VTT or Institutes for Tech Transfer, among others. In the Czech case there was the rise of CzechInvest as an instrument of openness to the globalised world that mediated in the interaction between foreign investors, domestic enterprises, municipalities and employees. We should stress that such policies had to exceed the mere promotion of new businesses (especially those of MNCs). Thus the policies of CzechInvest had to be complemented with

trade promotion via the CzechTrade agency, promotion of science and education (Research and Development Council), support of SMEs (CzechIndustry) and social relief schemes for agents stricken by relocation (Consolidation Agency).

Even though the Czech past experience offered clear empirical proof confirming that central planning was in a **fundamental conflict** with long-term economic development because it could not build upon the knowledge and entrepreneurial skills of millions of agents in their mutual interaction, **planning activities of the public administration could not be discarded completely**. The reason for retaining a portion of them rests in the continual existence of hierarchies in parallel with markets. These hierarchies are of three types:

a) Hierarchies of enterprises, whose necessary existence was explained by Coase, 1937. Markets cannot support all decisions and activities because the efficiency of markets can be limited by high transaction costs. Thus there is the role left for managerial and organisational bureaucracy, whose main instruments of functioning are entrepreneurial visions (as strategies of global importance relevant for a real life) and plans for their implementation;

b) Hierarchies of governments (central, regional, municipal), whose existence as decision-making bodies inherently cannot function without strategies incorporated into plans;

c) Hierarchies of political parties that feed on individual entrenched interests, which the parties amalgamate into political programmes. Once such partial interests are inherently socially contradictory, political programmes cannot but be biased towards certain social groups. That may happen notwithstanding that the natural causes behind such diversified programmes are identical. Thus, both conservatives and socialists can offer different policies dealing with globalisation, productivity increase or euro accession.

It must be stressed here that these kinds of planning have their meaning only within the domains of the three mentioned hierarchies. Their plans generally represent the **hierarchies of priorities**, to which there are assigned instruments (means) of implementation – forming thus another subset of hierarchies. The plans of all kinds must not crowd out (or distort) both the mechanism of markets and the autonomy of citizens (as the sovereign bearers of ethics and of freedom in consumption, entrepreneurship and employment). Once again, the idea of complementarity (i.e. of the partnership) between government strategies (revealed in plans and policies), markets that guide enterprises and individual freedom of citizens, must be guaranteed if such a social arrangement is to be sustained.

Let us look briefly at the transmission mechanism between government policies (e.g. the establishment of CzechInvest) and political parties. In the Czech case the medium-term strategies are formed before elections in the form of "Election Programmes" that are prepared by all competing parties. The next step after win-

ning the elections is to form a coalition that is guided by a Coalition Agreement which states the common guiding principles and agreed concessions to Election Programmes. The most important task of the Agreement is to distribute the ministries among the parties. The ministries are then managed by a modified Election Programme of the given party and by the Annual Plan of Fiscal Spending.

In Czechia, as in other member states of the EU, the sovereignty of national policies is only partial. Thus some important objectives dealing with public goods (such as competition, trade, R&D, education, defence or environment) are given by the directives of the European Commission, which must be "internalised" into domestic laws and programmes. Also, the European Funds have their compulsory structure and 7 years' indicative figures. The inter-temporal stability of any development agency in the EU thus depends on the consensus across political parties and, quite crucially, also on the policies of the European Commission, which guarantee that national development is consistent with national industrial policies.

5. Policies of CzechInvest in a wider perspective

In the preceding chapters we have outlined the global context of particular economic policies, concretely the policies dealing with development and competitiveness, as they were delegated upon CzechInvest. All policies of this kind require a strong political backing, a degree of autonomy and an indirect "rule" by incentives (i.e. by institutions) acting at grassroots, as explained by Rodrik, 2004. Nevertheless, the socio-economic governance remains a hierarchical concept. At the base of the pyramid there are social visions and global strategies or plans of general importance. Its more operational plans of policies require a cross-sectional coordination that is usually in conflict with the management by much more narrow ministerial agendas. Thus, there arises the need for establishing a specialised agency of public administration that would be able to balance the conflicting interests and retain a high degree of executive professionalism. Often its organisation must abandon the traditional hierarchical subordination and build its decision-making on more decentralised models used by the corporate business sector. Such government agencies, in addition to overlapping the ministerial domains, must be also able to overlap regional and municipal governance.

CzechInvest was a typical example of such an agency where co-acting had to be shared across all political orientations in order to achieve the aims of economic restructuring. It had to have powers to coordinate ministries, regional governments and municipalities – within the framework of its development agenda. Its policy-making should be authorised to negotiate with government financial institutions (such as the Ministry of Finance, European Funds or the Consolidation Agency administering the bail-outs), to administer the SME support schemes and coordinate the policies of investment, trade and competitiveness. It should be in working

contact with the institutions coordinating science, education, quality of products and the environment. All in a mode that would be free of political cycles. In parallel, there are active numerous NGOs that check the performance of public administration from critical autonomous positions.

It took several stages to transform *ad hoc* investment promotion (1993–98) into an administration of modern development policies. Actually, the process commenced in 1999, before the Lisbon Strategy of the EU was launched, when the Czech government decided upon the Investment Incentives Act. This Act created in 2000 a universal frame based on explicit rules that were binding for all stakeholders of investments: for investors, their indigenous private partners, municipalities and government institutions, so that conditions for every company would be equal. Universally valid rules were compatible with EU rules and they also eliminated the attempts at discretionary ("case-by-case") negotiations at the level of the central or regional governments. By cutting the embeddedness of ministries with the operational agenda of investments (both foreign and domestic) and by vesting these activities in an agency with demonstrated competence accountable to the MIT and the Government only, the space for corruption was minimised, while the strategies could still be very flexible and the channel for information flow between the private and public sectors actually widened. According to Rodrik, 2004, these conditions are crucial for sound central decision-making.

The strategies used by CzechInvest since 2000 avoided the liability of traditional industrial policies that were biased to "hand-picking the winners" (which often moved to picking the losers) or by an obsession for targeting "preferred industries" with the risk of hitting the strong by supporting the weak. The new policies were based on **supporting the build-up of endowments** that gave modern technologies a natural comparative advantage. Thus, the concentration was on activities and projects **supporting the processes underpinning the high-tech** instead of supporting concrete industries.

The Czech economy has suddenly reached such a level of attraction that CzechInvest arrived in the position of assisting preferentially (above the standard services that emanated from the Act) only projects with a high potential of spillovers. There was a call for introducing additional schemes that were not associated directly with any concrete investors. Due to these initiatives, Government Resolution no. 573 was put into practice in July 2002. It coped with requirements **facilitating investments into software design, information technologies, innovation and production development, customer support centres, shared service centres and research and consultancy centres**. Five years after, CzechInvest could limit its support exclusively to these types of investment. The position of ICT in the Czech economy has significantly increased since 2000, becoming, in 2008, as important a driver of growth as the automobile industry. The activities of IBM, Honeywell,

DHL, AVX, Matsushita or Skoda pushed important parts of the Czech economy from industrial mediocrity towards market leadership at the European level.

The challenges of globalisation, however, required that policies of development be as flexible as the external factors. The organisation of CzechInvest after 2002 became an experiment, whose principles diverged from Czech traditional mechanisms of governance. Its project management techniques resembled more the management of huge business corporations with diversified activities transgressing their national borders. We could say that CzechInvest became an experimental pilot scheme of the public governance for the 21st century.

As an attempt at evaluating the policies of CzechInvest, according to criteria outlined by Rodrik, 2004, we cannot but accept that all of Rodrik's principles can be found in the form or in the contents of CzechInvest policy design and implementation. Also, the six examples of programmes mentioned by Rodrik (p. 26–29) have their respective representatives in the Czech policies, even although not all of them were coordinated solely by CzechInvest.

6. Conclusions

The experiences from the policies and managerial style of CzechInvest during 2000–2006 could be summarised into the following general rules for development agencies:

a) There is a crucial importance that the political consensus at the national level must safeguard the agency throughout the entire period of its existence. Once the agency becomes a target of political fights, its efficient performance can no longer be upheld;

b) Political consensus should be incorporated into the long-term national strategies and development plans that are not subject to opportunism in political cycles;

c) The state development agency has to behave like a private consultancy without being paid for their services by clients;

d) Agencies should target their plans on the demonstration effects that act as an externality leverage for both domestic spinoffs and for building the image of the country abroad;

e) The managerial standards should be sought in the management of MNCs and not in the standards of the government bureaucracies that rely on the network of clients and where the rungs of hierarchy (and age) dictate the level of subordination and the constraints on personal initiative;

f) Independence from the government or ministries in strategic decision-making can be only informal. Thus their alliance must be based on consensus seeking where the agency is an equal partner;

g) Independence in the operative aspects of the policy implementation in the agency should be very high and delegated to divisions and teams;

h) The government policies should be continuously adjusted to the changing situation in both the national economy (e.g. the progress in ownership, transition and restructuring) and the world markets. The feedback for a change should come from the coordinating agents, i.e. from the agency;

i) The staff of the agency can be very young, e.g. with an average age of 28 years, as it was in CzechInvest. The studies of employees abroad are an advantage that should continue during employment;

j) The salaries of employees can be subject to standard norms valid for the government sector. For example, the average pre-tax salary of the junior executives need not be more than treble the national average wage, notwithstanding that such wages could not compete with the significantly higher income offered by the multinationals. It is the prestige and the long-run potential for career-building that should motivate the employees;

k) Personal contact of the agency's employees with investors and with field-work is a must but it must be complemented with personal accountability and safeguards against corruption;

l) The importance of ethics and behaviour free of corruption should be assigned paramount importance. Thus the neutrality to politics and non-alignment with any kind of lobbyism should be a part of the employment code, guided by explicit rules of conduct and professional performance;

m) Investment and development promotion agencies should work in a competitive environment. Although they have institutionally embedded privileges, there should be open windows of opportunities to competing private investment/development agencies;

n) Personal contact with investors, mobility to the regions of investment and field-work should be part of the working routines;

o) Each project should have its bottom line and workers should be accountable to the heads of divisions;

p) Agencies can be efficient in policymaking only if they have instruments and motives that will allow them to recognise "good" policies from those which are failing in due time. Thus the administrators should have instruments for breaking the barriers of information asymmetry, but also withstand political pressure when some of the policies fail;

q) Policymaking is an evolutionary process where the agency should behave like an entrepreneur: it must take risks, analyse outcomes and re-adjust its means of implementation. There should also be an added proviso applied to entrepreneurship: a successful manager should be proportionally rewarded, while a failing manager should bear the long-run costs, though not the immediate costs;

r) Development agencies should become national leaders in building the pockets of bureaucratic competence.

It should be stressed finally that the above mentioned cases of planning deal strictly with the good governance practices at the level of government hierarchies only. As a general policy, the private sector (enterprises) must not be forced by explicit commands to fulfil certain quantitative targets and there should be no quotas limiting their output. Ideally speaking, the aim of government guidelines and institutions is to create **incentives for a more efficient allocation of resources** and to minimise the impediments to entrepreneurship and growth. Policies delegated to special cross-ministerial agencies can only be a small part of such principles of social and economic governance.

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Policy Actors and Policy Making in Contemporary Hungary

Terry Cox, Sandor Gallai[1]

The Theoretical Debate

An influential view in contemporary academic writing is that the radical transformation of the economic systems of ECE, and the ensuing integration of those countries into the market based system of the European Union, provide evidence in support of theories of globalisation that stress how modernising countries have to conform to the trends of the global economy. Moreover, the experience of ECE is taken to show that the modern state is relatively weak in the face of the tendencies towards globalisation in the modern world economic system. A wide-ranging debate has emerged around this general question, within which at least three different arguments may be identified.

i.   In one version of the globalisation thesis, it is argued that the modern state has lost its capacity to manage the economy in what has become an increasingly 'borderless world' (Ohmae 1990).

ii. By comparison with this view, the idea of the 'competition state' accords a more active role to national governments, but still one that sees it in a subordinate role, as the agent of globalising forces. In this view, although governments are very active, in terms of executive decision making and perhaps also negotiation of policy outcomes with other actors, this only provides the means by which global forces have their effect at the national or local level. The state, it is argued, achieves success by becoming the 'competition state', competing for investments in the global market and adopting neo-liberal economic policies in order to make its national economy competitive (Stopford and Strange 1992; Cerny 1993).

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iii. In contrast to both of these two views however, a third view argues that govern-
ments actually still exercise more freedom of action to shape institutions and
make policy than is allowed for by the 'competition state' approach. Rather the
state should be seen as a 'developmental state'. In this view national governments
do not simply take their cue from international organisations or accept neo-
liberal arguments; instead they play a central role in making domestic policy,
sometimes in ways which depart from the prescriptions of neo-liberal principles
(Wade 1990; Evans 1995).

On the whole, the 'developmental state' approach has not been supported by
many researchers working post-communist transformations in Eastern Europe.
However, a recent article by Hanley, King and Tóth (2002), focusing on privatisation
in Hungary, is notable for the way it draws on and adapts the 'developmental state'
approach of, for example, Peter Evans. They argue on the basis of their case study
that governments play a significant role in economic policy making in the context
of a contest with international agencies and organisations. Within such competition
national governments sometimes 'concede' to international interests but at other
times they support the development of domestic companies and create the condi-
tions for domestic capital accumulation. Hanley et al. argue that Hungarian govern-
ments after 1989 were partially successful in promoting the 'domestic accumulation
of capital by subsidising the sale of state enterprises to private parties' (2002: 145).
However, this brought them into conflict with international agencies who demand-
ed the opening up of Hungarian companies to foreign investment. The outcome was
the making of a new capitalist economy based on a mix including enterprises sold to
foreign investors and Hungarian domestically owned businesses. In some cases the
Hungarian government had to back down in the face of international pressure but
government officials did not play the role of 'suitors' to foreign capital. In other cases
'the privatisation process itself has provided state actors with new means of shaping
economic developments' (2002: 162).

Hanley et al. identify three stages to the Hungarian privatisation process.

1990–1992. In this early period, just after the end of the communist regime, there
was a need for revenue to alleviate the very high international indebtedness the
new Hungarian state had inherited. However, at this stage there was relatively
little domestic investment capital available. In these circumstances therefore, the
priority for the government was to sell state enterprises to foreign buyers, thus
contributing to Hungary's position as the leading country in attracting foreign
direct investment (FDI) in the early years of the transformation in ECE.

1993–1994. Following the initial wave of sales to foreign companies there was
mounting criticism in Hungary, not least from supporters of the government
who drew their electoral support from conservative and nationalist voters, espe-
cially from the provinces. In this context government policy swung away from

favouring international investors and towards the subsidised sale of enterprises to domestic interests.

1995–1997. The swing towards policies favouring domestic investors produced an inevitable backlash from international agencies and foreign investors, leading to a suspension of aid from international agencies and a lowering of Hungary's international credit rating. This coincided with the 1994 general election which brought a coalition of the Socialist Party and the Free Democrats to power, both parties favouring a more liberal economic policy than the outgoing government. This led to a return to policies favouring international investors.

The outcome of these policy swings was that, during the crucial period of the economic transformation in Hungary, a new capitalist economy was built on a mix that included both enterprises sold to foreign investors and native Hungarian owned businesses. Thus, in terms of the debate about the role of the state in relation to globalising processes, the Hungarian state could be seen as playing a more complex role than one described simply as a weak state or as a competition state. For Hanley and colleagues it was closer to the model of the developmental state. While the Hungarian state had had to back down to international pressure, government officials did not generally play the role of 'suitor' to foreign capital. The 'privatisation process also provided state actors with the means of shaping economic developments' (p. 162).

A major significance of the approach of Hanley et al. is that it challenges us to explore in greater detail the role of national governments in economic change. In this sense it has much in common with approaches that attempt to understand policy making in terms of 'state effectiveness'. In this view the state is seen as a dynamic actor and the key relation is between the state and other influences, such as globalising influences or domestic institutional legacies from the past. Dynamism stems from leadership choices within the state in plotting a course between global and local influences. A good example of this approach, specifically in relation to telecom development in Hungary, is offered by Nørgaard and Møller (2002). They argue that telecom development should be seen as an important success story in post-communist economic transformation in moving from a situation where the telecom infrastructure was quite inadequate at the end of the 1980s to a situation where it is now 'one of the most advanced in the region'. In order to explain this development they argue, the main question is whether Hungary's new telecom institutional structure answered 'a universal standard of telecom institutions that provide superior outcomes in any context (the globalist-institutionalist argument)' or whether it had more to do with the development of 'institutions designed in such a way that they "fit" into the local context (the localist-institutionalist argument)'. On the basis of their analysis they suggest that both arguments are relevant for explaining Hungary's development but that legacies and leadership choices must also be recognised as important influences.

These approaches offer important insights in that instead of referring to abstract trends or evolutionary processes, or the impersonal influence of globalisation on international organisations, they introduce the idea that policy change was carried out through relations between actors (albeit collective actors) in a situation of contest in which neither side is successful if achieving all their aims. However, these views are still pitched at a high level of abstraction in terms of relations between only two key collective actors – the state and international agencies. While these approaches generate some important insights respectively into the processes of privatisation and modernisation in Hungary, it is argued in this paper that they are still too abstract and miss important aspects of the way transformation took place and in the way policy was made. In order to take this further we need first to deconstruct the state and international agencies into different 'component' policy actors that make up these larger blocs of interests, and also to understand them all in their inter-relations with a wider range of social and local business actors. Transformation has not only involved the changing relations of national states to international environments and institutions, but it has also involved the changing relations between state and society at the national level.

Secondly, we need to take account of the changing context within which the wide range of potential policy actors operate and compete as the process of transformation unfolds. As the processes of privatisation, liberalisation and new institution building gathered pace they changed the institutional environment within which politics was conducted. These processes also enabled the entry of new actors into the arena, just as it undermined the effectiveness of others. In particular, as will be argued below, privatisation and foreign direct investment, both key aspects of the transformation process, brought foreign and international policy actors into the national political arena. After the first stages of transformation, their interests were pursued within national politics alongside those of domestic actors.

In this paper these themes will be explored by focusing on one area of economic policy making within Hungary's broader post-communist economic transformation: the case of telecom reform, and within that on policy regarding landline services. This provides an interesting case because of the importance of telecom reform for international market competitiveness and the active role of multi-national companies and international agencies in promoting new ideas in this area. As will be noted below, policy making in this area was characterised by a significant amount of pressure politics from different interests within Hungarian government, the business community and wider social interests. Significant policy actors included different international financial organisations, international companies, different government ministries, different EU institutions, the transformed former state institutions in the industry, Hungarian small business investors, industrial managers, professionals whether as individual experts, advisors or in consultancy companies, political parties and factions within them, successive government politicians, civil servants and local government authorities.

In the following sections of this paper, after a brief account of the politics of post-communist privatisation in the Hungarian telecoms landline sector, we will attempt to trace the development of telecom reform in Hungary over time as mediated through the relations of many of the above-listed actors. In each case there were contests between different policy actors for influence over the reform process and its outcomes, and these different contests produced different outcomes that provided the context for the next set of contests. Also of particular relevance for the story of Hungarian telecom reform was the changing context created by Hungary's decision to apply for EU membership. This shifted the terms of the contests from simply economic transformation to create a new telecoms sector compatible with a market economy, to a concern to conform with a complex set of requirement regarding regulation and competition policy that were brought into consideration by the accession process.

2. Policy Change in the Hungarian telecom sector, 1989–2001.

As in many countries until the 1980s, the telecoms sector in Hungary was administered along with broadcasting and postal services under a single government ministry. In Hungary's case however, the first administrative change came in 1989 when the three different functions were distributed to three separate service providers: the Hungarian Telecom Company (Matáv), the Hungarian Broadcasting Company, and The Hungarian Postal Service. After the 1990 election, responsibility for telecoms was transferred to the Ministry for Transport, Telecommunications and Water Management (MTTWM). The corporatisation of Matáv was completed under the first post-communist government led by József Antall's Hungarian Democratic Forum in July 1991. The company became a joint-stock company, at this stage still wholly owned by the state. However, its new organisational form now made it available for privatisation as Hungary's first post-communist government began to consider which companies to transfer into private hands.

It quickly became clear that there was a wide degree of consensus that telecoms should be a priority area for privatisation and that this would require a degree of foreign investment. Telecoms had been starved of investment under the old regime's priority for heavy industry. The requirements of the development of commerce and a market economy, as well as the development of an effective state infrastructure, now meant that the modernisation of telecom was a priority. Furthermore, it was a sector that was easy to sell for good money with an obligation on the new owners to invest more in order to carry out really expensive technological developments. The scale of such investment would have been beyond the scope of domestic investors and the government's budget. Domestic investment resources had shrunk as a result of the post-transition recession and Hungary had high levels of foreign indebtedness and had to pay rather heavy debt services. The groundwork for a partial privatization of Matáv was laid by embarking on a programme of network development,

for which funding was raised in the form of the issue of commercial bonds, and also through development loans, especially from the World Bank and the EBRD. As a result, by 1993 over half a million new telephone lines had been installed. At this stage Matáv also set up some subsidiaries and joint ventures to carry out such activities as further network construction, international links, and in summer 1991, with the founding of Westel, a joint venture with US West, it established the first (analogue) mobile telephone service in ECE. Meanwhile, further legislation had paved the way for the partial privatisation of telecoms in 1993. In 1991, a new Act on Concessions set the legal terms by which operating rights could be granted to non-state companies. This was followed by a policy document setting out the government's strategy on granting concessions for the provision of telecom landline services.

The initial privatisation of telecoms was introduced by the Telecommunications Act, which was passed in November 1992, and became law in July 1993. Bids were invited for a minority stake in Matáv and 14 different companies applied. Four of these were then short-listed for a second round. The outcome was that a German-US consortium, MagyarCom (made up of Deutsche Telekom and Ameritech) acquired a 30.1 per cent share, along with operational and financial control of Matáv, for the sum of USD 875 million. In the same year licences were granted to private companies for the newly expanding mobile phone sector to Westel 900 (43 % owned by Matáv and 49 % by US West) and to Pannon, owned by a number of Scandinavian and Hungarian companies. By the end of 1996 Hungary was fully covered. In 1999 a third provider, Primatel, was granted the right to provide digital mobile services.

According to the new law, Matáv retained its monopoly over the national network for long-distance and the international landline markets. There was a strong incentive for the government in this since it would enhance eventual privatization prospects and thereby the likely revenue to the government from privatization. However, (uniquely in the region) Matáv's monopoly in the provision of local services was removed. Local concessions were put out to tender if a majority (50 % + 1) in a local authority so decided, and Matáv was allowed to bid on equal terms with competitors. Hungary was divided 54 'primary' districts as regards the concessions for operating telecom. Districts where no rival application was received remained in the hands of Matáv. Bids were received for 23 of the eligible districts, 8 of which were awarded to Matáv and 15 to independent operators, predominantly US and French-led consortia, some to local government companies (in a number of cases with a foreign partner). In the end Matáv gained control over 39 local networks representing an estimated 80 % of Hungary's local telephone market (Canning, 1996). Usually, according to one respondent, a representative of the alternative providers, these were in the most profitable areas.[2] The concessions were granted to the successful companies for 25 years, the first 8 of which entailed exclusive rights.

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2   Interview with a representative of an alternative provider company, Budapest, 2005.

Under the new law different general functions were given to two different bodies, each of which was responsible in turn to the Ministry which itself had overall regulatory responsibility for formulating and implementing policy and regulating prices.

a) the Communications Supervisory Authority (HÍF) was a regulatory body responsible for issuing licences for the provision of telecommunications services; and

b) the Telecommunications Conciliation Forum (TÉF) had the function of protecting consumer interests and liaising between national and local government bodies, industry representatives and consumers, and arbitrating in case of disputes between them.

After the 1994 elections a Socialist-Free Democrat coalition government came to power, bringing new approaches to privatisation policy, and this resulted in further debates about the privatisation of telecoms. The main argument concerned the question of whether MagyarCom should be encouraged to increase its share in Matáv, or whether there should be a public offer of shares or a stock market flotation to allow smaller (and perhaps local) investors a share. Opinions were divided both within the government and outside. Within the first option, there were also differences between MagyarCom and some in government about the terms on which MagyarCom might take on a majority shareholding in Matáv. In the end, reflecting majority opinion within the new government in favour of sales to large foreign investors, it was decided to allow MagyarCom to buy a further 37 percent of Matáv shares. With the detailed running of telecoms now lying outside the state sector the government then moved to improve the advice available to it on telecoms and to strengthen the regulatory body. In 1996 the National Council for Communications and Informatics (NHIT) was set up as an advisory body to the Government, and in 1997 a government decree extended the scope and independence of the HIF. Also in 1997, the story of the privatisation of Matáv was brought to a close with the sale of the state's remaining shares to private investors on the stock exchange. Finally, in 2000, Deutche Telecom bought Ameritech's (now SBC Communications) 50 percent holding in MagyarCom to become its sole owner. The government continued to hold a 'golden share' which enabled it to intervene where necessary for national economic, political and security reasons. The 'golden share' also gave the government the right of approval if the Matáv board were to decide to sell or transfer more than 10 % of its stake.[3]

Meanwhile, although the privatisation of Matáv was complete by the end of the 1990s, and it might be assumed that issues of the capitalist transformation of the Hungarian telecoms sector had all been resolved, new issues arose in the

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3   Since this was against EU regulations, Hungary (and the other new member states) were later compelled to abolish their golden share arrangements.

late 1990s concerning the extent to which the privately owned telecom sector had been fully liberalised. The main factor that brought this question onto the policy agenda was the EU's telecom directive of 1998 which called for the breaking up or limitation of national telecom monopolies within EU member states and the encouragement of competition between providers. (At that time Hungary was expected to adopt a similar legislation, but it was not necessary to introduce all provisions well before joining the EU.) As a candidate country for EU member-ship, Hungary was advised to adopt the EU directive as part of its preparations for membership and the European Commission allocated some funding and legal expertise to assist the ministry.

Under the Fidesz-led government that was elected in 1998, a working group was set up within the MTTWM. Much debate followed and numerous drafts of a new act were produced before a new Unified Telecommunications Act was passed by Parliament in 2001. The Act replaced previous legislation on broadcasting and telecommunications, further increasing the independence of HÍF as a regulatory body and created the framework for the liberalisation of the telecom market. As part of this new framework, local area monopolies were brought to an end ahead of the previously agreed schedule, newcomers were allowed to compete within each area and the main service provider in each area was obliged to give newcomers access to the telephone network. In compensation for this, incumbent providers were allowed to charge 'connection fees' for making network space available. In the course of the debates and preparatory work on the new act three institutional changes took place concerning the place of telecoms within the structure of the government. In particular, in July 2000, responsibility for telecommunications was transferred from the MTTWM to the Prime Minister's Office.

The 2001 Act was not the end of the story. After the 2002 elections a new Socialist-Free Democrat government set up a separate Ministry of Telecommunica-tions and, in response to a new EU directive, decided further legislation was neces-sary. The aims of the new act, which was passed in 2003, were to further harmonise Hungarian regulations with new EU regulations, to further promote competition, to maintain the growth of internet usage, to improve services, to create free choice of provider, number mobility (portability?), to gradually decrease the cost of in-ternet services, and in the long term to reduce telecom prices as well. The act also created a new regulatory body, the NHH to replace HÍF.

Thus, during the period between 1990 and 2003 Hungary transformed its tel-ecom sector from one regulated, administered and owned by the state to a sector in private ownership that encompasses the institutions necessary for a liberalised market and a legal framework compatible with EU standards. At the same time however, it still bears the marks of the initial strategy of market transformation that was adopted in the early 1990s, which involved postponing full liberalisation until after privatisation of the main incumbent service provider and the awarding of

generous concession conditions that maintained a heavily monopolised market. As will be shown below, these initial conditions provided the context in which further policy changes pursued by the government met challenges from powerful interests in the sector that the initial reform strategy had done much to create.

3. Competing interests in the making of Hungarian telecom policy

The outline above seems to tell the story of a smooth incremental process. However, in fact it was characterised by a number of controversies and differences of interest. These arose over a range of issues including the design of regulatory institutions for the telecom sector, the development of the mobile telephone sector, as well as more technical issues. Competing interests were at work and pressure was exerted from various directions in the making of each of the main pieces of legislation affecting the telecom sector, in the 1992, 2001 and 2003 acts. However, in this section discussion will be confined to some examples concerning issues of privatisation and liberalisation, especially relating to issues of privatisation in the 1990s and issues of liberalisation in the preparation of the 2001 Act.

3.1 The 1992 Telecommunications Act

The final version of this act was the outcome of a compromise on the key question of Matáv's monopoly as the national services provider. Early drafts, reflecting the influence of the Matáv lobby, as well as significant interchange of staff between Matáv and the ministry, envisaged very little market competition within Hungarian telecoms and granted Matáv a monopoly as the service provider. (Competition, it was assumed, would occur only in subsidiary value-added services.) However a debate then arose and continued for several months as arguments for greater liberalisation and competition between different providers of telecoms services were pursued. Among those lobbying for greater competition were various neo-liberal economic consultants and advisors, some representing international organisations including the World Bank, and opposition politicians in the Free Democrats, as well as some Socialist party members.[4] As far as national and international telecom services were concerned, these arguments were unsuccessful, but a more effective lobby emerged for the provision of competition for local services. This could be seen as an early sign of the swing against a focus on sales to international investors that got under way more strongly in 1993 as the government came under the influence of nationalist and populist views from their own main constituency in the countryside. According to Prössdorf (1997), the emphasis in the arguments for granting concessions to smaller companies and local authorities probably had to do with pressures from interest groups formed by companies and inhabitants of rural areas

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4   Interview with a leading businessman and consultant, Budapest, 6 June, 2006.

where telecommunication infrastructures were extremely underdeveloped. However, another influence came from insiders in the telecom industry who had begun to go for training in the USA in the late 1980s, some of whom had been influenced by the idea of the 'baby bell' companies.[5]

In the larger scheme of things the decision to allow local concessions did not lead to the emergence of any significant rivals to Matáv, but for an understanding of the politics of telecom reform, the decision to allow any competition was important. Privatisation and the attraction of investment income from abroad were higher priorities for the first post-communist government than the creation of conditions for competition within particular sectors of the economy. While liberalisation was recognised as an important aspect of economic transformation, alongside privatisation and the withdrawal of the state from direct management of the economy, the main emphasis was on achieving the framework to promote competition within the economy as a whole rather than necessarily within particular sectors (Cox & Mason 1998). (Within the telecoms sector the mobile companies presented the real competition to landline providers, most notably to Matáv.) Furthermore, at this stage, although eventual membership of the European Union was already under discussion, the conditions for meeting EU criteria for membership were not as clearly defined, or as high on the policy agenda as they were to become later in the 1990s. In the telecom sector the main European influence came from Germany which was the primary investor in Hungary, reinforced by Hungary's traditional economic and political German orientation) and this was exemplified by Deutsche Telekom taking a half share of MagyarCom's stake in Matáv. However, the privatisation and liberalisation of the German telecom sector were scarcely more advanced than the situation in Hungary in the 1990s: Telekom, later to be renamed Deutsche Telekom, was created as a separate company in 1989–1990 and the majority of its shares were only sold off between 1996 and 2002. A semi-independent regulatory authority for telecoms was only created in 1998 (Thatcher 2004:761). In this context therefore, the decision to encourage competition for local concessions, albeit, a competition to then operate local monopolies, was a significant departure from the norms of the time, and it was a development that was unique in East Central Europe. Most significantly for the argument of this paper, it was not a development that could be predicted from the perspectives of the weak state or the competition state.

3.2 The further privatisation of Matáv in 1995.

As noted above, a decision was taken in late 1994 by the new Socialist-Free Democrat government to reduce the stake held by the state in Matáv to 25 % + 1 vote. However, a number of issues relating more generally to their privatisation policy had to be resolved before the next round of the sale of Matáv shares could proceed.

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5   Interview with academic expert on telecom policy and former Matáv employee, Budapest, April, 2005.

In particular, a number of issues arose between, on the one hand, the government and its newly formed State Privatisation and Holding Company (ÁPV Rt)[6] and on the other hand, MagyarCom as the incumbent stakeholder in Matáv.

In particular, two issues arose on which opinions were divided. First, there was the question of who should be encouraged to buy a further issue of shares in Matáv: whether to sell further shares in Matáv to large investors; whether such investors should include any company other than MagyarCom; or whether to sell off the shares through a public offering and/or a stock market flotation. Secondly there was the issue of the timing of the sell-off. MagyarCom let it be known that it had an interest remaining as the only large investor and therefore, in increasing its stake to at least just over 50 %, but it did not feel that it was in a strong position to make a further investment at that stage in the development of Matáv. Therefore its preference was for the postponement of any share issue or flotation until the company was in a stronger financial position. However, the priority for the SPHC was to move ahead quickly with further privatisation in order to meet its target for income from privatisation and create more revenue, before the end of 1995 if possible. From the government's point of view, at a time of severe pressure on the Hungarian economy, a further sale of Matáv shares would be very important as a contribution to keeping the budget deficit under control.[7]

In the circumstances there was insufficient support for a public offering or flotation of shares and also, the government had relatively little time to bring in a second large investor in Matáv. Matáv/MagyarCom was able to lobby strongly against either of these options and take advantage of the government's relatively weak position. As a result, the SPHC put its support behind increasing the stake of MagyarCom, and argued for it to take as large an increased stake as possible. However, MagyarCom was initially reluctant because the acquisition of a majority holding would not significantly strengthen its control over the company and it regarded further investment at this stage as premature. In addition, the Germans had spent a lot on buying the mobile licence for Westel in 1994. Their preference would have been to wait until its development strategy for Matáv had put the company on a sounder footing.

Nevertheless, it was finally agreed in late December 1995, that MagyarCom would buy a further 37 per cent stake in Matáv for the sum of USD 852 million, thus giving it a total stake of just over 67 per cent (Canning & Hare 1996). Behind the scenes the government and MagyarCom had been able to strike a deal. Of the different episodes in the story of the transformation of telecom in Hungary this one

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6   This was created by merging two existing authorities: the State Property Agency and the State Holding Company. It had taken over the functions of managing the privatisation process after the passing of the new Privatization Act in the summer 1995.

7   1994 was an election year which deteriorated further the fiscal (budgetary) situation; this unfavourable situation was ended by the Bokros package of 1995.

probably comes closest to the kind of scenario that would be predicted by the competition state approach. However, even here the story is complicated by rival proposals representing rival interests. It could be argued that those arguing for a share flotation to small investors lost the argument because of the specific weakness of the Hungarian economy in the mid-1990s rather than because of more general trends arising from globalisation. Indeed, this episode fits quite well into the general picture of Hungarian privatisation presented by Hanley et al, of swings in government policy as they weave between the competing goals of attracting foreign investment and promoting the development of domestic capital accumulation.

3.3 The 2001 Unified Telecommunications Act

As noted above a major aim of the new legislation was to bring the Hungarian telecom sector closer into line with EU competition policy and the EU telecoms directive. This not only required the government to persuade existing stakeholders, Matáv and the local telecom operators, that they could not expect any extension of their existing monopolies, but that they should accept a premature ending of the exclusive rights granted them in the earlier legislation. The new legislation also promised the establishment of a new regulatory framework that would be both more independent of the government and more proactive in ensuring competition in the telecoms market.

Thus, at a general level, we can identify a range of different interests, each with different preferred outcomes, including Matáv, Deutsche Telekom (now as its sole large strategic owner), the EU through its conditions for membership, the local telecom operators, and the Hungarian government. Since the opening of the market to wider competition was the goal of the legislation there were also other potential players among companies who might wish to enter the landline market. The different political parties also had their own positions on different aspects of the proposed new legislation. Of the main players, Matáv and the government were the major players. Matáv was particularly strong because of its economic strength in the market, its technical resources and know-how, its strong lobbying and policy formulation expertise, and its relative unity of purpose compared with other actors. While the smaller companies scarcely managed to employ a single full-time lobbyist, Matáv had a whole department working on preparations for the new act, even to the point of offering drafts to the government, or when the bill came before parliament, to selected politicians in different parties. Where necessary, they could also call on the expertise of Deutsche Telekom, and through them, even the German government.

By contrast the government had a more diffuse set of interests to keep in view as it launched the drafting process of the new act. The drafting was to be carried out by a group of about 12–13 officials within the Ministry under the leadership of state secretary Imre Bölcskei. They were responsible to the Minister, Kálmán Katona but

he took little active part in the drafting. The drafting group had four, not completely complementary aims:

i.   to meet EU expectations that it would achieve a greater degree of competition;

ii. to respect the value of the existing investments of the incumbent telecom operators and not to alienate them from the legislative process;

iii. to seek political compromise by consulting representatives of all the parties involved;

iv. to strengthen the position of the ministry within the government by inviting them for consultations.

The drafting group had produced 7 different drafts by the beginning of 2000. According to most interview respondents who saw them, the drafts proposed moderate liberalising changes but were mainly sympathetic to the incumbent telecom providers, taking a gradual approach to the opening up of the market. At this point however, for reasons that are not entirely clear, the whole drafting process was thrown into disarray by the sacking of Minister Katona, the break-up of the large multi-function ministry and the dissolving of the drafting group. For an interim period of a few months drafting continued under the supervision of members of the HÍF regulatory agency but in October 2000 it was taken over by the Prime Minister's Office under the overall supervision of the Minister of the Prime Minister's Office, István Stumpf.

A number of different reasons were offered for Prime Minister Orbán's decision to sack Katona, and it is likely that there was no single reason but a combination of several. The two men did not enjoy an easy personal relationship and Katona came from the junior coalition partner party, the Hungarian Democratic Forum. He was also more market-oriented than Orbán: the latter wanted to see more regulations than Katona. He was a very popular minister who was regarded by the public as having done a good job in overseeing flood relief in the previous year – but this may have drawn attention to him as a possible rival to the main Fidesz coalition party. There were also inter-ministry rivalries within the government as other ministries jealously eyed the many responsibilities of the Ministry for Transport, Telecommunications and Water Management. Two versions emerged from the interviews: 1. Stumpf wanted the area for himself.; 2. Orbán wanted to have it under his – more or less – direct control. However, there is probably a further factor which relates more closely to the subject matter of the draft legislation. Although Katona did not have any day-to-day involvement in the drafting process, he did have a reputation of being more of an economic liberal than Prime Minister Orbán, especially over issues of price regulation, and he may have been seen as a threat to the general gradualist consensus that was emerging on competition issues in the drafting group. He was also thought to support provisions within the drafts that favoured the local telecom providers at the expense of Matáv. It was strongly rumoured that Matáv had seri-

ous concerns about Katona and the likely outcome of the drafting process and that Matáv were supportive of the transfer of responsibility to the Prime Minister's Office.[8] As a result of the reorganisation a former Matáv insider, Tamás Fellegi, was appointed to a position within the PM's Office in a chain of responsibility between Minister Stumpf and a new committee dealing with detailed issues codification, chaired by lawyer Anna Dessewffy.[9]

The new team produced a series of further drafts before a bill was finally presented to Parliament in 2001. All interested parties were consulted and invited to comment on various drafts and most parties also lobbied the Dessewffy's committee. The exception was Matáv who, according to respondents involved in the drafting process, were able to make approaches directly at ministerial level.[10] According to some observers an approach was also made at senior government level by Otto von Lamsdorf, the CEO of Deutsche Telekom.[11] The final stages of the preparation of the bill were carried out with great haste in order to secure the passage of the bill in accordance with the government's legislative timetable. As a result, many details were left to government decrees instead of being incorporated into the act itself. In general this was considered by respondents to favour incumbent telecom operatives because they were in a better position to influence government regulations.

The final version of the act was generally regarded as creating a legal environment that made it possible to open up the telecom market in Hungary, and thus meet EU guidelines on liberalisation of landline services. However, by also taking into account the concerns of Matáv and other smaller service providers, the effect of the act was to forestall any acceleration of liberalisation. On the whole the incumbent providers had secured provisions that they found acceptable. Matáv and the local companies had lobbied hard for market conditions and technical regulations that made it relatively expensive for newcomers to enter the market. In particular, calls from a number in one network to a number in another were subject to cross-financing charges which benefited the incumbent providers. Also, the new regulatory arrangements still left the incumbent companies with considerable leeway. The Telecom Arbitration Committee (HDB), the successor to the HÍF, lacked sufficient expertise to adjudicate on some disputes with authority, with the result that if companies received an unfavourable ruling from the HDB they would resort to the courts to seek redress.[12] These were to be important issues for the next government, the Socialist-Free Democrat coalition elected in 2002 which quickly introduced a

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8   Interview with former ministry official, Budapest, 11 November 2005.

9   This was not strictly a drafting committee but it regularly invited policy experts from companies for consultations.

10 Interview with former ministry official, Budapest, 21 October 2005.

11 Interview with manager of a telecom company, Budapest, 28 October 2005; and interview with consultant, Budapest, April 2005.

12 Interview with consultant on telecoms, Budapest, 27 May, 2005. See also Papai (2002).

further telecom act in 2003, with a principle aim of establishing a new regulatory framework due to a new EU directive.[13]

It could be argued that the passage of the 2001 Act revealed that a new policy making structure had emerged in the telecom sector as a result of the previous privatisation process. Something resembling a policy community had emerged, consisting of successive governments irrespective of party composition, Matáv, the smaller incumbent telecom companies, and various professionals and consultants in the telecom industry who nearly all shared a background and training with Matáv employees. By the late 1990s it was relatively difficult for new actors and new ideas to break into the existing policy community and policy change therefore tended to occur only in the direction and to the extent that consensus could be reached between the informal partners in the community. New ideas did enter the policy agenda, including especially influential ones from the EU, and new actors were able to lobby for changes that would benefit them, but their effects were limited by the consensus within the established community. The specific outcome, as far as the 2001 Act was concerned, was that new ideas about competition policy were accepted, and new economic actors were able to enter the market, but only in ways that were acceptable to the incumbent service providers.

4. Conclusion

The evidence discussed in this paper suggests that the Hungarian state has played a rather active role in economic policy making in the telecoms sector and has made a significant impact on the character and direction of policy. Its role seems far from what would be expected of a weak state in a 'borderless world'. Moreover, although the initial policy choice in the privatisation of telecoms was to sell to a foreign-owned strategic investor, and policy since has been subject to the influence of this now incumbent main service provider, the state also adopted measures to provide for competition for local area concessions to smaller companies, and to float a part of the assets of Matáv on the stock exchange. In 2001 and 2003 governments of different political complexions adopted measures to introduce competition and terminate the local monopolies of the incumbent providers. This tends to support the conclusions reached by Hanley et al. that the Hungarian state has acted more like a developmental state than a competition state.

However, the model of the developmental state does not seem adequate in itself to grasp the complexity of the politics of telecom reform in Hungary. It assumes that the national state is the sole domestic policy actor, behaving in a mixture

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13 In the new government the minority partner, the SZDSZ had responsibility for this area. They were under time pressure: they had fought for and won a new ministry in 2002, but as it was not part of the 2002 budget, they had to fight for an additional budget and they had to legitimise the existence of the new ministry.

of competition and cooperation with international companies and organisations. The evidence suggests however that there is a lot more significant 'politics going on' within the national arena and that the state is obliged to interact not only with international actors but with a range of domestic actors as well. It has been seen that the specific character of policy change in the Hungarian telecoms sector cannot be understood without taking into account the actions and views of the government, Matáv, the local service providers, new alternative providers seeking to enter the market, and a range of individual government officials, politicians, policy advisors and consultants.

Finally, it is clear that the category of 'international' or 'globalising' influences also has to be disaggregated. By the late 1990s it was clear that there were competing international influences, with Deutsche Telekom and the EU having different interests and supporting different policy positions in the reform of the telecom sector in Hungary. Rather than seeing foreign-owned companies and international organisations solely in terms of globalising influences, they can also be understood as actors within the national policy framework, and part of the complexity of national politics on which policy making outcomes are ultimately contingent.

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Policy Implications for Visegrad Four Countries in Potential Policy Spaces Deriving from Demographic Change as a 'Systemic' Variable

Donald E. Fuller

The paper examines the research question: to what extent is demography within the Visegrad Four (V-4) likely to affect policy prescriptions within four policy spaces: pensions, health care, migration and employment? While national and European orientations may affect policy vectors,[1] demography represents a *genetic* variable to the aforementioned sectors. That is, a significant demographic change will cause a concomitant change in the policy outcomes (change in the architecture). This is so since prior policy prescriptions have been based on less volatile vectors that centred upon long term regularity. The paper argues that demographic change will cause the outcome levels to be the result of changed policy construction. Illustratively, the paradigm for constructing pensions can no longer be founded on a base of pay-as-you-go defined benefits. The dependency ratio of pensioners has and will reduce itself to 2:1 and lower: that is, two to one or one to one workers contributing the pension payments for the retiree.

Policy changes in the V-4 (and elsewhere) must gain acceptance of voting publics. Failure to do so may cause voting opposition and erosion of citizen trust.[2] Policy change, however, requires political will. Poorly conceived policies are likely to be inefficient, ineffective and self-destructive. The paper follows a current demographic shortfall of live berths in the V-4 (almost identical to elsewhere in the European Union [EU]) and argues the need for policy changes based upon a paradigm consisting of "national, European and systemic" variables.

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1   Raised in Fuller, D. (2005), "Vertical and Horizontal Strains on Administrative and Policy Vectors in Structures Affecting and Affected by Supranational Impacts: The Case of the EU, Its Members and the World Trade Organisation," in Peters, G. G., Sootla, G. and Connaughton, B. (2006), *Politico and Administrative Dilemma: Traditional Problems and New Solutions,* Bratislava: The Network of Institutes and Schools of Public Administration in Central and Eastern Europe.

2   Already prevalent in Eurobarometer data.

The Visegrad Four has pursued a neo-liberal economic paradigm with "Rhineland" protections in contrast to a pure neo-American model.[3] This contrasts in Poland and Slovakia at the margins with categorisations of "neo-populism." The case of Poland with the election of Prime Minister Tusk seems to have reverted in the Rhinish direction. Perhaps, more appropriately we may consider the V-4 to resemble the social democratic model, certainly not that of Sarkozy in today's emerging France. Germany would seem more applicable.[4]

Policy prescriptions often are embedded in political economic models such as above. Tension has always existed between elected representatives and planners.[5] Entire books are written on cost/benefit analysis, public choice and best practices. This paper pursues not only the national and Euro-centric ingredients in policy but in the *system* variables, seemingly generic to policy prescriptions. Demography is one of these variables. Yet demography means one thing in China and India: huge populations; and another, in the V-4: too many old people in proportion to young. The current funding model will not hold in the V-4. One can argue cost benefit but at 22 % of GDP in the U.S., policymakers are having to accommodate increasing health care costs and fewer revenue participants. The same is true of pensions. The paper adds migration and jobs (employment) as similarly affected by demography. Paying for the sick and the retired, however, reduce the bargaining space to less than the margins. They must be paid. Societies wishing to construct barriers to immigration and jobs, may survive, but must consider the globalized tension underlying such protections. This is not only a U.S. problem. The V-4 is stuck in the same environment.

Potucek[6] asserts that the scope of public policy extends along a "continuum from basic research (comparative and at the highest level of generalisation) to the more applied (narrow, focused, and country-specific) set of applications. This paper addresses the mid-level prescriptors that are largely symptomatic. That is, we do not discuss whether good health or pensions are necessary. Democratic, social safety net societies have already determined that they are necessary. The technical argu-

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3   Rhinish protections emphasise the social safety net; the liberal economic slant emphasised market signals. See Peck, J. and Nik T. (2007), "Variegated Capitalism," *Progress in Human Geography,* 31 (6): 731–772, accessed on 2/16/09, at http://phg.sagepub.com/cgi/content/refs/31/6/731.

4   Peck and Nik allocate Germany, Japan, Austria, Switzerland, Italy, Belgium, Netherlands, Denmark, Sweden and South Korea to the Rhinish model; U.S., UK, Canada, Australia and New Zealand characterize the neo-Liberals, often referred to elsewhere as the Anglo-Saxon model, p. 746.

5   Many city-council persons in the U.S. have had to recuse themselves from zoning votes in view of their direct ownership interest in an affected piece of property.

6   Potucek, M. et al. (2003), *Public Policy in Central and Eastern Europe: Theories, Methods, Practices,* Bratislava: The Network of Institutes and Schools of Public Administration in Central and Eastern Europe. The text underscores the dynamics of the problem. Its health care chapter, for example emphasises the urgent requirement that quality assurance be second nature to the health care system.

ment then becomes how to maintain solid quality while maintaining an ability to pay. Quality is not being traded off. It is a given (excluding non-democratic societies not caring about social capital). The acceptable solutions do include political (national vs. Euro) caveats. The paper focuses on the systemic nature of the demography variable that will drive policy solutions.

The paper concludes that the systemic variable is *genetic* to policy prescriptions among the policy spaces of pensions, health care, migration and employment. Secondly, it argues that Eurobarometer readings suggest the V-4 publics are prepared to accept policy changes in these policy spaces with greater optimism than politically elected representatives. Recent data from Eurobarometer bear this out. These findings are substantiated by the World Bank.[7] The Bank adds "long term care" as equally demanding upon public (or private) finances. Secondly, a World Bank/EBRD joint survey[8] points to an existing strong urban/rural divide while optimists tend to be the young (seeking opportunity); pessimists tend to be the elderly (seeking protection). This comports with the Eurobarometer. The World Bank/EBRD survey reports a *general* loss of trust in society: two-thirds of society could be trusted prior to transition; only one-third can be trusted today. Yet, combining Eurobarometer with World Bank, one can speak of a certain momentum for change not seen heretofore in their elected politicians.

Interestingly, these policy changes of interest impinge upon the EU programmatic pillars in contradistinction to initial formulas for dividing responsibility between the EU and its members (namely, the Third Pillar). Thus, the EU "constitutional foundations"[9] seem to be shifting in the direction of greater EU involvement in national affairs not generally acknowledged to be acceptable or desirable national politicians. The paper charts demography as it affects pensions, health care, migration and jobs, and assembles emerging data about the behaviour of these policy spaces somewhat moribund for years.

An unexpected finding is the degree of optimism of youth for EU involvement in trans-European affairs. Some might argue that this is misplaced optimism: you

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7   Chawla, M., Betcherman, G. and Banerji, A. (2007), "From Red to Grey: A Third Transition," *Beyond Transition,* April-June, 18 (2):19–20; full text at http://go.worldbank.org/O0Q06F6QK0, accessed on 4/16/09, at http://worldbank.org/WBSITE/EXTERNAL/NEWSLETTERS/EXT-TRANSITION/EXTDECBEYTRANEWLET/0,,contentMDK:21491871~pagePK:64168445~piPk:64168309~theSitePK:1542353,00.html.

8   Sanfrey, P., Steves, F., and Teksoz, U. (2007), "Life in Transition: Current Attitudes," *Beyond Transition,* vol. 18, no. 2, April-June.

9   Possibly to change if the Lisbon Treaty is ratified by the EU membership.

are idealising the EU as being better than your own national governments.[10] Yet the responses are quite clear: they see the EU as a vector to living abroad, studying abroad, and working abroad. As an example, "The EU will bring more opportunities for work; more equality between men and women; less discrimination vs. foreigners (cultures and ethnic groups); better quality of life for most people."[11] This paper will provide evidence that youth is taking advantage of such opportunities. It is they, the construction workers, and the shopkeepers that seem to be piling into the EU-15; not the Polish plumbers.

Theory

Neo-Liberal economics leaves market decisions to the market assuming markets are the best antidote to state economic systems. Markets *are* the best antidote to state systems assuming they are not asked to rectify political and social tradeoffs. The neo-liberal approach shifts sharply to the right when based upon supply-side economics.[12] The Visegrad Four has largely accepted the Washington Consensus[13] that has required continual adjustment and correction.[14] Prominently, the V-4 has retained concern for the social safety net (unemployment, health care, pensions and welfare) from its Soviet practices. It has consistently attempted to absorb government budgeting deficits by exports and import substitution. It has not been particularly successful. Nevertheless, Hungary, Poland and Slovakia are tracking the Euro hoping to join the EMU in the future.[15] Czech Republic has not established a conversion date for the Czech Koruna. Naturally, government deficits require options such as borrowing, printing currency, reducing government budgets, increasing exports and containing inflation. It can reduce benefits causing a certain political backlash.

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10 See European Commission (2007), "Eurobarometer 273; European Social Reality Survey" (Czech Republic, Hungary, Poland and Slovakia),accessed on 4/21/09, at http://ec.europa.eu/public_opinion/archives/eb_special_en.htm; see also *The Prague Post (2008), "*Public Trusts Government Less Than It Trusts European Union*,"* January 30, accessed on 4/21/09, at http://www.praguepost.com/articles/2008/1/30/public-trusts-government-less-than-it-trusts-european-union.php.

11 Ibid.

12 Zakaria, F. (2004), *The Future of Freedom: Illiberal Democracy at Home and Abroad,* New York/London: W. W. Norton & Company.

13 Kolodko, G. W. (2000), *From Shock to Therapy: The Political Economy of Postsocialist Transformation,* Oxford, UK: Oxford University Press, chapters 5 and 14.

14 Ibid, and Kornai, J. (1994), "Transformational Recession: The Main Causes," *Journal of Comparative Economics,* 19, 1: 39–62; Csaba, L. (2007), *The New Political Economy of Emerging Europe,* Budapest: Akademiai Kiado, chapters 3, 12, 14.

15 Slovakia expects to join in January, 2009.

Paper schematic

RESEARCH QUESTION

How critical is *demography* in extrapolating policy space solutions in pensions, migration, employment and health care? What degree of restructuring is necessary?

THEORY I

Neo-liberal economic solutions will solve those policy questions having largely demographic stimuli (Csaba, Zakaria), evidence suggests public/private restructuring

THEORY II

Demography will require restructuring of pensions, health care, employment and migration models causing a direct or indirect impact upon clienteles

THEORY III

Policy choices driven by systemic variables and political choice: Potucek, et al.; demography is systemic/genetic variable

MODEL FOR ANALYSIS

Castells change model[16]; his network theory emphasises change affecting production, power and experience) Vol. III).

TEST

Whether or not demographic data support or forecast restructuring in employment, health care, migration and pensions, directly or indirectly

EVIDENCE/DATA

Ex post: Eurobarometer; World Bank/EBRD

FINDINGS

Demographic variable causes changes in pensions, migration, employment, health care, though effects differ: **pension funding** directly affected; migration peaks and flows **indirectly** affected; employment **indirectly** affected; health care **directly** affected (adverse selection); some restructuring necessary

IMPLICATIONS

Some unexpected readiness for greater role in the Third Pillar (national prerogative); certain publics foresee need for EU involvement in view of asymmetric national policies

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16 Castells, M. (2000), End of Millenium: The Information Age: Economy, Society and Culture, Vol. III, 2nd ed., Oxford, UK: Blackwell, pp. 338–91.

There happens to be a more urgent matter for V-4 that cannot easily be solved by any of the above tactical steps: **demography**. Low birth rates in Europe promise to lower the number of workers (tightening the pension dependency ratio) in an ageing set of European societies including the V-4. It promises to affect employment, health care, migration and pensions. The paper deals with each of these policy spaces, reviewing the impact in each case and tracing, as far as possible, the options and policy prescriptions. It is not contemplated that demographic relief[17] will be forthcoming (such as government supported fertility programs). Equilibrium, for example, in labour markets may reach equilibrium in about 2050. Policy models do exist to partially address each of the spaces in the interim period.

In the cases of migration and pensions, data exist describing certain recent experience. In the case of health care and employment, the data are more speculative for Europe, though better known in North America and in Chile.[18] Models can be borrowed for Europe barring any conceptual or data mining barriers. The V-4, still in transition to a market system with social democratic underpinnings, is still transforming socially. V-4 societies may well lag behind behaviourally in adapting to social safety net changes. Most economists argue that economic path dependence has evaporated for post-Soviet countries; policy analysts can only speak about changing (or transforming) policy spaces without forecasting the ultimate political and social impact.[19] Yet V-4 societies are not immune to low expectations. Perhaps only the young seem most optimistic about change, including travel, which does not resonate with older populations more interested in social protection or security rather than military security.

Manuel Castells warns us that change is upon us.[20] He is not only arguing about globalisation but also about *networks* particularly enhanced by information technology (IT).[21] He argues that IT services are becoming the new means of production ushering us out of the manufacturing era prevalent before and since World War II. While the paper can only hint at the impact, its four policy spaces are symptomatic of Castells' prognostications. He has done his homework. This is not world systems theory; not unlike it, but closer aligned to knowledge society concepts.[22] He constructs IT inductively from intensive research spanning the globe. He tells us what we do know and what we do not know. When appropriate, the paper will refer to him.

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17 The current European birth rate is 1.2–1.3 babies per childbearing age female.

18 See *International Herald Tribune* (2008c), "Chile Overhauls Its Pioneering Pension System," March 11, p. 14.

19 *International Herald Tribune* (2008e), Greece Paralyzed by Pension Strikes," March 20, p. 3.

20 Castells (2000), op. cit.

21 Ibid.

22 United Nations, New York (2005), "Understanding Knowledge Societies: In Twenty Questions and Answers with the Index of Knowledge Societies," Department of Economic and Social Affairs, Division for Public Administration and Development Management.

Martin Potucek's[23] *Public Policy in Central and Eastern Europe,* anchors our analysis along the narrow, applied research vector in public policy. Our paper does not argue what *ought* to be, but rather, *what will have to be considered one way or the other.* Demography is a powerful variable. We argue it is *genetic* and *systemic* to our four policy spaces. This is not sub-prime lending to uncollateralized mortgagees lacking sufficient earnings. This is a warning that developed countries have too many aged and too few young. Much of the developing countries have the reverse: too many young. There is great divergence between developing and developed countries. Markets, even world markets, can only partially bring the two together. Where *market* failure occurs, public policy seeks to forego *state* failure.

Policy Dimensions

Employment

Employment statistics differ among the EU-15 and EU-10. Nevertheless, a troubling pattern exists among them: lingering unemployment rates. A 2005 Green Paper spelled it out.[24] EU workers are bounded by:

- continuing increases in longevity
- continuing growth in workers over 60
- continuing low birth rates

European populations are ageing: more older workers (55–64); more elderly population (65–79; more very elderly population (80+). There will continue to be fewer children, young people and adults of working age. The demographic dependency ratio (the ratio of population aged 0–4 and over 65 to the population aged 15–64) will rise from 49 % in 2025 to 66 % in 2030. Europe will *need* to reach an employment participation rate of 70 %.

The total base scenario for the EU 25 is as follows (in thousands):[25]

2005–2050	2005–2010	2010–2030	2030–2050
(-) 2.1 %	+ 1.2 %	+ 1.1 %	(-) 4.3 %
(-9642)	+5444	+4980	(- 20066)

The average age in Europe is 35, versus the average age for neighbouring regions in Europe, Africa and the Middle East at age 20. Young people are finding it difficult to integrate. The unemployment rates differ by age:

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23 Potucek (2003), op.cit.

24 Commission of the European Communities (2005), "Green Paper: Confronting Demographic Change: New Solidarity between the Generations." COM (2005) 94 Final. Brussels: March 3.

25 Ibid, p. 4.

- less than aged 25, unemployment rate (2004) was 17.9 vs. 7.7 % for over 25
- risk of poverty income (60 % of average) was 19 % for aged 16–24; 12 % for 25–64
- in 2002, 16.5 %, among ages 18–24 left school with no qualifications.

The old dependency ratio age group 65+ as a share of the age group 15–64, (the working group) will increase. By 2030, the ratio is estimated at 41 %; for EU 25, age 0–14 and 0–24 will decline continually up until 2050. For ages 0–24, the rate will decline from 30 % (2008) to an estimated rate of 23 % in 2050.[26]

In 2000, the EU 25 population was 450 million; for 2025, it is estimated at 470 million; by 2050, it is estimated to decline to 449 million. The working population will decline soon after 2010; only the older will increase. By 2050, the median and mean age will be 48 for the EU 25.[27]

The V-4 will peak and commence declining as follows:

- Czech Republic (2007)
- Hungary (2004)
- Poland (2011)
- Slovakia (2010)

Life expectancy rates for V-4 are converging, with a slight lag for Hungarian men:

- Czech Republic: males, 72.5; females, 78
- Hungary, males, 65; females, 77
- Poland, males, 70.5; females, 78
- Slovakia, males, 70.0; females, 78.

The *net* immigration rate to EU 15 countries is as follows:

For 2000–2003 (in thousands): Spain, 250; Italy 200; Germany, 200; UK, 150; France 50; other, 250. It should be noted that these are *net* rates, meaning that **emigrants from** these countries have been subtracted from the total; UK, for example, that has been a primary immigration target, is obviously losing many of its own citizens.

Daniel Munich and Jan Svejnar have studied unemployment in East and West Europe.[28] The study included panel data for 1991–2005. The V-4 was included. The study compared vacancies with inflow and outflow to and from unemployment. They find that:

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26 Ibid. pp. 17–18.

27 Ibid, pp. 19–21.

28 Munich, D. and Svejnar, J. (2007), "Unemployment in East and West Europe," Discussion Paper Series, Institute for the Study of Labour (IZA), IZA DP. 2798, Bonn, Germany.

- Slovakia and Poland have experienced high unemployment rates in the range of 14–20 %, with high inflows to unemployment and low outflows (mostly less than 10 %); vacancies were largely below 1 %[29]

- The Czech Republic: its rate rose from 3–4 % in early to mid 1990s to 8–10 % range since; the majority of separations *quits* (to other jobs) rather than layoffs; as they put it: "a lot of job to job mobility.[30]

- Importantly, the V-4 has been "…*rapidly increasing labour productivity, often without a major net creation of jobs.*"

Summarizing, the V-4 has responded to post-1989 transformation shocks (both internal and external) by increasing its productivity while supporting its ageing workforce through a continuing costly social safety net. Yet, particularly in Hungary, government spending has maintained a rather steady set of budget deficits and cumulative debt. Coupled with high taxes, the early FDI popularity has declined as a factor input. While there have been some migrating workers from neighbouring countries such as Romania to Hungary (largely ethnically Hungarian), it is perhaps the Poles who have led the EU-15 immigration at the low and medium value added level. We will learn more of this in the section on migration. It should be added that only Ireland, UK and Sweden opened their labour markets to the EU-10. The EU 15 presumably will be forced to open their markets on or about 2012 depending on their EU negotiations. The admission of Romania and Bulgaria caused Ireland and the UK to restrict their (the two countries are now being referred to as the EU-2) immigration to critical occupations.

Health Care

The primary problem for health care in the V-4 and in all of Europe is **adverse selection.** That is, with populations of increasing ageing and steady or decreasing young, the health system cannot select a good mix of morbidity. That is, the system will increasingly have to accommodate ageing persons while at the same have too few young paying premiums to even approximate the total health care costs. As the ageing increase as a proportion their propensity for morbidity will increase costs. Secondly, as technology further penetrates the system of bio-medicine and bio-technology, costs will increase particularly those of diagnostic or preventive utilisation. To date, these costs have been borne by the government as subsidies to the insurance driven system. While in some cases, individuals may have been required to pay even partially for expensive procedures (for example CAT and MRI), these can hardly recompense the system in totality.

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29 Slovakia has a higher proportion of Romany than its neighbors and has experienced higher than average unemployment among that population.

30 Ibid, p. 15.

A second malady for V-4, and to a lesser extent, western Europe, is the tendency for doctor visits to exceed the general average for Europe and North America (for example, 16 visits per year in Czech Republic and 13 visits per year in Hungary). Both Czech Republic and Hungary instituted the equivalent of about a two dollar fee for each doctor's visit. The number of visits dropped immediately while the complaints increased in geometric proportion.[31] There is a trade-off between motivating users to visit often for checkups as a preventive strategy. However, at four times the European average, it can be argued that Czech Republic and Hungary are encouraging too many visits at state expense. The corollary principle is that cost containment has become important. This, of course, leads to the trade-off of cost vs. practising medicine. Doctors typically want to utilize the best equipment and diagnostic instruments. Health care providers attempt to restrain excess cost by setting guidelines for medical practice. The patient may be caught in the middle. This enigma is well known in North America and, to some extent, in Western Europe. In the UK, the National Health Service seems to spare no use of medical talent. This may mean, however, a very short contact time with each patient in order to maintain a Herculean set of appointments. Thus, the British system seems to try to accommodate everyone as long as they do not mind waiting. Surgery, reportedly must be ordered quite far in advance, perhaps causing the coding to shift to "urgent" in many cases. Then you have a list of urgent cases waiting for surgery.

Two models have surfaced that have interested health care systems in the U.S. and Europe: the **Dutch** and **Swiss** systems. The Dutch inaugurated their new system in January, 2006.[32] The Dutch shifted to a mandatory system, the core of which is the Basic Health Package. The **Dutch** package includes the following:

- Medical care, services by general practitioners, hospitals, medical specialists and obstetricians
- Hospital stay
- Dental care (up to age 18; afterward, only covered for specialist dental care and false teeth)
- Various medical appliances
- Various medicines
- Pre-natal care
- Patient transport (e.g., ambulance)
- Paramedic care.

This is the required mandatory package. Users may buy additional coverage from providers that have the right to reject the request and have the right to determine the price. It is possible to buy a collective (group) plan through one's employer though employers are not obliged to offer a plan. Fees for the basic plan amount to

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31 See fn 34.

32 www.justlanded.com/english/Netherland/Health, copyright 2003–2008, Just Landed, accessed 4/21/09.

95 Euros per month. Subscribers pay a supplementary contribution of up to 6.5 % for the first 30,000 Euros of income; 4.4 % for self-employed. A "care grant" is possible for those unable to meet the payments, if eligible. It is possible to obtain a **European Health Card** providing easier access to health care in European countries that facilitates payment and/or refunds.

Competition exists for insurers in Netherlands (NL). Significant consolidation of insurers has emerged in the NL health insurance market. At present only 4–5 large plans exist.[33]

The Dutch system has been generally evaluated as costly. The costs rose from 3.3 % of GNP in 1953 to 6.0 % in 1970 and 8.5 % in 1990. The U.S. figure for 1990 was 12.4 % of GNP. Yet, the infant mortality rate 6.9/1,000 live births compares with the U.S. of 9.8/1,000. Life expectancy in NL is 73 for men and 80 for women.[34]

Netherlands shows it can move from an employer-based system to one in which individuals buy their own insurance and subsidising care for the poor. Similar plans exist in Massachusetts and a California proposed plan.

Both the Czech Republic and Hungary have instituted office fees for doctors' office visits. While the Czechs have seemingly accepted their "medicine," the Hungarians countered in a referendum by rejecting by 80 % charges for doctors' visits ($2.00).[35]

The **Swiss** health care system is constructed on several principles:[36]

- Preferences of (potential) patients
- Decentralisation of political power
- High degree of competition
- Unusual public/private mix

The Swiss system is expensive.[37] Switzerland spent 11.5 % of GDP on health in 2003, against the OECD average of 8.8 %.[38] The system compares well with other OECD countries. It has universal health-insurance coverage. However, its costs increased by 2.4 % of GDP in 1990–2004 (OECD average is 2.7 %). Though aggregate costs are high, the country expends only 2.2 % of its health spending to disease

33 *International Health Care Systems* (2007), "Health Care Economist: Wall Street Journal on Dutch Health System," September 7.

34 Joyce Frieden (1992), "Is Dutch Health Care a Model for the U.S. Health Care System? *Business and Health,* May, copyright 2008 CNET Networks, Inc.

35 *Economist,* (2008), "Hungary's Economy: In a Mess," March 29, p. 37.

36 Civitas\; The Institute for the Study of Civil Society (2002), "The Swiss Healthcare System (2002)." London, www.civitas.org.uk.

37 See OECD and WHO report, OECD (2006), "OECD and WHO Survey of Switzerland's Health System," October 19, accessed on April 24, 2009, at, http://www.oecd.org/document/47/0,234 0,en_2649_201185_37562223_1_1_1_1.00.html.

38 Ibid.

prevention and health promotion. Priority areas include tobacco and alcohol consumption, mental health and obesity. A fee-for-service system or number of bed days impedes cost efficiency. A better system would include fixed price per pathology and shorter hospital stays. Adverse selection remains a factor since insurers can select insurees on the basis of their health risk. Generic drugs would reduce pharmaceutical costs. Competition might better extend across canton boundaries. Existing premium subsidies and cost-sharing exemptions do ensure good access to healthcare for vulnerable groups. Cross-canton rates and eligibility, however, are significant. Twenty six semiautonomous health systems obfuscate consistent national policies.

As in the Dutch case, the Swiss system is compulsory. Government assistance exists for low income earners. Subsidies now go to one third of the country's 7.5 million residents. Similarly, a basic package is offered without regard to risk (increasing adverse selection). Though expensive, the Swiss system embraces the entire population. For Visegrad Four countries pricing, as in the Dutch case, can be intimidating. Both systems address individual insurees with price negotiation among insurance companies, providers, and government approval. For the V-4, such plans would require substantial consumer preparation and education.

Migration

We learn from Mexican/U.S. migration about the *migration hump*.[39] The solid line (in Appendix A) through B represents the *status quo* migration flow (prior) and the arced line about A depicts a migration hump; the volume of migration is measured on the y axis and time on the x axis. Economic integration leads to an increase in migration over the *status quo* trajectory; the number of additional migrants is represented by A. Mexican economic and job growth speeds up with integration so that migration falls and the volume of migration returns to B (prior), in this case after 15 years. As growth continues, migration continues to fall, and area C represents the migration avoided by economic integration. Some migrants may return from abroad, or from other neighbouring countries, the area represented by D, as occurred in previous emigration countries including Italy, Spain and South Korea.

Generally, three factors must be present to lead to a migration hump: continued demand pull for migrants in the destination country; an increased supply-push in country of origin; an increased supply-push in the country of origin and migration networks. The hump is a short-run relationship between integration networks.

Standard trade theory allows trade and migration to be complements when basic assumptions: identical production technologies, factor homogeneity, constant

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39 Martin, P. (2005), "Mexico-US Migration: NAFTA Revisited: Achievements and Challenges" *Institute for International Economics,* http://www.iie.com/publications/chapters_preview/332/08iie334.pdf, pp. 441–466, see Appendix A.

returns to scale, instantaneous adjustment; and perfect competition, full employment and complete markets, are relaxed.

There are some similarities and differences, however, between Mexico/U.S. and Europe as we relate the former to the latter[40]. Production technology differences are similar. Mexican corn has been protected; corn is produced at greater yield in the U.S. at half the price (technology). Thus, if differences exist in technology, then trade and migration *may* be complements in which trade in computers and software may be accompanied by migration of computer specialists. Yet there is little evidence of this between V-4 and EU-15. In fact, east to west migration has lowered the qualifications of EU-10 migrants by one level. Since wage differentials exist, the migration occurs. Yet the time dimension of such tradable jobs is questionable. Primary evidence suggests EU-10 emigration is among young, construction workers and shopkeepers.[41] It is clear these emigrants can upgrade job skills, *if given the chance.* Working at lower levels, emigrants can only capitalize at wage differentials that are often classified (necessary qualifications) one level lower.

When the basis of trade is economies of scale, migration and trade can be complementary. Yet, with the exception of *maquiladoras,*[42] on the Mexican side, there is little such economy of scale. In fact a careful analysis[43] of Mexican/U.S. trade/migration suggests that the primary variables are two: (1) demography, and (2) economics.

Mexico's **demographics** are changing. Fertility has been reduced following a government family planning program. Mexico's **economy** has been growing and in the outyears will progress to a point intersecting jobs and population. Considering modest GDP growth (job growth) and the growth of 16–44 year olds, population will intersect job demand during 1996–2010. Recent migration rates suggest a decline, not only because of increased U.S. border surveillance but because of continuing reductions in U.S. job levels. That is not to say that Mexico has equalized the wage differentials; yet the risks are declining vs. the benefits.

Comparing EU-10 with EU-15, we see that already migration levels are declining. Poland, sending the highest migrant population appears to be declining as well. Spain has drastically reduced its residential and commercial construction program isolating very large numbers of Romanian construction workers. Again,

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40 See, for example, World Bank, "Migration and Remittances in Eastern Europe and the Former Soviet Union," http://siteresources.worldbank.org/INTECA/Resources/257896-1167856389505/Migation_Chapter3.pdf, (also confirmed the **hump** in Europe).

41 The Poles lament the loss of professionals such as doctors, nurses, architects and engineers; though these tradable persons probably emigrated prior to the 2004 opening of Ireland, UK and Sweden. While the Poles are trying to retain these professionals (see article on Wroclaw, footnote 45), the emigrants are probably gone for good. New such professionals might be persuaded to stay with sufficient incentives.

42 Border industries producing for export that are now declining.

43 Martin, P. (2005), op. cit.

EU-15 wage differentials are attractive, at least at the margin, in retaining those who have become small shopkeepers (entrepreneurs) such as Turks in Germany.[44]

Youth, studying in Europe, will benefit from their tertiary education and eventually return to their countries of origin. That will depend on variable (2), the economy at home. If discrimination occurs vs. EU-10 members, even youth, a 3rd variable might include *discrimination.* Yet the U.S. has absorbed migrants from every corner of the earth. After at least one generation, the grown up youth are ready for *assimilation* if not *integration.* Many Indians and Bangladeshis seem to have, at least, assimilated in UK, perhaps because of their familial roots established earlier through their Dominion status. The recent Hispanic integration highlights the phenomenon: Those having obtained U.S. citizenship (or even not) have now established new roots. They are willing to vote *against easing* barriers toward Latin American immigration now that the former is well situated.

The United Nations estimates the number of international migrants outside their country of birth or citizenship at 175 million in 2000, three percent of global residents (world population is estimated at six billion). Mexican/U.S. migration is about 9 % of Mexican-born persons live in the U.S. Thus, the Mexican-U.S migration tends toward the migration **hump** as demography and economics alter. The EU-10 migrants to the EU-15 may adjust accordingly. Ireland and UK have acted already to restrict Romanians and Bulgarians. Asians in the EU-15 are primarily in the UK. While assimilated but not integrated, they are more likely to experience the German/Turkish experience. Before long the Polish Plumbers will lose their notoriety. In fact, they are tending to stay home.

The Polish City of Wroclaw[45] is offering wage/salary bonuses to professionals such as doctors, nurses, architects and engineers. An estimated 800,000 Poles live outside the country. Wroclaw has five universities, including strong medical, engineering and biochemistry faculties. Wroclaw possesses 630,000 inhabitants. Mayor Dutkiewicz and the City have introduced enticements for FDI, particularly that are connected to research and development or new technology. An estimated 20 % of graduates are finding local jobs; of the 50 % who venture abroad, an estimated one fifth stay abroad. Over the past few years, 125,000 jobs have been created in Wroclaw. The EU will invest 90- billion Euros between 2007–2013 in structural funds, enough for the science campus to focus on nano biotechnology.

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44 *Economist* (2008), "Germany's Turkish Minority: Two Separate Worlds," April 5–11, pp. 29–31. Turks in Germany are a special case. Many have lived there for years and have continually faced job discrimination. For the most part, their children are "Germanized." These families cannot really return to Turkey. Accordingly, many have turned to small businesses.

45 *International Herald Tribune* (2007), "City Fighting to Keep Young Poles at Home: Wroclaw Uses Jobs to Counter Emigration," October 3, p. 3.

Pensions

The primary strategies in pensions are ***defined benefit (pay as you go: PAYG)*** and ***defined contribution.*** The first means you and your employer pay a set amount for fixed number of years and the benefit is defined as a certain outcome.[46] In a **defined contribution plan** you and your employer pay a set percentage of income received into a fund that acts as an annuity to reward you with an outcome consisting of funds earned on the contribution over a period of time. This amount is dependent on your contribution and the earnings accrued.[47] One can vary the portfolio to include more speculative investments vs. a more conservative selection of financial instruments. Set in the V-4, participants would be used to define benefit assuming that the fund (typically managed by the government) will be guaranteed by government finances in the event of market failure. For the most part, governments are not supposed to borrow from the fund nor otherwise interfere with it. Thus, defined **contribution** is a new concept for V-4 and largely for Europeans. The complicating factor in defined benefit is that typically present payouts emanate from the payments of *employed* workers. When these workers retire, their benefits will materialize from future employed workers. Present population forecasts predict, however, that Europe's low fertility rates will not support the existing pension *obligations*. The question then becomes whether or not to shift to defined contribution or to a public/private mix. A transition could be made from the public PAYG to defined contribution over time, earning conservative financial returns on invested funds as paid in. Thus, slowly the government input may decline as the private fund (or separate public fund) begins to solidify the expected earnings. Yet, excluding a public contribution entirely may be problematic particularly if the private portion of the fund should default in the private market.

A second concern might affect Europe and the V-4 as well: would a defined contribution plan lead to occasional if not systemic poverty among the retirees? The contribution that determines the amount invested might not accommodate inflationary or other market volatilities. Governments may want to eschew the possibility of retirees living in poverty since many will be entirely dependent on retirement income. A ***social pension***[48] might be created to supplement the basic plan. This again would require government guarantee but could be market driven. Chile has recently adopted such a plan.[49]

"Most of the advanced transition countries have introduced mandatory funded pension systems as a mechanism both to transfer responsibility for old-age pro-

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46 The benefit could be increased to account for inflation if the pension fund so decides.

47 TIAA/CREF is well known to professors in the U.S.

48 A pension paid solely on the basis of age and citizenship, without regard to work or contribution records.

49 *International Herald Tribune* (2008c), "Chile Overhauls Its Pioneering Pension System," p. 14.

vision to individuals and to increase benefits with a given contribution rate." See the chart below.

Status of Mandatory Funded Systems, Selected Eastern European and Former Soviet Countries

Table 1

Country and status	Starting date	First pillar	2nd pillar; % of payroll	Switching to new system
Bulgaria, operating	January 2002	PAYG def. benefit	2, growing to 5	Mand. for age <42
Croatia, operating	January 2002	PAYG def. benefit	5	Mand. For age <40, vol. for age 40–50
Estonia, operating	January 2002	PAYG def. benefit	6	Vol. (opt out + 2 %)
Hungary, operating	January 1998	PAYG def. benefit	10	Mand. New; vol. others
Latvia, operating	July 2001	PAYG notional	2, growing to 9	Mand. < 30; vol. 30–50
Slovakia, operating	January 2005	PAYG def. benefit	9	Mand. For new

Notes: Mand. = mandatory
          Def. = defined
          Vol. = voluntary

Source: constructed from Holzman and Hinz (2005)[50]

A recent poll[51] surveyed five major European countries and the U.S. Their responses indicated that pension systems are "broken" and "they will have to work five to ten years longer than they would like." When asked when they expected to retire the French responded 64.2 years; the Americans said 67.2; the others were between the two. Europeans have adjusted their "expectations for an earlier retirement age." While a later retirement age relieves government funding pressure, it does not deal with the basic actuarial problem: how to construct the funding formulae. While people are living longer lives employers may or may not be ready for older employees. Yet, in many country scenarios, part-time older workers may relieve urgency

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50 In World Bank (2008), "From Red to Gray: The Third Transition of Aging Populations in Eastern Europe and the Former Soviet Union," chapter 4, p. 172, accessed on April 23, 2009, at, http://siteresources.worldbank.org/ECAEXT/Resources/publications/454763-1181939083693/chaw_151-176_ch04.pdf.

51 *International Herald Tribune* (2008d), "A Bleak View of Retirement Systems: New Poll Reveals Deep Dissatisfaction," a poll conducted for the International Herald Tribune and France 24 by Harris Interactive, March 14, p. 3.

for filling professional and high level jobs. In fact, as European populations continue to age until at least 2050, a shortage of younger workers will exist.

Model for Analysis

We use a simple *change* model. For the most part, the paper focuses on structural change inhering directly or indirectly in demographic effect upon economic, political and social systems. China and India are embedded in burgeoning populations that affect policy prescriptions differentially than in Central and Eastern Europe. While zero population growth has existed in western societies (U.S. increases are attributed to Hispanic migration), the total world population is expected to reach nine billion by 2050. It may then peak given the slow growth rate. We adopt Manuel Castells. His network society is current; it acknowledges *identity*; it recognizes an overarching sociological emphasis of the information technology age; and it stresses change. Change is happening because of technology and transnational compatibility. Change will affect production, power and experience.[52] This suits the paper. There is no one ideology sweeping the world. Each political system has revealed its limits. The world seems to sub-optimise and is not ready to encompass world-wide communitarianism.

Table 2
Tradeoff model (*ex ante*)

Sector	Problem	Options	Positive/Negative Residuals	Direct/Indirect Impact
Employ-ment	Value added ranges from lo to hi; labour market freed only in Ireland, UK and Sweden; hi value added causes brain drain; lo value added depletes indigenous labour[53]	(1) more open markets; (2) time period for work visas; (3) preferential recruitment for med/hi value labour; limits on lo value added labour	In most countries, lo value added jobs (non-tradable) not desirable to indigenous labour and can be filled by migration; increased costs for host country; despite some remittances, reduced initial spending in host country yields small revenues to host country	**Indirectly** affects host country and country of origin; costs incurred in host country, not offset by tax revenues; tax losses in country of origin; workers may lose one level of value added competing for jobs in host country

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52 Castells (2000), p. 371.

53 See *International Herald Tribune* (2008), "Keep at It Poland to Tell Older Job-Holders," March 7, p. 16.

Sector	Problem	Options	Positive/Negative Residuals	Direct/Indirect Impact
Health Care	Mostly publicly driven; doctors (high value added) and nurses (medium v.a.) have low wages in country of origin stimulating brain drain; **adverse selection** for patients: too many old patients, not enough young; ageing population requires more frequent and more expensive health care.[54]	(1) public/private mix, (2) pure private care, (3) insurance vs. market rates in private sphere creates dual system: rich and poor.	Life expectancy increasing; preventive care can reduce ageing illnesses; costs growing: public likely to reduce doctor visits to reduce costs;[55] reducing impact of preventive medicine	**Directly** affects all patients: cost, quality of health care and waiting queues; hi income patients should receive best care; medical personnel directly affected (wages and conditions)
Migration	Migration in EU limited by varying openness of labour markets; (most free: Ireland, UK, Sweden); markets supposedly opening by 2012, otherwise determined by 27 migration systems[56]	(1) Schengen helps members belonging to that zone; (2) continuing bilateral visa agreements, 3) guest worker programs	Data tracking migrants have limitations; 27 different systems; racial/ethnic backlash; govt. costs; builds cohesion and diversity ("united in diversity").	**Indirectly** affects different migrants depending on job skills, level of racial/ethnic integration, support systems in member countries.
Pensions	Too many old people; not enough young; pay as you go systems (PAYG); often limit incomes in retirement significantly due to inflation and cost of living increases[57][58]	(1) 401 k, (2) defined contribution, (3) public/private mix, (4) individual accounts	Many countries moving from PAYG to defined contribution; reduces public fiduciary: legally/politically may be ultimately liable; individual members vulnerable (self-employed; not covered by employer); see Dutch and Swiss plans.	**Directly** affects all employees and employers, self-employed.

54 See *Financial Times* (2008), "Hungary Goes to Polls Over Doctor's Fee," March 8–9, p. 5.

55 Patients may be required to pay a fee for office visits. Until the Jan. 1, 2008 fee in the Czech Republic, Czechs had averaged 16 visits per year, four times the level of EU and U.S.

56 See *International Herald Tribune* (2008), "Spain Cools to Its Immigrants," March 5, p. 3.

57 See *International Herald Tribune* (2008), "Greece Paralyzed by Pension Strikes," March 20, p. 3, and *International Herald Tribune* (2008), "Strikes Ease in Greece as Pension Bill Is Approved," March 22–23, p. 2.

58 See *International Herald Tribune* (2008), "A Bleak View of Retirement Systems: New Poll Reveals Deep Dissatisfaction," March 14, p. 3.

General Policy Space Issues
(Cutting Across Policy Boundaries)

Social Safety Nets have become expensive and primary sources of V-4 budget deficits and accumulated debt. Csaba asserts that the cause is not post-Soviet path dependency.[59] For the most part, V-4 governments have added neo-liberal economic strategies, thus applying pressure on safety net funding, embedded in public financing bereft of sufficient labour force participation rates to maintain generous safety nets. While Communist governments may have favoured comprehensive safety nets as illustrating an ideological pillar, post-soviet governments recognized the populist appeal of continuing government funded safety nets. While neo-liberal economics would limit the state to the least possible fiscal role in safety net funding, demographic shortages of working participants to generate such funding have or will have affected V-4 governments' capacity to collect sufficient tax revenues (at least within the payroll tax) to realize total state safety net funding.

Since neo-liberal economic strategy relies on trickle down redistribution of citizen benefits, labour skill gaps exist in higher value added job categories (some citizens have emigrated) while low value added jobs have little appeal for indigenous citizens particularly those who are in a declining, low value-added pool. If one wants to do construction, a V-4 citizen, who is not a minority member, will seek work in higher wage paying cross-border countries, often in the EU-15. Yet workers migrating from *Eastern* Europe will seek to fill low-value added jobs in central Europe. The in-migration of substantial minority ethnicities to the V-4 can cause nationalistic reactions as borders (particularly Schengen borders) become locations for legal and illegal in-migration. The proportion of *legal* V-4 workers in low-value added jobs is not known. In Russia, among 2–10 million migrated workers from the FSU, the incidence of legal documentation is exceedingly small.

Social safety nets have been funded from national, earmarked funds created by taxing workers (payroll tax) and employers. Retirees as well as all other elderly persons are exceeding the supply of younger citizens in the V-4. Further, they are living longer (except in Russia[60]). Reform will be required of safety net funding as private employers and employees cannot sustain the existing pensioners and elderly without increasing the labour participation rate. At the current fertility rate (e.g., 1.2) this becomes impossible. V-4 governments will need to consider other funding arrangements. But neo-liberal economics eschews deficit financing. Without increased contributions by employers and employees, the safety net will need to gradually shift to a defined contribution plan for pensions. But this will not help those already retired or otherwise not working.

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59 Csaba (2007), op. cit.

60 Life expectancy for Russian men is currently 58 years.

Justice and Home Affairs has resided in the EU third pillar inasmuch the UK and others have deplored the possibility of shifting it to the first pillar and relinquishing national sovereignty for the protection of citizens. There are two fundamental questions that must be addressed: How does one balance security vs. personal freedom: secondly, How can individual state borders be proclaimed as protecting national borders when legal/illegal migrants will penetrate the weakest link in the border chain, particularly in view of an increase in Schengen states within the EU?

Security vs. personal freedom. At present, citizens of the (47) states belonging to the Council of Europe can petition the Court of Human Rights in Strasbourg for a judgment vs. one's own country for a human rights' violation.[61] Citizens from a number of countries have done so. Citizens from Russia comprise 1/5 of petitions filed at present. Consequently, national court systems are failing to safeguard human rights, an obligation they have as UN members, as EU members, and as national judges. Crimes against humanity would be taken up by the International Court at The Hague though the new International Criminal Court may accede to that authority. Even citizens of the UK have petitioned the Strasbourg Court despite their national position that *justice and home affairs* belongs in the third pillar.

States have tended to pay such damages as are stipulated by the Human Rights Court though this is an empirical outcome rather than a legal requirement. The Strasbourg court has only moral sovereignty over national courts. Thus, it has become a normative practice. In view of this latent supranational legitimacy of the Strasbourg court and considering the potential of the International Criminal Court, the third pillar is not entirely "supranational free."[62]

Security-wise, a number of countries have experienced terrorist attacks since terrorist and organized networks have materialized, extending their activities across state borders. Countries such as UK, Spain, Germany and France, often working in collaboration with the U.S., have both prevented terrorist acts and have made arrests: multinational forces continue to cooperate in intelligence gathering as well as apprehension and prosecution much of which requires monitoring of communications across borders and may require joint, tactical taskforces working together

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61 Among many others, Mikhail Kodorkovsky and his business partner, Platon Lebedov (formerly of Yukos) were originally arrested and jailed for tax evasion and other charges. In October, 2007, the Court of Human Rights found in favor of Lebedev, recognising unauthorised detention in 2004 and delays in review of his detention order. The court ruled that Russia must pay him 10,000 euros in damages and legal costs. Khodorkovsky, ten days prior to filing for early release from prison, was reprimanded for "not having his hands behind his back after returning from a prison walk." *International Herald Tribune (2007),* "Yukos Chief Unlikely to Be Paroled," October 26, p. 13.

62 Of course, the Council of Europe could expel an intransigent country from its membership but it has not done so. No member country has carried out the death penalty in a criminal case which is forbidden by the Court of Human Rights. Russia, for example, has a death penalty law but has not implemented it since joining.

in both prevention and prosecution. There is not a European or EU *arrest warrant* which, to some extent, impedes taking suspects into custody. Because of third pillar legal systems, in-country judges may differ in interpreting and evaluating evidence particularly criminal procedures having to do with search and seizure. Despite this, cooperation and collaboration is occurring, thus raising the probability of apprehending and prosecuting potential criminal acts.[63] Again, the third pillar seems to act as an impediment rather than coordinative mechanism. Third pillar mechanisms may seem, on the surface, to protect individual civil rights. Yet the U.S. experience at Guantanamo provides a chilling negative toward protecting national legal systems and apparent renditions among cooperating European states.

The political/market mix of harmonisation. Political solutions to public problems are often constructed with political foundations rather than economic (market) foundations. Consequently, the British National Health Service, having been designed to provide medical care to all citizens/residents has tended toward exorbitant delay for surgeries, high cost, and draconian working hours for medical personnel. In the Czech Republic, Czech citizens visit a doctor 16 times/year in order to avail themselves of full coverage funded privately with public subsidy. Some solutions lend themselves to political remedy (and moral hazard) while some may be more state failure than public/private partnerships.[64]

Market solutions to public problems relieve total budget responsibilities for public goods since only users may consume the good: pay tolls on highways, trams, busses and metros; post offices; admission to football matches and many others. More complicated is the argument that a private solution exceeds societal benefit than total public subsidy: replacing welfare with "work-fare" that either creates a state job or provides a subsidy to the employer that hires and trains a long term unemployed person.

Specific Policy Issues

Demography. Since 1870, death rates and birth rates have been declining in developed countries.[65] Concomitantly, the developing world contains 95 % of population growth. While the developed world is expected to maintain its population at about 1.2 million, the developing is expected to create the balance of the world population projected at 9.1 billion in 2050. Thus, declining populations will reach a steady state by 2045–50, despite the current need to adjust social safety net funding away from heavy reliance on labour force participation rates. For the next 38–43 years, labour

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63 See, for example, EU Business Ltd. (2007), "Industrial Countries Announce Anti-Piracy Plan," October 26, http://www.eubusiness.com/Trade/1193156225.6.

64 For health quality assurance in Central/Eastern Europe, see Potucek, M. at al, op. cit.

65 Bloom, D. E. and Canning, D. (2006), "Booms, Busts and Echoes," *Finance and Development: A Quarterly Magazine of the IMF,* September, 43, 3, accessed on April 23, 2009, at, http://www.imf.org/external/pubs/ft/fandd/2006/09/bloom.htm.

will be unable to support the safety net without assistance. Further, life expectancy is expected to rise in developed countries creating a gap of an estimated 10 years (age 70 vs. age 80) between developing and developed countries. Counterfactuals exist in Russia (male life expectancy of 58 years) and sub-Saharan Africa (due to the AIDS epidemic). Thus, a deleterious model suggests the need to educate a growing youth sector for subsequent labour participation juxtaposed against a large elderly population requiring safety net protection. Unfortunately, the large youth population is located in developing countries. The large elderly population is in the developed countries. As a result of these demographic trends, substantial pressure will be directed toward migration/immigration as well as education, employment/unemployment, health care, welfare and pensions. By 2050, developed countries will be faced with a 1.50 ratio of dependency on the young (ratio of working age to non-working age population). More than half the world's population will reside in urban areas.[66] Despite economies of scale for urban reduction of negative economic externalities, education and training for work will take an immense concentration of effort. Such variable geographic pressure (rural locations are losing population) will exacerbate relationships between developing and developed countries which at the same time require enormous capacity to cope with social safety nets while seeking to maintain high growth rates to generate the needed revenue.

The paper argues that occasionally *systemic* vectors create policy issues that are "genetic" to the problem. **Demography** is one of those vectors. The policy issue for *developing countries* is how to educate and train their expanding numbers of persons between ages 16–64. The policy issue for *developed countries* is where to find the 16–64 cohort that, at least until 2050, will not be numerically adequate for economic development or for growth purposes (without immigration). In a world labour market the necessity to integrate or co-locate immigrants representing different cultures causes immense policy pressures on the host country: housing, health, education, work, pensions and welfare. Naturally they may be taxed to contribute to the safety net, yet culture, particularly language, will impede their assimilation and allocation to the workforce. Potential exists for excess labour to seek jobs in states having high demand and lesser supply of workers. Yet, demography's spillover effect contributes toward external relief while subtracting from internal resources.

Europe's indigenous citizens have shown a protectionist political flavour by moving cautiously to the right in reaction to legal and illegal immigration. At the same time, the EU is proposing a "blue card" for immigrants in critical skill jobs currently in short supply in the host country. The *gastarbeiter* of earlier days in Germany illustrated problems. After many years Turkish immigrants wanted German citizenship. Their children spoke German and had been educated in German schools. The Germans finally agreed (after many years). Fluctuating economies may dry up support for temporary workers. Illegal Mexican workers have substantially

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66 In fact this ratio was reached in late 2007.

reduced remittances to their home countries as U.S. work has declined and U.S. Naturalisation officials aggressively seek to deport illegal workers.[67]

Russia's population declines by an estimated million persons per year (now at 143.8 million). Russia is home to the 2nd largest number of immigrants in the world, after the U.S. The Russian Parliament passed a law setting quotas nationally and by region (a total of 6.1 million workers; 700,000 for Moscow); fines for employing an illegal worker can be 800,000 roubles. Economically the problem lies in the home countries. Russia's per capita income is six times Uzbekistan's ($2,000, CIA Factbook).[68] Thus, the demographic input creates long term policy problems. Markets push and pull depending largely on wage levels. The policy pressure on public institutions is considerable. Infrastructure of housing, health, education, work and welfare does not comport well with market inputs only.

Employment/unemployment. Typically, unemployment is funded by a mix of employer/employee contributions. However, as with health insurance and pensions, total private funding seems unlikely without government support. Some 40 million Americans are without health care insurance since the law exempts small businesses from funding such plans. Again, some mix of public/private seems inevitable.

Health Care

A national health scheme (e.g. UK) is designed around equality principles to provide full service to its citizens and legal residents; it is funded through mandatory contributions from employers and employees. It is costly and creates long scheduling delays. As migration increases, inclusion of migrants in health care will dictate government subsidy unless migrants are employed. UK had denied health and welfare benefits to migrants in the absence of employment. Secondly, EU orientation would suggest reciprocity since its citizens will travel and get sick away from home. Such reciprocity coupled with migration will overwhelm standing alone health services such as NHS (National Health Service). The systemic variable of demography suggests migration is desired since, until 2050, a shortage will exist in low value added jobs including shop and small business employees. Schengen visas will permit travellers who are EU citizens to travel easily. It can be argued that travellers may benefit from reciprocity in both directions. Thus, ID cards with health ID numbers would permit reciprocity. Migrants, however, have no bargaining strength without promise of employment since many migrants may be part-time employees. Consequently indemnification will be necessary for part-time jobs through employers. Others will be subject to welfare provisions assuming they hold a Schengen

67 *International Herald Tribune* (2007), "Remittances Hit by Political and Economic Uncertainty in U.S," October 25, accessed on April 24, 2009, at, http://www.hispanictips.com/2007/10/25/remittances-political-economic-uncertainty-us.

68 Bohlen, C. (2007b), "The Worker's Paradise Now Relies on Migrants," *International Herald Tribune,* October 24, and CIA Factbook, 2008.

visa. Such work visas could be limited to three months until such time as gaining full time employment.

The **primary problem in funding health insurance** is for small employers and self-employed. The U.S. has 47 million uninsured citizens (including legal and illegal residents). Many of these are employed by employers that are exempted from providing health insurance because of their small size. Thus, the government will need to make health insurance mandatory and available through private insurers. In this case, no co-payer exists since small businesses will not have the financial capacity. A third pillar might be necessary to top up the payments to health care providers.

Migration and asylum has not been coordinated by the EU since it has been considered within the third pillar.[69] Consequently, legal, illegal and desperate individuals seeking work and income (if not escape from persecution) have attempted to enter EU countries with or without legal justification. Such attempted entries may involve payment of considerable sums, unsafe transport conditions and varied responses from EU states attempting to resolve who is responsible and what policies should be followed (for example, if the event occurs offshore). As the Schengen Zone expands, some officials believe that certain heavily forested borders and other locations, known to encourage infiltration, will simply increase the flow of traffic. At the same time, illegal trafficking of females, body parts, drugs and arms adds additional pressures upon decentralized border protection personnel.

EU citizens object to an increase of foreign migration, legal or illegal cannot comprehend whether EU states have reasonable policies of housing, health, education and labour for which the citizens' taxes are being expended. Switzerland (non-"EU) is the latest state to register a political move to the right in view of such migration and immigration practices. In fact, certain EU states, particularly among the EU 10 plus 2, are seeking certain value-added personnel in view of losses of their own citizens to higher income countries most of which are in the EU.[70] While there is then both a push and a pull, it is often those with the lowest value added skills that become the most difficult to accommodate legally and within the receiving country's social safety net.

Pensions. An immediate shift will be necessary to alleviate the vulnerability of pension funding. The first option is to trade off public and private funding so that those working can fund whole or partial portions of their own pensions in *defined*

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69 See statement by Jose Manuel Barroso, European Commission President, "It's absurd to have 27 immigration policies in Europe," accessed on April 24, 2009, at, http://www.europarl.europa. eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM- Press+20080709IPR33856+0+DOC+XML+ V0//EN, in response to Prime Minister Prodi's decree expelling dozens of Romanian citizens following an alleged murder.

70 See EU Business Limited (2007), "EU Unveils 'Blue card' Scheme to Attract Skilled Immigrants," October 26, accessed on April 24, 2009, at, http://www.eubusiness.com/Employment/1193156224-86.

contribution plans. It is clear from the Chilean experience that government, however, has been the funder of last resort. [71] Lacking sufficient accrual of private funds, government has had to intervene to close the gap. Most governments typically have limited capacity to eliminate the shortages. Certain exceptions have evolved: the Norwegian oil fund provides a pension fund that invests conservatively and is able to fund the entire pension system without taxing employers/employees.[72] While few countries have *both* oil and a vibrant, comprehensive economy, it is clear that pension funding will need a public/private foundation.

The Test

The paper will test its *ex ante* assumptions against (1) V-4 Eurobarometer preferences, and (2) secondary data deriving from data pertaining to pensions, health care, employment and migration. Our hypothesis is that demography is causing and will cause changes in policy vectors requiring restructuring. We believe demography is genetic (systemic) to the four policy spaces identified. This is so since numbers and types of people are changing: basically demography is inverting young and old such that developed countries are growing older while developing countries are growing younger. The effects will permeate either **directly** or **indirectly** our policy spaces. To some extent, Castells' network society exists in parallel fashion, stimulating, and at times, exasperating, by means of information flows and knowledge society, policy outcomes in our spaces of interest.

We adopt the following **test criteria**:

- *Direct impact:* demography directly affects volume of participants; ages; skills/capabilities; personal preferences
- *Indirect impact:* demography has partial impact on volume of participants; market most likely to intervene as defining variable rather than public policy choices; some interstate cooperation possible; personal preferences inchoate as to specifics but high general interest; some trans-state resistance likely.

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71 Fn 18.

72 *Wikipedia,* (2008), "The Government Pension Fund of Norway," April 2.

Results

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Table 3

We compare *ex ante* with *ex post* interpretations

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Policy space	Direct impact	Indirect impact	Reason
Employment	No	yes	In-sourcing/outsourcing largely a market function of tradable jobs; states may cooperate to lessen effects; recruitment already occurring; negative: brain drain
Health care	Yes	no	Clarity exists as to demography within states; ageing population getting older 'til 2050; health care costs increase with older population
Migration	No	yes	Individual economies have shortages in lo and hi value added labour; economies differ (push and pull); young want to travel
Pensions	Yes	no	Funding change required due to low labour participation rate and reduced labour supply, particularly young; retirement ages will be raised; Harris Survey verified labour force's expectation

Preliminary Outcome Analysis

Recent Eurobarometer findings[73] suggest that V-4 populations are more inclined to accept greater EU authority in certain policy areas such as migration, immigration, law and justice, and to a lesser extent, human rights. Further, V-4 populations are showing acceptance of even *general* involvement of EU authority. Despite this, V-4 governments have been more concerned with double majority voting (Poland), a proposed radar and missile shield (Czech Republic), while Hungary and Slovakia have been rather silent. All V-4 countries have accepted Schengen status, adding additional pressures to border police.

Interestingly, the EU, with member approval, placed justice and home affairs in the third pillar. This left responsibility for such matters to reside within *national* authority (that is, within the membership). Assumedly, this was to protect national sovereignty from collective encroachments by the EU Commissioner or the ECJ (European Court of Justice). Despite this, citizens of individual states have petitioned the Human Rights Court (Council of Europe) for relief from adverse judgments against them by *national* courts. Consequently, Eurobarometer shows increasing willingness to accept EU intervention. Yet the EU cannot intervene in third pillar cases. Criminal cases may go to the International Criminal Court as well

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73 See "Eurobarometer," fn 10.

as crimes against humanity. EU does not have extradition authority though Spain gave up Pinochet with its own bilateral treaty with Chile.

The Eurobarometer provides data for various age groups. These data suggest a different reaction to EU interventions. For the most part, younger citizens are more in favour of EU intervention than older citizens. The two converge particularly with respect to migration/immigration issues and protective policies. With respect to labour questions, the young support deregulated, flexible labour markets with minimal protections. The youngest citizens have experienced unemployment rates approaching 40 %. Only Ireland, Sweden and UK have accepted workers from other EU states. Remaining countries have delayed such migration until the future. This seems to satisfy governments and elderly who fear loss of jobs and multi-cultural policy problems (housing, education, health).

The EU has tended to concentrate its interventions in anti-trust, competition questions, showing particular interest in open markets (now including services) and hospitality toward mergers and acquisitions across borders (e.g., Mittal). It regularly monitors commercial and business transactions to ensure free market practices. Most recently it agreed to acceptance of modified genetic seeds on a trial basis. Monsanto and other large agro-businesses had been favouring such seeds. Farmers and some consumers were not in favour. The former exclusion having been based on a *presumption* of potential unhealthy modified seed attributes eventually yielded to experimental evaluation.

The European Central Bank (ECB) has been particularly concerned with growth, unemployment and inflation (mostly the latter). Thus, human rights matters have remained largely untouched despite frequent in-country difficulties (e.g., France and *banlieus),* since the third pillar protects national responsibility. International matters outside the EU have been directed toward the World Trade Organisation (WTO) since this body holds supranational authority. The Bologna criteria have attempted to stimulate research and development. Erasmus and Bologna have sought to minimize barriers among educational institutions.

Juxtaposing EU activities vs. Eurobarometer, one questions the responsiveness of V-4 governments to policy prescriptions. The third pillar seems unable to address the leading problematic influence: that of **demography.** This impact has only been dealt with by three states (Ireland, Sweden and UK). The remaining states have opted for later labour flexibility. In the meantime, UK has absorbed 1–2 million Poles, many of whom (170,000) voted in the recent Polish election. These votes, when added to a slight electoral increase (54 %) seemed to propel a new Polish government into place. While there were many political factors affecting the Polish election, the systemic ingredients of young, active, educated Poles either at home or in the UK, Ireland or Sweden voted against the status quo. The existing government had asserted an anti-corruption platform as well as a general nationalistic, materialistic strategy, emphasising friendship to the U.S. The voters appeared to favour a

more discriminating foreign policy and less concern about historical retribution toward Germany as well as Russia.

The V-4, in general, turns very cautiously to policy issues particularly those that might divide the population (education, unemployment, health and pensions) but has been mindful of reforms in the social safety net. These tend not to be populist issues (unless the government decides to spend more money, thus limiting its discretionary power and gaining very few friends). Nevertheless, within parliaments and among interest groups, some latent, even tacit knowledge is surfacing concerning the social safety net. The EU has hardly facilitated these discussions nor has it published much analysis of safety net options. These, of course, are third pillar matters. But considering Eurobarometer data, it is difficult to concede that the market should determine the safety net **entirely.** At least a partial pillar might be proposed to concentrate on public/private strategies for reducing a European-wide budgetary dilemma: how to continue funding the social safety net.

Most of the evaluative work has been done by the individual states.[74] Sweden, for example, seems to be the only state making solicitation for sexual favours to be a criminal act by the *user.*[75] It includes possible incarceration up to six months and a fine of $2,000.[76] This sends the problem away from Sweden and toward Denmark, Netherlands and other more liberal jurisdictions. Yet Zakaria claims this is just the problem.[77] Illiberalisation supports passivity and avoidance of critical social problems. Sweden, certainly a liberal state by most definitions, punishes offenders seeking sexual favours and extends the reach of its law to Swedish peacekeepers wherever they may be. The Swedish Parliament is 49 % female. Must the European Parliament be 49 % female? But this must presumably remain in the third pillar. The first pillar can recommend good practices and useful laws. The spillover effects of prostitution include AIDS and other diseases, criminal acts of coercion (trafficking), ruination of female lives and a process of rehabilitation largely falling on NGOs that operate in the absence of national or supranational endorsement. Their funding is idiosyncratic and at low levels. Meanwhile, criminal activity is not being effectively addressed cross-borders nor within EU states. There is no effective lobby against trafficking of females. Traffickers can exploit differential state laws and porous border protections. In effect, supply and demand continue to outweigh prudent national/supranational policy prescriptions.

We now look at *ex* post indicators relevant to our four policy spaces (see Table 4).

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74 Potucek, M., et al, op. cit.

75 See Ohlsson, B. and Sonesson, J. (2008), "Zero Tolerance for Johns," *International Herald Tribune,* March 20, p. 6. Ohlsson is a member of the Swedish Parliament; Sonesson is Secretary General of Liberal Women of Sweden.

76 Ibid.

77 Zakaria, op. cit.

Table 4

Ex Post Data: Eurobarometer/World Bank[1]

Czech Republic (CZ)		Hungary (HU)		Poland (PL)		Slovakia (SK)	
Happy %	Not happy %	Happy %	Not happy %	Happy	Not happy %	Happy	Not happy
87%	**13%**	**68%**	**32%**	**86%**	**12%**	**77%**	**22%**
Ages:		Ages:		**Ages:**		**Ages:**	
98	2	85	15	15–24 93	6	90	10
90	10	84	16	25–39 93	5	82	18
84	15	61	38	40–54 84	13	76	23
55+ 81	19	55+ 50	49	55+ 75	22	55+ 63	37
Unem-ployed 64	Unem-ployed 36	Unem-Ployed 65	Unem-Ployed 35	Unem-Ployed 82	Unem-Ployed 18	Unem-Ployed 68	Unem-Ployed 32
Retired 81	Retired 19	Retired 48	Retired 52	Retired 75	Retired 22	Retired 58	Retired 42
Work confidence (%)		Work confidence (%)		Work confidence (%)		Work confidence (%)	
Yes: 90 No 7		Yes 74 No 23		Yes 77 No 18		Yes 63 No 17	
Current priorities		Current priorities		Current priorities		Current priorities	
Unemployment; cost of living; health care; pensions		Unemployment; cost of living; pensions; health care		Unemployment; health care; pensions		Unemployment; cost of living; health care; pensions	
Future priorities		Future priorities		Future priorities		Future priorities	
Crime; terrorism; unemployment		Unemployment; health care; pensions		Unemployment; crime; pensions		Unemployment; crime; terrorism	

NOTES:

1. The question has to do with general happiness as opposed to the EU.

2. The lowest happiness rating is for Hungary (68 %; the highest "not happy" rating is also Hungary (32 %).

3. Hungarians also record the lowest happiness for each age group and the highest unhappy rating as well.

4. When it comes to work confidence, the Slovaks have the lowest confidence though the Hungarians record the highest non-confidence (23 %). This measure has to do with whether the respondents are confident that their work will continue.

5. **Unemployed** Czechs have the lowest happiness rating (54 %); both the Czechs and the Hungarian unemployed have the highest unhappiness rating (36 % and 35 % respectively).

6. **Retired** Hungarians and Slovaks have the lowest happiness ratings and the highest unhappiness ratings.

7. In listing **current priority problems**, *the consistent theme is: unemployment, cost of living, health care and pensions; future priority problems will include crime and possibly terrorism though the same current priorities of unemployment, health care and pensions recur.*

Analysis

The four policy spaces divide into two components: direct (health care and pensions) and indirect impact (employment and pensions). The direct impact component conjures both a requirement for funding change as well as an opportunity for more fundamental change. We consider **health care** first.

Both the Dutch and the Swiss health care plans provide comprehensive health care yet at somewhat steep prices. Some subsidies are available for lower income clients. At the official exchange rate, the Americans pay more. At PPP (purchasing power parity), the Swiss and Dutch pay more. If we were to consider these two or even the American model for V-4, we would encounter extremely strong resistance. Consequently, opportunities will exist either to subsidize more heavily in V-4, or to embark on cost reduction programs. This paper cannot recommend a particular public/private mix that would be acceptable to V-4. That would need to develop from an internal plan sketched out by the V-4 members. Yet, it is clear that two contingencies are extant: compulsory health insurance and public/private funding mix. A pure private scheme will be beyond the means of a wide range of V-4 participants. A voluntary scheme will exclude many participants. A compulsory scheme will lower the per unit cost making the plan more cost-effective both in supply and

demand. The details of negotiating an appropriate set of costs and revenues can be accommodated by health care economists or accountants.

Table 5
Final table highlighting findings (ex post)

Sector	Direct/ Indirect	Type Of Restructuring	Evidence/Data
EMPLOYMENT	INDIRECT	In-sourcing young,[78] construction, shopkeepers (non-tradables; can't be outsourced from country of origin); high unemployment of young	Eurobarometer: tradables/non-tradables; push/pull: young will travel; pull jobs available for **in-sourcing**
HEALTH CARE	DIRECT	Fee for service; public/private mix; some reciprocity possible among EU states	Czechs/Hungarians charging fees; ageing populations: average age going up; see Dutch and Swiss plans
MIGRATION	INDIRECT	Young plus construction and shopkeepers; students; usually work one level below expertise	Eurobarometer; see migration "hump," Appendix A.
PENSIONS	DIRECT	Public/private; see Chile; Harris poll of "Disenchantment"[79]	Harris poll[80]; articles re: Greek disenchantment; Eurobarometer: major priority among V-4

A second dimension of health care insurance centres upon **adverse selection.** V-4 populations are increasingly ageing. That portends increased costs due to vulnerability of the ageing to morbidity. This is exacerbated by longer life expectancies. Increasingly, medical technology adds costs to all medical infirmities though more so in the case of the ageing due to a variety of clinical diagnoses many of which become additive in later life. Since medical plans in V-4 and the EU will insure an increasing number of ageing participants and a steady, low, number of young participants, the insurance premiums will be dominated by the ageing. Yet their volume is higher. Adverse selection is the dilemma of having too few young, healthy participants, and too many ageing declining healthy participants. Therefore, the costs are centred on the ageing. The revenues are likely to be diminished by the young many of whom are unmarried without children. While the insurance premium charges may not be the same for young and old, limits will suggest that those with the most maladies may be unable to contribute sufficient revenues to do more than partially cover the

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78 In-sourcing occurs when tradable jobs exist; that is, construction must be done in the project country, so you bring Ukrainian construction workers to the host country. Outsourcing occurs when the tradable job can be done elsewhere, such as outsourcing information technology jobs to India (and sending the finished product back electronically).

79 fn 51.

80 Ibid.

costs. Again, such determinations require constant cost monitoring. Medical personnel are likely to utilize expensive equipment, if provided, particularly among the various diagnostic devices. This becomes true when *early* intervention makes cost sense rather than *later* more serious interventions, such as surgery.

Pensions constitute a similar dynamic yet the variables are tighter; the system is more closed: the number of young and old can be predicted with a high degree of accuracy; poor health will not be a factor; the only variable to predict is the length of life and the amount of payments. The payments should be quite predictable affected only by cost of living increases, on the public contribution. The private part of the mix might operate as an annuity such as TIAA/CREF. Participants can choose various portfolios, however, defined contribution plans will limit payouts (on the private side) to participant contributions. While these might be matched by employers, all signs (in Europe) suggest that employers will attempt to escape from such contributions. Thus, pensions may evolve into *individual* accounts. An advantage accruing might be that the individual may change jobs or even locations or even continents, and not fail to receive a pension payment. The switch to compulsory insurance with both a public and private component seems most likely. No political state can escape the anguish of its citizens if a private pension fund runs out of money in the ageing years. Careful management of annuities should diminish pension failures. Nevertheless, declines into poverty can be a sober concern for states. Assuming that annuities can match cost of living increases, this should not become problematic. [81]

Employment casts a spectre over Europe. Several countries have somewhat stagnant unemployment pools. While the V-4 has been spared double digit unemployment (in recent times) the V-4 economies appear to be under performing their potential. Armed with reasonably good educational systems, though these have not fully transformed themselves into pre-knowledge society feeders, it is largely in engineering and applied technology that graduates find employment. There is a dearth of hard and software engineers suggesting that firms may soon start recruiting early in secondary schools. Worse, the EU in general, including the V-4, needs to double its investments in R and D. Secondly, the EU service economy is only beginning to take shape. Though many students seek degrees in economics, the market spawns very few such jobs. Youth, in general, is attracted to graduate programs outside the V-4 to get "experience." Nonetheless, those seeking employment in construction and services are likely to find jobs in Europe, often at one level below their education and training. In the meantime, their home countries experience a brain drain. Central and eastern (CEE) Europeans who have completed their college degrees at the BA level seek opportunities that they believe will be far more satisfying and lucrative in the EU 15 than in their home countries in which post-graduate unemployment may reach 40 %.

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81 Assuming no further sub-prime mortgage fiasco and impoverished credit markets.

Ireland, UK and Sweden opened their labour markets to EU members. A number of CEE young people has travelled westward, often to Ireland and UK; less so, to Sweden. Some have studied and worked part-time; others have sought jobs in shops and elsewhere. Many return to their home countries in less than a year and may not be counted as unemployed. It is difficult to track *individuals* that enter west European markets. Aggregated data are available. Some work for a while and then go home; others intend to settle down. The vast majority must accept jobs one level below their qualifications: the significantly higher wages earned definitely exceed their home country wages despite working at a lower level.

It is estimated that the wage curve will intersect the supply of jobs curve around 2050. Yet, this masks the makeup of such jobs. The match of indigenous personnel and their academic/technical skills is the major dilemma in the employment policy space: the matching of educated graduates with appropriate skill level jobs. Supply and demand are determined by the market. But university and technical school graduates may prefer to compete in UK, Ireland, Sweden and elsewhere in Western Europe. This typically places them in competition with indigenous personnel who may resent their presence. The establishment of a European-wide labour market has materialized unevenly. All European states are attempting to transition toward services including information technology. This places migrants directly in competition with indigenous labour possessing the same skills.

Migration typically establishes a baseline of activity, later to react upward or downward as economic restructuring occurs. Appendix A is based upon a model of trade theory and migration.[82] As migration increases, it peaks at a particular level at perhaps the tenth year following restructuring, reverting downward past point B, intersecting the 30 year mark until such time as a new restructuring occurs. The additional migration in area A is matched by a reduction below the historical trend line encompassing area C. Thus, at 15 year intervals it is postulated that economic integration or other economic stimulus will cause job growth to increase **both** in **Mexico and the U.S.** Such growth is likely to **decrease** migration assuming that workers would prefer to remain home as long as their indigenous economy revivifies itself, increasing local wages in the process. Thus, the new migration level will seek a new or even prior steady state, for example returning to point B in Appendix A.[83] The implication of the **Migration Hump** is that migration from CEE to western Europe will regress to either an historical trend line or a new trend line. This would be true as relationships stabilize, some original migrants return home while some remain in the host country. Without further restructuring, the new trend line would reflect push and pulls of the current economies.

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82 The model is derived from cross border migration between Mexico and the U.S. (Martin (2005), op. cit.

83 Ibid, p. 451.

Two aspects of present-day Europe can be identified. First, the low birth rate in Europe increases demand for labour in various jobs/occupations. This is true since at the low value added level, few indigenous workers are attracted to that level of work. The pull vector then increases for countries having large, low-value-added workers. In such cases, the push vector of low income economies contributes toward cross-border migration assuming higher wage rates in the host countries. CEE workers are then attracted toward low value added jobs assuming these are tradable jobs and the wages are higher. The second aspect focuses more on the high value added and high mid value added jobs. These can be tradable or non-tradable. If non-tradable, the worker cannot perform the task in the home country but must migrate to the host country. If tradable, the task need not require migration since it could be performed in the country of origin, such as back office management or computer processing. However, this would require outsourcing from the host country, thus depriving the host of jobs at home. The determining factor would be the wage differential. If wages are lower in Poland than UK, we expect outsourcing from UK to Poland; if wages are higher in Poland than in Romania, we expect insourcing from Romania to Poland. The residual loss of this differential will occur when the two economies approach each other or the transaction costs reduce the benefit of the wage differential. Czech Republic and Slovakia, for example, may observe cross-border activity until such time as the costs of maintaining a separate residence as well as transportation back and forth slowly reduce the benefit of the higher differential for Slovaks to work in the Czech Republic. Personal reasons such as a wife residing at home with children may further add to the transaction costs. Remittances home would lower the income in the higher wage country while attempting to reduce the marginal cost of husband and wife and children residing apart.

Conclusion

V-4 governments, and most others, are faced with a dilemma: how to fund and/or manage employment, health care, migration and pensions. Yet the paper has argued that demography has a direct impact on health care and pensions and an indirect impact on employment and migration. The indirect effect of the latter two suggests an interactive dynamic of the market and political economy in the EU, particularly the EU-15. The sub-replacement birth rate coupled with improved health care and longer life expectancy (except for Russian males) forces EU and the V-4 to prepare for transforming its funding mechanisms for health care and pensions, increase public expenditures, or cut back service to the public. The latter option seems politically impossible. Thus, in these two spaces, a public/private funding mix seems inevitable.

In the case of employment and migration, supply and demand in labour markets may parallel the migration hump in Appendix A. That is, after limited increases across-border flows, in response to supply and demand, it is expected, though

hardly at present verifiable, that a steady state will be reached in the near and distant future that acknowledges labour market dynamics triggered first by UK, Ireland and Sweden and ultimately by the remaining EU members. EU members will need to accommodate limited increased public service costs in the host countries, loss of tax revenues in the countries of origin, and paid remittances from workers in host countries that will partially dampen demand in host countries while raising demand in countries of origin. After time, some leavening of this process will raise the tax revenues in host countries, while, to an unknown extent, causing partial brain drain in countries of origin.

Despite the likelihood that V-4 and European populations will peak around 2050 and attain estimated equilibrium with job markets, an earlier funding mechanism for pensions and health care may emanate from today's constricting revenue balance. Public/private mixes, particularly those tapping into private markets, albeit utilising very safe and conservative commercial paper, bonds and stocks, offer an improvement over complete funding by over worked government revenues. Secondly, an increase in preventive measures in health may partially offset the longer life expectancies particularly if ageing populations are able to contribute part-time work and volunteer work that strengthens social capital in emerging economies. Such has been virtually anathema to post-Soviet populations. Robert Putnam's work has been largely ignored if not dismissed as impractical.[84]

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84 Putnam, R. (1993), *Making Democracy Work: Traditions in Modern Italy,* Princeton University Press.

Appendix A

Figure 2
Trade Theory and the Migration Hump
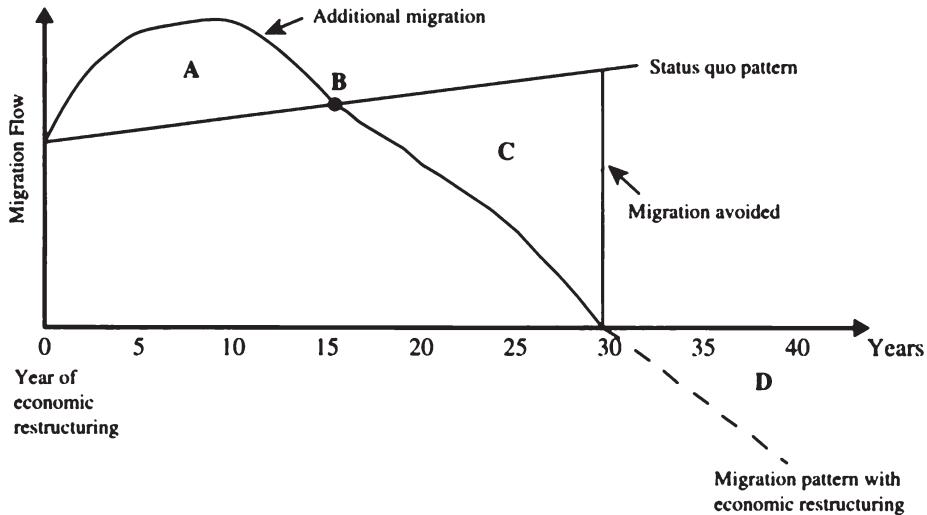
Source: Martin, P. (2005), op.cit. p. 451.

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Annex 1a.
Personal Public Service Numbers (PPSNs) in Ireland, 2002–2006[1]

Year PPSN allocated	Foreign nationals Age> 15	No employment, 2002–2006	2002, with employment	2003, with employment by year	2004, with employment by year	2005, with Employment by year	2006, with Employment by Year
2002	83,140	27%	59%	53%	41%	35%	34%
2003	74,651	26		62	53	40	36
2004	117,968	22			68	60	50
2005	171,483	26				63	61
2006	204,018	41					59

Notes:

1. Personal Public Service Numbers may be compared with work permits in the CEE. They indicate a record of those actively employed.

2. The 2004 surge is, of course, the accession of the EU 10, commonly referred to as the EU 8 + 2, since Malta and Cyprus seldom enter such statistics.

3. A **decreasing** trend can be observed as the percentages of employed reduce from the original starting year. For example, those entering in 2002, declined from 59% to 34% by 2006. After the surge in 2004, the numbers dropped from 68% in 2004 to 50% by 2006. This decrease has been confirmed more recently in general terms by the Irish Statistics Office, in advance of corroborating statistics for 2007–2008.

Annex 1b.
Dimensions.[2] (Ireland)

- In 2004, accession immigrants surged to 59,000 from 10,000 (2002–2003)

- In 2006, 139,000 arrivals from accession states constituted 61% of arrivals

- Most arrivals in 2006 were from Poland: 94,000; within the accession group: 67% were Polish, 12% Lithuanian, 8% Slovakian, 6% Latvian, 7% other accession states

- Almost one in three workers from Asia had occupations in *professional, technical and health sectors* compared with 16.4% for the overall population

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1   Central Statistics Office, Ireland (2007), "Foreign Nationals: PPSN Allocations and Employment, 2002–2006," December 18.

2   Ibid, p. 2, "Arrivals Are Mostly Young People from the Ten Accession States and Mostly Male".

- Construction related: road workers increased 300 % (2002–2006); pipe layers, bricklayers, crane drivers, roofers and plasterers increased by 70 %

Comments. These data create a semi-profile of EU-10 migrants. While it is clear that the Poles predominate, the job mix seems oriented toward low to mid level value added tasks. That, of course, may be misleading since EU-10 workers typically must accept jobs at least one level below their qualifications. They do so, since the wages have been high by EU-10 standards. As labour market wages increase in the EU-10 (plus two), the comparative wage advantage in UK/Ireland will dissipate. The Poles are already offering higher wage incentives to repatriate their migrated citizens. As a result, perhaps, we are seeing some migration fatigue as shown by the declining evidence of continued work participation of those emigrating earlier (Annex 1a).

By inspection of the aforementioned citation[3] we observe that the migrant population from the EU-15 (excluding Ireland and UK) starts off high and **drops sharply** after the passing of years 2003 through 2006. Though we have yet to see the peak of **EU-10 migrants**, their drop off rate has declined from the employment period of 2002–2005 to a decline in employment of that group from 183,472 to 121,815 in 2006, a 66.4 % rate of cohort employment. The surge in 2004 inevitably lessened this decrease. These data, combined with Annex 1a, suggest the possibility of the **"hump"** occurring soon. This cannot be verified as more than a possible trend downward.

Annex 1c
(Ireland), Population & Migration Estimates, April, 2007[45]

Year Ending	April 2006	April 2007[5]
Natural increase	34,200	38,800
Net Migration	71,800	67,300
Population change	106,000	106,100

- Nearly 2/3 increase to 2007 accounted for by net migration

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3   Central Statistics Office, Ireland (2007), "High Drop-Off Rate for Immigrants from EU 15 States," December 18, p. 2.

4   Central Statistics Office, Ireland (2007), "Population and Migration Estimates April 2007 (with Revisions to April 2003 to April 2006),"December 18.

5   The *net* increase of births over deaths in 2007 (to 38,800) shows Ireland increasing its fertility rate. Typically immigrant births are excluded. Thus, Ireland seems to be increasing its fertility rate. Further, the *drop* in net migration (to 67,300) indicates a slight decrease in the in-migration. The total population change becomes a plus (by 100 people) because of these dynamics.

- Nearly half (48 %) immigrants were from EU 10+2
  55 % immigrants were 25–44; 28 % were 15–24

- Excess of births over deaths more than doubled from 16,000 (1994) to 38,800 in 2007

- Since 2004, immigrants from EU-12 increased from 34,100 (2005) to 52,700 (est.) in 2007

- V-4: 2004–2005: Poland, 40,973; Slovakia, 7,190; Czech Republic, 4,447; Hungary, 2,693

- About 103,000 of 110,527 EU-12 immigrants were in labour force (93 %); compares with 68 % non-EU and 62.5 % for population as whole; however, of those arriving in 2004, only half had insurable employment in 2006

Annex 1d
(Ireland), EU-10 by Sector (000)[6]

Production	Construc-tion	Wholesale, retail	Hotels; res-taurants	Transport, storage, communica-tion	Finance % business
Q1 2008 34.0	34.1	36.7	27.7	7.0	18.8
Q1 2007 31.3	36.8	20.4	25.1	6.1	12.8

Other: services, 3.6 (2006); 4.5 (2007)

Comment: Construction and production predominate; hotels, restaurants (hospitality service) are significant, as is Finance and Business.

Annex 1e,
EU-10 by Employment Status, 2006–2007 (Ireland) (000)7

In employment	Unemployed	In Labour Force	Not Active	Total
Q1 2008 176.3	11.1	187.4	28.7	216.1
Q1 2007 147.7	8.6	156.3	19.6	175.9

Comment: By the first quarter of 2008, EU-10 workers had not peaked. Annex 1a suggests that succeeding years may show a downward trend.

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6 Central Statistics Office, Ireland (2008), "Quarterly National Household Survey, Table A2, Estimated Number of Persons Aged 15 Years and Over in Employment (ILO) classified December-February, 2007 and 2008," p. 26.

7 Ibid., Table A1, Estimated Number of Persons Aged 15 Years and Over Classified by Nationality and (ILO) Economic Status, December-February, 2007 and 2008," p. 25

Policy Failures in Hungary – in Search of New Failure Mechanisms

György Hajnal

Introduction

This paper summarises the results of a research focusing on problems of public policymaking in Hungary. My main and emphatically subjective motive, triggering this research, is a persevering astonishment over seemingly trivial yet incomprehensible failures of government, observable in the most diverse fields of governmental activity – practically irrespective of governmental tier (central or local government) or policy sector.

The present research intends to contribute to bridging the gap between available scholarly results on the one hand, and the acute yet intriguing field of policy failures, on the other, by (i) identifying, and giving a detailed empirical description of policy failure mechanisms not yet – or not so much – identified and described, and (ii) developing theoretical concepts enabling one to describe and explain those factors of policy failure. The empirical material of the research comes from Hungary, a post-communist central/eastern European country, presumably sharing many features with other countries of the region while exhibiting a historical development path distinctly different from those of many "older" EU member states and of other developed countries. Therefore, while the generalisation of the findings and conclusions is, clearly, a matter of further research and analysis, they should be viewed in the light of the geographical and historical context in which the research took place.

The next section (2.) gives an introduction into the conceptual and theoretical underpinnings of the research. The section first outlines the concept of policy failure, building both on insights and results of earlier research, and on a critque and subsequent conceptual refinement of those results. The section then goes on to delineate the concept of originality/novelty as used in the context of this research.

The third section describes the data, which is case studies of policy failures in three policy fields, and the method used – that is, qualitative analysis of (mostly) textual data having emerged from field research. The fourth section presents the findings, and the final, fifth section elaborates on some of the conclusions of the research.

1. Theory

1.1 The concept of policy failure

Spectacular and/or enduring phenomena carrying damaging effects and attributed, at least in part, to insufficient or faulty decisions or operations of government have been a frequent subject of research by students of public policy/administration, organisational science, and related disciplines throughout the past decades. The numerous examples include single tragic events such as the explosion of the Challenger spaceship, industrial disasters such as Chernobyl or the Three Mile Island atomic power plants, or the riot in the Heysel stadium; just as the more lasting failures presented long-term policies such as military engagements (Vietnam, Iraq) or various sectoral policies, such as the anomalies around the US Department of Housing and Urban Development or the Chicago area electric supply system in the eighties.

It seems, however, that the many fragmented pieces of such individual research efforts – providing a huge amount of empirical material – did not result in a proportionately well-developed conceptual framework of policy failure. One of the very few such – indeed ambitious – attempts is the work of Bovens and t'Hart (2004), which will be used as a starting point for the conceptual clarification that follows.

It is instructive that the authors, admittedly having spent a significant amount of – theoretical as well as empirical – research effort on elaborating some "hard" concepts of policy failure (pp. i-ii) ended up with the recognition that the notion of policy failure is, inevitably, a social construction impossible to be anchored to "objective" (that is, temporal and geographically transferable) criteria. According to their definition, policy failure is an event or a circumstance (i) perceived by a socially and politically significant group as seriously negative (ii) though avoidable, (iii) the occurrence of which is attributed, at least to a significant extent, to the blameworthy conduct of public policymakers (ibid. p. 15).

Labelling an event as a "failure" or a "scandal" can be perceived, in the final analysis, as a mechanism sustaining the equilibrium of the social – and within that: the political – system. It is a symbolic act sanctioning the violation of some essential societal norm or interest: "The label 'fiasco' or 'failure' entails a political statement. Events are perceived and labelled as 'policy fiascos' when important values and issues are at stake, when societal taboos or sacrosanct values have been violated. […]

If this occurs, there tends to be an impetus to maintain and restore social order. […] The identification of failures and the analysis of their causes tend to be part of a process of accounting and blaming." (Bovens–t'Hart 2004 p. 129). In a similar vein – nevertheless avoiding definitional details – Hood (2000 p. 23. ff) stresses the inherently culture-based nature of how policy disasters are constructed.

According to Bovens and t'Hart – and their definition provided above – identifying an event or circumstance as "policy failure" involves (at least) three, rather intricate steps.

- First, the event has to be evaluated in terms of its societal impact: is it – as measured by the standards of "a socially and politically significant societal group" – negative, and if yes: sufficiently negative to qualify as a policy failure?

- The second step can be taken if the first question resulted in a positive answer. In this case, one has to position the event in the "misfortune vs. mismanagement" continuum; the question is, in other words, whether the harmful consequences at hand were realistically avoidable as opposed to being inevitable.

- Finally, if both of the previous two questions were answered with a "yes", the third step consists of confirming whether the blame of the ensuing societal damage can be put, at least to a significant extent, on some public policymaker(s), as opposed to other agents outside the realm of government.

In the subsequent paragraphs (i) I will – although admitting that the social constructivist approach offered above is the only workable way – argue that some other, key definitional elements offered above suffer from conceptual inconsistency, and (ii) on the basis of this critique I will present an alternative, modified concept of policy failure. Specifically, I will argue that

a) the only viable concept of "consequence" (of a course of action by a public policymaker) inevitably implies that, provided that the relevant policymakers possessed/exercised a sufficient level of policy management skills, the given (negative) consequence was indeed avoidable; therefore

b) the definitional elements of "avoidability" and "blameful misconduct of policymakers" are tautological and thus needless.

Before proceeding to presenting the arguments, it is noted that the above propositions are not mere "*l'art pour l'art*" exercises. Although – if well-founded – they have a theoretical significance in and by themselves, they also form a necessary foundation for the design of the present research.

At the heart of the concept of policy failure one finds the notion of consequence. Surely, a necessary feature of any event or circumstance aspiring to qualify as "policy failure" is that it must bring about specific (that is, socially damaging) consequences. But what does the statement "Y is the consequence of Policy X" mean

exactly? This question is asked neither by Bovens and t'Hart, nor by a number of other scholars researching the topic. Rather, it is treated in a – if not epistemologically, at least ontologically/conceptually – straightforward and unambiguous manner. Looking for the causes of given, specific consequences is assumed to take the form of a criminal investigation; lack of information or factual knowledge might, in specific cases, hinder one in singling out a relationship between some specific consequence and some agents (and their courses of action), but all such ambiguity can be eliminated, provided that a sufficient level of detail is available on who did what, when and why.

Contrary to this view, my proposition is that the "criminal investigation" metaphor is not an adequate one in the world of policy failures. The reason for this is a key difference between investigating criminal acts vs. policy failures. Namely, in the former case, a relatively clear-cut catalogue of non-permissible – and thus potentially blameful – acts is defined by the Penal Code. The investigator's task in this case is "only" to establish whether any one element of this list was carried out by any actor. Here, the very notion of crime already involves the notion of consequence; there is no homicide without a casualty, no robbery without goods taken away, and so on. The situation, however, is different with investigating the causes of policy failures (or, vice versa, investigating the consequences of specific policies). Here, the requirements of (i) social damage, (ii) governmental misconduct and (iii) a causal relationship between these two exist independently from one another[1]; and if any one of these preconditions is not met, one cannot talk about a policy failure.

Traditionally, the problem of identifying the consequences of X is tackled in social science by the notion of the counterfactual. According to Marshall (1998, pp. 123–124) it is "a proposition which states what would have followed had the actual sequence of events or circumstances been different. Thus, to claim that the Battle of Alamein altered the outcome of the Second World War is to imply the counterfactual that, had victory in the desert actually gone to the defeated German forces, then the Allies would have lost the war".

My next proposition is that it is exactly this notion of the counterfactual scenario that is being employed, albeit often implicitly and/or unconsciously, by many analyses of policy failures. To illustrate this better, let's take the example of the following statement: "The high unemployment in Hungary is a consequence of policy mismanagement". This statement actually involves an implicit reference to a counterfactual policy scenario, in which the unemployment rate is less than the actual one. If the current unemployment is 12 % and the counterfactual unemployment rate is 0 %, then one can say that the consequence of this policy failure is 12 percentage

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1   That is, one can imagine social harm occurring without governmental misconduct; social harm as well as governmental misconduct occurring, but without a causal relationship between the two; or governmental misconduct without damaging societal consequences, None of which situations constitute a policy failure in the sense used here.

points unemployment; if one accepts that some level – say, 6 % – of unemployment would have been unavoidable anyway, then the actual damage caused by this policy failure is 6 percentage points unemployment. However, if one holds that achieving a rate of unemployment less than 12 % would have been impossible anyway then (s)he cannot attribute the attached societal damage to government policy.

It is important to notice here the judgmental – indeed, socially constructed – nature of the "counterfactual policy". Identifying some hypothetical policy as a realistic and feasible alternative of the actual one involves a number of assumptions, culturally determined predispositions/expectations, and value judgments varying strongly in time, space, and even within individual political systems. For example, natural disasters such as typhoons or earthquakes have been for ages – and in many countries still are – accepted as unavoidable events of misfortune ("vis maior"). However, nowadays governments, especially in developed countries, are expected to effectively counteract these events (via early warning systems, construction regulations, catastrophe relief measures and so on). Likewise, the extent to which governments are expected (or assumed to be able, or to be permitted) to intervene in societal problems such as workplace stress, ageing, migration or global warming – to name but a few areas – is constantly changing.

To sum up, talking about a policy failure inevitably involves the presumption of an alternative, counterfactual policy – and a corresponding state of the world – that (i) could have been, according to the speaker, realistically achieved and (ii) would have brought about better societal outcomes (either higher benefits or lower costs) than what was actually achieved. Now let's suppose that, in a given, specific policy case, this was indeed the case; that is, a feasible policy alternative was available for the policymakers that would have resulted in societal outcomes better than those having occurred. In this case we can say that the unwanted consequences were avoidable and that it was the fault of the policymaker that the actual policy was implemented instead of the counterfactual one (otherwise we couldn't say that the counterfactual policy option was a realistic one). My initial statement – i.e. that the definitional elements of avoidability and blameful misconduct are already included in the very concept of policy failure and thus are tautological – is therefore demonstrated.

What remains then as the core concept of policy failure? For the purposes of this study, policy failure is present if the societal outcomes of a given policy could have been substantially better – as measured by the value standards of a socially and politically significant societal group – provided that an alternative, feasible course of action had been taken; "better societal outcomes" can refer either to higher benefits or to less damage to society.

1.2 Causes of failure

The central aim of this paper is not to identify policy failures *per se*; rather, it is to identify certain types of causes leading to policy failure. Specifically: I am looking for factors that in some significant respect stand out from the "usual" variety of similar factors. In order to further specify this task, it is necessary to introduce some additional conceptual elements and distinctions. It is, however, beyond the ambition and the scope of this paper to give an ontologically and epistemologically exhaustive account of the ways, in which such terms as explanation, cause or causation are understood and used. Therefore – as a kind of golden mean – only certain conceptual cornerstones will be laid down as follows.

"Explanation" should, at least ideally, refer to a set of preconditions – relevant from the investigator's perspective – under which the given explanandum is likely to occur, but which is unlikely to occur if any one of those preconditions is missing. It is however clear that this empiricist view of explanation and causation is not a viable one when it comes to explaining policy failures. Policy failures, like a number of social phenomena, are often historically unique; moreover, they are characterised by the presence of a vast number of human, social and technical variables intertwined in a complex structure. Therefore, a more interpretive stance has to be taken. Namely, instead of looking for "objectively verifiable" causal relationships, the focus is on key stakeholders' causal attributions and, not least, on the process of sense-making by the researcher in the process of qualitative analysis.

"Cause" or "causal motif" is understood as one element of the above mentioned set of preconditions. Causal motifs are a central concept of this study as the analytical focus is, throughout, on identifying individual causal motifs rather than elaborating complex explanations involving the various possible networks or constellations of preconditions/causes.

There is a vast amount of scholarship on the different mechanisms – hereinafter referred to as government dysfunction – by which government operations might deviate from the "correct", expected, or prescribed track. It is emphasised that government dysfunction – be it of a political or a more administrative nature – does not necessarily lead to policy failure (the latter necessarily involving damaging societal consequences). Rather, it may or may not do so; as a matter of fact, it may, in some cases, even promote societal conditions and/or prevent policy failure from taking place.

One large class of these factors is related to the realm of governmental apparatuses, such as various forms of bureaucratic dysfunction (March–Simon 1993) originating from e.g. dysfunctional learning of organisational members or adverse effects of increasing demand for control at the top of the organisation, or the structural framework and processes within/by which implementation takes place (Pressman–Wildavsky 1984). Lacking financial and human resources, expertise and/or

institutional infrastructure has been another major source of government dysfunction both in the one time Third World as well as in the context of transition countries. Regulatory capture (Stigler 1971) and administrative corruption, or various rational choice concepts, such as the "budget-maximising bureaucrat" (Niskanen 1971) or, more recently, the bureau-shaping model (Dunleavy 1991/2001) are other, frequently appearing elements of this cluster.

Another major class of government dysfunction originates from the upper echelons of the policy arena. These manifest themselves mostly in the policy decisions, which are (or are not) made by the policymakers. Besides models relying on the concept of the utility-maximising politician (e.g. Buchanan-Tullock 1962), other forms of legislative failure (Weimer-Vining 1999), the overwhelming effect of vested (economic) interests, or group dynamics leading to wrong decisions in high-level decision making bodies (cf. "groupthink"; Janis 1982) can be mentioned here as examples.

More empirically oriented research (i) focussing specifically on the dysfunctions/limitations of governments' public policymaking capacity and (ii) geographically covering much, or all, of the post-communist region is – contrary to efforts aiming at the "higher" political system level (Offe 1997, Greskovits 1998, Henderson 1998) – relatively scarce.

On the one hand, there are important and interesting, predominantly empirical (case) studies – mosaic-like pieces mostly focussing on one or a few countries and pursuing a limited ambition (Barnes 2003, Cummings-Norgaard 2004, Mungiu-Pippidi 2003, Vandeveer-Dableko 2001). On the other hand, finds a number of more conceptually oriented pieces (Fritz 2003, Sotiropoulos 2002), which are, however, less rooted in empirical evidence. Most of this type of research deals with the appearance and effects of already well-known problems of public policymaking, such as political culture or corruption). Finally, attempts to identify/describe "genuine" types of policy failures is much more infrequent (Hajnal 2005, Ionita 2003 and 2005, Kovryga-Nickel 2004). However, conceptual-theoretical and/or empirical limitations – the latter being a particularly severe constraint in the overwhelmingly secretive and thus data-poor worlds of post-communist policymaking – this direction of research still has a long way to go.

Of course, it is not possible to give even a rough classification of the extensive terrain of government dysfunctions as models, concepts and schools largely overlap with one another; nor is it my ambition to make an attempt to draw up an exhaustive catalogue of relevant factors, concepts and models explaining all possible types of government failures in the Hungarian – or, possibly, post-communist – context. Rather, the role of this very brief overview is to put the ambition of this research into context: it is this vast universe of (possible) causal motifs and explanations of policy failures, which this research intends to supplement with some additional elements. I see no sound method (i.e. research design) *ex ante* guaranteeing that once the

proposed path is followed carefully, it will lead to such a result; nor is it possible to devise a method capable of substantiating a claim *ex post* that such a relatively new element has indeed been found. Rather, the outputs of this research are to be treated as propositions, which are to be tested, and – if necessary – modified or rejected in response to future arguments.

Maintaining this "soft", argumentative nature of the research design, it seems, however, useful to propose a conceptual distinction possibly suitable for discriminating the causal motifs sought from those we already have. The table below clusters governmental dysfunctions leading to policy failures according to two dimensions. The first dimension concerns whether the failure could have been – at least under the contextual conditions given for the policymakers as exogenous and thus unalterable – avoided or not. For example, entrenched legal-institutional barriers, severe resource constraints, the pressure of some irresistible societal/political interest, or corrupt apparatuses usually have to be, at least in the short- to mid-term, taken as given. On the other hand, many parameters of policy decisions and their implementation can be altered more or less freely, at least between certain limits.

The second dimension concerns the societal benefits and losses resulting from a given course of action; the terms "loss" and "benefit" are, as in the previous sections, understood as perceived by some socially and politically significant groups (potentially) to be affected by the given policy. There may be, on some rare occasions, cases where a policy creates only winners; probably in most of the cases there are some winners and some losers; and there is a third, probably also minor group of cases when a policy creates only losers (this might be the case, for example, with the policy of launching a war that results in a severe defeat).

	Failure inevitable	**Failure avoidable**
Significant winners present	A	B
Significant winners absent	C	D

My proposition is twofold. First, most, if not all, government dysfunctions belong to the first three clusters A, B and C. Second, according to my initial, admittedly subjectively driven hypothesis, the failures and underlying failure motifs sought should belong to the fourth cluster, D. In other words, the research seeks to identify failures that (i) could, under the conditions given for the policymakers, have been avoided and still they weren't, despite the fact (ii) that the actual policy course did not produce any significant winner – only losers.

2. The method

The method I chose for tackling the research problem outlined above is the qualitative case study method. The reason for this is that in recent years I made several

attempts to approach the same complex problem using quantitative, survey-based methodology (Hajnal 2005, 2006); however it became clear that at the heart of the problem there is a need for developing new concepts, for which purpose statistical analysis of survey data has been of limited use.

For the purpose of this study, (i) three cases of policy failures were sought. (ii) Field research – consisting of conducting open interviews with key informants and collecting relevant (policy) documents and internet resources – was conducted. Subsequently, (iii) the empirical material was examined using computer-aided qualitative data analysis. These three elements of the research method will be briefly discussed in the following sub-sections. Finally, (iv) the findings and conclusions reached were, at various stages of the research, exposed to a series of external (peer) examination.

2.1 Principles governing the case selection

As a starting point, the main definitional elements of the policy failure concept must be revoked: a policy failure is a governmental course of action that brings about societal consequences that are inferior to – more damaging or less beneficial than – the consequences of an alternative, viable course of governmental action. The problem of selecting appropriate cases for the research, then, consisted of two components:

a) First, identifying a "better" and, at the same time, feasible and realistic counter-factual policy option, and

b) secondly, identifying and evaluating the societal consequences of having the actual policy in place instead of the counterfactual one.

Both of these steps involve essentially judgemental and value-laden moments. As argued earlier, conceptions of what can be expected from, and of what can or could realistically be achieved by the government, are strongly contingent on individual and societal norms and beliefs. Likewise, positioning consequences in the "good vs. bad" continuum is an inherently value laden and political act impossible to get anchored to some distant ideals of scientific rigour or objectivity. However, by applying certain considerations in the case selection it is possible to strongly limit the impressionistic and inherently subjective element in this exercise.

Ad (a):

How do we know that an alternative policy option could have been realistically implemented? This kind of "would-be" questions are usually impossible to answer in the realm of societal – and especially policy related – phenomena. However, there are some fixed points helping to place such a judgement on a firmer basis.

• If a given policy problem is internationally widespread – and especially if it is present among countries with similar contextual features (such as the develop-

mental level etc.) – then this creates an argument that there is some inherent feature of this problem preventing governments from finding a workable solution. In other words, the probability of the unavoidable nature of the unwanted consequences increases.

- Another selection criterion is the – at least seemingly – conspicuous nature of the causes of the policy failure. If the policy problem at hand seems to have obvious causes, this increases the chance that they are not avoidable, at least within the (short-term) constraints, between which the policymakers have to act.

- A third selection criterion applied is the (relatively) simple nature of the policy problem at hand. Decreasing the (technical, legal etc.) complexity of the problem increases the transparency of the arguments for and against various alternative policy options.

Ad (b):

From a theoretical perspective, the problem of confronting societal interests and values can be tackled by limiting the search for policy cases to those where there are no significant winners of the policy course followed. This is, of course, understood in the sense outlined earlier; that is, in relative terms, compared to the best (or at least a better) counterfactual policy. More practically, this solution directs one to the problem of identifying a "better" counterfactual policy outlined in the previous paragraphs.

In addition to the above selection criteria there were some more technical – but not less important – ones such as availability/accessibility of expertise and information/key informants. These were key to the successful conduct of field research as field research – especially accessing unpublished but theoretically (legally) public information, or approaching policymakers – is, in the suspicious and secretive world of Hungarian public policy/administration, practically impossible without some significant "insider knowledge".

Two additional measures increasing the soundness of case selection were taken in the course of the research, but prior to the decision on case selection.

First, a small media survey has been undertaken covering a non-representative sample of Hungarian national and local (municipal) print media (the scope of the survey was the two most significant national newspapers and two municipal news media; the temporal scope included the 2001–2005 period). The survey served to broaden the scope of search for "candidate policy failures"; it aimed at identifying a relatively specific and in-depth description of a policy problem exerting negative effects on a local or national policy stakeholder, whereby the problem seems to be not rooted in complex socio-technical factors. Unfortunately, such factual and (relatively) in-depth depictions of policy failures are surprisingly few in the Hungarian print media surveyed; it resulted in twenty articles satisfying the above search cri-

teria. Following a concise qualitative analysis, the results were clustered into fifteen policy areas, forming an input to subsequent work on case selection[2].

Second, two focus group meetings with researchers of the former Hungarian Institute of Public Administration were organised[3], supplemented/followed up by a series of written communications. The aim of this exercise was (i) to further broaden the scope of search for potential failures and failure mechanisms, and at the same time (ii) to filter out irrelevant "candidate failures" from this search.

In sum, the selection criteria and selection procedures outlined in the previous paragraphs – designed to increase the validity of the research design by decreasing its impressionistic and judgemental nature –are, clearly, of a rather statistical nature. In other words, they do not, either individually or jointly, "guarantee" in some sense that the cases selected do satisfy the definitional criteria of a policy failure. They do, however, increase the probability that such a choice had been made.

2.2 The selected cases

As a result of the case selection process, five policy problems were selected for indepth field research. In the course of the field research, two of these were rejected because they turned out not to satisfy the above selection criteria. Therefore three cases of policy failure serve as the basic empirical material for this research:

a) Harm reduction (specifically: syringe, or needle, exchange) programme for intravenous drug users;

b) A selected sub-system of municipal level building regulation authorities; and

c) The policy aiming at the facilitating the mobility of people with disabilities (the so-called "parking card policy"; hereinafter: PC/PCP).

The central ambition of the research was not giving a full account, let alone explanation, of the selected policy failures; the aim is, rather, to identify, distil, and conceptually crystallise motifs of failure as they emerge in the empirical material of policy failures[4]. Still, in order to justify the case selection and to place the present study properly in context, a brief description of the three cases follows.

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2   In the course of the analysis, not only the policy areas, but also the causes of policy failures were examined. The analysis identified about 20 factors, to which the various failures were attributed. (The equality of the two figures is a mere coincidence as most policy cases involved more than one prospective cause of failure.) These analytical results formed an additional input into subsequent work on case selection and, later, qualitative analysis.

3   The researchers involved were: György Gajduschek, Tamás Horváth M, Viktória Linder, Éva Perger, Gábor Szabó, Zoltán Szente and Ernő Szigeti. I thankfully acknowledge their important input into this research.

4   The original, full account of the research (Hajnal 2008) nevertheless includes propositions regarding the possible explanations for the policy failures under study. These are, however, of a journalistic, rather than scientific, nature and they serve more as a "rounding up of the stories" of the three case studies than that of formulating sound conclusions on the basis of the findings presented.

Ad a):

On 11 December 2000 the Hungarian Parliament adopted the National Drug Strategy as a long-term policy document in the form of a Parliamentary Resolution 96/2000 (XII. 11. OGY). From the spectrum of various policy paradigms available – ranging from the prohibition-centred criminal law approach to the liberalisation of drug use and the elevation of penal sanctions on consumption – the adopted policy took a balanced, in-between stance. Specifically, it preserved the penal sanctioning of the consumption of illicit drugs, but at the same time it envisioned, in line with international (UN) and EU provisions and resulting legal obligations, the creation/expansion of certain harm reduction services. A centrepiece of these services was the syringe exchange programmes described by the Strategy as the "most feasible and cost effective means of reducing harm emanating from intravenous drug use". The extension of syringe exchanges programmes was to be achieved by increasing their funding (all such programmes were, and still are, run by NGOs with the help of government funding).

Indeed, during the 2000's, the scope and coverage of such programmes substantially increased. However – and this is the central paradox of the harm reduction policy – the relevant criminal law regulation, having been adopted in the late 90's, remained intact. This penal regulation foresaw the prosecution, not only of actual consumers, but also of those assisting such activities. In other words, both clients and aid workers of (publicly funded!) syringe exchange services were facing criminal charges.

This contradiction was not only of a theoretical nature as in a number of partly well-publicised cases, the police "insulted" clients by e.g. seizing used syringe equipment and using it as evidence in subsequent criminal procedures. Likewise, volunteers/officers of the services were exposed to different kinds of "police harassment". This led to fear and a lack of trust among potential users, driving them to refrain from using syringe exchange services. Various authorities – such as the Constitutional Court and the Chief Prosecutor – as well as experts and other stakeholders, expressed their opinion that the penal regulation of the field severely contradicts the harm reduction policy of the government, and that this significantly decreases the effectiveness of harm reduction and increases the risk of health risks (HIV and Hepatitis). Moreover, the large extent of arbitrariness regarding criminal prosecution seriously violates the principles of legal certainty and of constitutional state. In spite of this, the contradiction of drug policy remained intact for more than six years, being at the time the field research was still effective.

Ad b):

The current system of building authorities was created in 1997 (Government Decree 220/1997). According to this system, simpler administrative actions in the field of building regulation can be taken by the chief executive officer of the local govern-

ment offices. More important ones, however, such as issuing building permits and permits to put in use completed buildings, is the competence of so-called higher level building authorities. These are typically offices in larger local governments as these building authorities have to satisfy some additional technical and personnel related criteria.

According to the legal regulation local government offices – being responsible for a very broad variety of administrative/regulatory tasks delegated to them by the central government – are headed by a competent Chief Executive Officer. CEOs have to fulfil a number of qualification criteria of a mostly legal character, including an MA degree in Law. The employer of CEOs – responsible for their appointment and dismissal are, however, local government councils. Local government councils have a clearly political character as they consist of local politicians elected at local elections. An important contradiction of the field under study lies in the deep conflict between two sets of pressures exerted on building authorities, one of which is the imperatives of local politics (including a broad variety of local economic, social, political and – not least – personal interests), while the other is the requirement of neutrality, impartiality and official duty in executing (national) legal regulations.

However, there are also a number of additional factors hindering the effective enforcement of national building and local zoning regulations. These factors include:

- the limited personnel and financial resources of building authorities;
- discrepancies of national legislation resulting in e.g. exceeding – sometimes prohibitive – administrative and legal difficulties of taking coercive administrative actions in case of non-compliance;
- sometimes incomprehensible under-utilisation of technical opportunities (e.g. air photography) in authorities' operations;
- conflict avoidance of building authorities resulting from the deep local social embeddedness of their officers, especially in smaller municipalities; and
- various forms of corruption.

These and/or possibly other factors created, to many, an image of building authorities characterised by impotent, self-serving, non-client-oriented and even corrupt operations. These problems were reinforced by some iconic cases of failure. A prominent case involved the creation of a restaurant in one of the most prominent sites of the capital. The inner-city area on the top of the Gellért-hill is "triple-protected" by means of (i) nature conservation legislation, (ii) UNESCO cultural heritage and (iii) architectural protection. The construction works for a restaurant began without any building permit whatsoever. Although the works were closely followed by the national news media, the restaurant was completed and kept on

operating throughout the summer of 2002. It was forcefully demolished only after the high season, in early winter.

In less exposed cases, however, such "rude" measures are very seldom taken. According to official statistics there are very few *ex officio* on-the-spot investigations as most of them happen at the request of the builder; therefore an unknown, but supposedly large proportion, of unlawful constructions remain undiscovered. Still, according to official case statistics, each year:

- about half of the proven violators submitting so-called "requests for subsistence" are not fined despite the explicit requirement of the law to do so;

- around 1/3 of the – due to the scarcity of inspections executed on own initiative: relatively few – acts of obligation to demolish or to modify a building are not obeyed; and

- only in around 15 % of the cases involving such disobedience is an administrative decision of forcible execution made. The overwhelming majority of these decisions is, however, never actually put into practice; all interviewees agreed that actual forcible battering down of buildings very rarely – if at all – happens (official statistics on the number of such cases is not available).

Ad (c):

The foundations of the Parking Card policy in its current form were laid down in 2003 by Government Decree 218/2003. The PCP was designed, in line with relevant EU and earlier national legislation, to counteract the disadvantages suffered by people with disabilities. The target group of the PCP is people whose physical movements are limited by permanent disabilities; this includes not only people with locomotor disorders but also blind, mentally handicapped and autistic people.

The main cornerstones of the PCP, as laid down in the various pieces of relevant legislation, are as follows.

- PC's can be obtained on the basis of the medical physician's statement that the acquirer satisfies the legal requirements in terms of having serious physical disabilities. Parenthetically, clients can choose among physicians on a quasi "free market" by means of a voucher-like system. Physicians' financial income is dependent on the number of their clients.

- Thus PC's are awarded to individuals, who are free to use it on any vehicle, either their own or someone else's; likewise, the vehicle can be driven, of course, either by the PC-holder or someone else (this latter case occurring when e.g. a PC-holder is transported to a doctor by a relative). Among other advantages, the PC entitles the vehicle to park in parking meter zones for an unlimited time without any payment, and to park on spots otherwise prohibited by traffic regulations, such as side-walks. PC's must be placed in the vehicles behind the front windscreen for external control by authorised personnel.

- Thus, the benefits offered by PC's are quite significant in larger cities, where parking in inner-city areas is difficult and expensive. This appeal creates a significant demand for PC's – not only among the disabled but in the wider population of car-owners, too. This demand is further promoted by the difficulty of prosecuting unauthorised use of PC's: since according to the law, any PC can be used on any vehicle by anyone it is exceedingly difficult – most of the time, practically impossible – to prove unauthorised use.

As a result of the high demand and the "elastic" supply – provided by partly financially dependent, partly possibly corrupt physicians, a huge over-use and misuse of PC's can be observed in inner-city areas. Although there are no global and reliable data, on the basis of available evidence, it seems that on average, about 50 % of vehicles parks with a PC, in some cases and areas this figure rises to as high as 80 %. Everyday experiences, as well as media reports, abound in blatant cases of regular, public and even ostentatious misuse of PCs. In a well-publicised – but strongly exceptional – case the police examined a limited area of a Budapest district, whereby 50 % of parking cars were found to be using PC's, 40 % of the users having been using stolen or unauthorised cards[5].

On the one hand, this causes large loss of income on the part of local governments in the form of foregone income from parking fees. On the other, interest groups of the disabled regularly complain about the difficulty of finding a parking spot for their vehicle in downtown areas.

2.2 Field research

The three policy cases are rather specific. Therefore, beyond some sporadic, journalistic efforts throughout the past years, they were not the focus of any systematic inquiry; consequently the case studies had to rely entirely on empirical evidence collected in the course of the field research. The research utilised the following sources of information:

- Open interviews with various stakeholders of the given policy; most of the key informants having a unique insight into the design and/or operation of the policy (such as high ranking officials responsible for the design or delivery of the policy). The number of such in-depth interviews ranged between 5 and 8 per case study. The length of the interviews ranged between 1 and 3 hours. The list of interviewees is provided in Annex 1.

- Relevant policy documents (key laws, parliamentary reports, Constitutional Court rulings, ombudsman reports, letters etc).

- In some specially justified cases print (newspaper) and Internet media sources (internet forums, blogs etc.) were also utilised.

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5 Figyelő-net, 16 March 2006.

All materials, written and oral, were in the Hungarian language. Interviews were transcribed verbatim. The amount of interview material was 600 thousand characters, and the total amount of empirical materials was 2 million characters. These text files formed the basic input of the qualitative analytic procedure. In order to protect interviewees and to promote open discussion, their identities are hidden in all materials.

Field research was conducted between March 2006 and May 2007. Interviewers included two additional researchers (one of them being a so-called "participant researcher", having already been a professional involved in the policy field under study) and myself.

2.3 Qualitative analysis

All empirical materials obtained were analysed using Qualrus qualitative data analysis software. In the course of the analysis all text was carefully read and, if necessary, several times re-read in order to identify characteristic text segments and typical issues/themes emerging out of them and contributing to understanding the problem. Issues and motives emerging out of the data and reflecting potential explanations of the policy failures were identified, grouped, compared and re-grouped in a series of steps.

The qualitative analysis proceeded in a case-by-case, iterative manner. The process of identifying, labelling, grouping, re-labelling and re-grouping of causal factors lasted until a fine-grained typology of causal factors – ideally consisting of conceptually clear and mutually exclusive categories – emerged. An important guiding principle of this process was achieving a sharp as possible conceptual demarcation between (i) the various emerging analytical categories, and especially (ii) between apparently "novel" and "well-known" categories. Some additional details of this coding procedure – sometimes referred to as "open coding" (Ryan-Bernard 2002) or "qualitative coding" (Kelle 1997) and greatly resembling the procedural prescriptions of grounded theory (Strauss–Corbin 1990) – are given in the section on findings.

2.4 Measures to increase the external validity of the research

As Seale (1999, pp. 140 ff.) points out, ensuring that "other researchers studying the same or similar settings generate the same findings" – in short: achieving external validity – is a "Herculean" task for qualitative researchers. One important way of doing this, applied in this research, was peer examinations of the findings and conclusions reached. The research reported here was originally carried out and reported in the Hungarian language. The research report included not only the summary analyses and findings, but also a more impressionistic/journalistic, but at the same time also – at least to those intimately involved: – a more revealing and interesting interpretation of the three policy failures studied. It was these various outputs of the

research that were exposed to a series of such peer examinations. This involved a series of oral communications, both individually and in group settings, with various researchers and practitioners of the policy fields under study. Comments and criticisms received were incorporated in the subsequent versions of the research report produced.

Another measure taken was to involve so-called "participant researchers" – that is, researchers having been practically involved in the studied policy field – in the field research. This helped, not only because it ensured access to the vital and otherwise out-of-reach information/informants, but also because their more practical views and opinions could be utilised.

3. Findings

In the course of the qualitative analysis it seemed convenient to separate "failure motifs" from "causal motifs", the former referring to the actual societal consequences (symptoms) of failures while the latter denoted factors contributing to the emergence of those failures but, in and by themselves, not involving direct negative societal impact. The following summary of findings focuses on the latter set of motifs (and corresponding codes). For the purpose of ease of presentation (rather than conceptual reasons) causal motifs were labelled as occurring in either the realm of policymaking or in the realm of implementation. The analysis identified a total of eight causes related to policymaking and, likewise, a total of eight causal motifs related to implementation. In addition to these causal motifs some additional, so-called failure motifs, or symptoms, were also identified.

These emergent motifs were then examined with regard to the extent to which they seem to convey (theoretical) novelty. Clearly, such "theoretical novelty" is not apt for being defined by hard, "checklist-type" criteria; rather, it is to be perceived as a continuum. In the following, the focus will be on motives falling closer to the "novelty pole" of this continuum.

Three "candidate" causal motives were identified as follows[6]:

a) Personal interests of policy/decision makers;

b) Regulatory impotence emanating from "extremist" protection of citizens' rights;

c) Implementation deal struck by/among government apparatuses.

These factors will be discussed in the following three sub-sections.

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6   I emphasise that the denominations signifying individual codes (i.e. motifs) are not exact definitions but mere shortforms referring to (hopefully) well-defined and much more specific concepts.. These underlying concepts are elaborated in the subsequent sub-sections.

3.1 Personal interests of policymakers

This motif can be defined as a decisive influence on the shaping of a policy exerted by a well-defined set of policymakers driven by narrow personal interests, the weight/significance of which is negligible compared to the societal costs of putting those interests forward. Such personal interests can be related e.g. to personal (possibly illegitimate) power, re-election, or material benefits.

This motif is exemplified by the following text segments:

> The reason [why governmental attempts to cease the structural subordination of building authorities to local governments repeatedly failed] is that many MP's are also municipal mayors. And they know what local power means… mayors prefer to have a decisive say in who is allowed to build what in their municipality. This is a tool of power […]. This is clearly unlawful. Still this is the practice. (Building regulation case; senior civil servant of the ministry in charge, having been responsible for relevant lawmaking for a number of years.)

> The profession has been trying to separate local governmental tasks from those of the central government. But the Ministry of the Interior "defended the principle of local autonomy". However it was not professionals but, rather, politicians who fought for this; there was a political motif in the backstage. Politicians did not dare hurt local politicians as they were afraid that locally they would withdraw their support to them. (Building regulation case; former senior civil servant for 25 years and head of department in the Department responsible for elaborating the present regulation.)

> We put forward an initiative to make the penal regulation [on misuse of parking cards] more stringent. But there is no real will to do so. I know the reason why. A significant part of MP's use the parking cards of one of their family, and this is how they save a few thousand Forints[7] per day. It is as simple as that. (Parking card case; president of one of the largest NGO's of the disabled.)

Popular and scientific literature, as well as daily experience, abounds in various forms and cases of decision-makers serving their own interests. Still, in my view, the concept emerging from the above quotations is different from these in some important respects.

- Corruption may occur either in the implementation phase of a policy (affecting appointed officials, which is not the case here) or in the decision-making phase,

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7   One Euro is about 250 Hungarian Forints.

with the participation of elected politicians. In this latter case, however, there is always a powerful external (societal/business/etc.) interest the briber attempts to promote; such an interest is absent in this case.

- Nepotism promotes the interests of relatives or friends, which again seems to be not the case here (especially in the building regulation case).

- The above concepts refer to unlawful acts of officials. Other notions belonging mostly to the realm of rational choice theory broaden the conceptual horizon. The concept of rent seeking (Tullock 1987 Vol. IV. pp. 147–149) refers to the pursuit of individual gains by organisations or individuals through the manipulation of policy decisions or their implementation. This, again, differs from our case since the external actor is absent here.

- Other models, usually labelled as Public Choice, centre around the concept of "the utility-maximising bureaucrat/politician" (Blais-Dion 1991, Niskanen 1971, Tullock 1965). However, a key difference here seems to be that the utility-maximising politician pursues goals of existential or political survival, rather than insignificantly marginal gains.

Supposing that the above conceptual distinctions are sound, one may ask why and how such a phenomenon could emerge in the context of Hungarian public policy. One hypothetical answer to this question might start with recognising that, unlike the cradle of the Public Choice theories – i.e., Western democracies – the political capacity of the state in Hungary is, in some cases, so weak that it is unable to even guarantee that quite trivial and petty interests of self-serving policymakers don't supersede substantive policy goals. It is, however, admitted that the conceptual, as well as the empirical demarcation between (i) the motif identified here and (ii) more conventional notions of self-serving policymakers, is less than satisfactory. Therefore further arguments and, possibly, empirical investigations seem necessary to reach a sounder conclusion on this issue.

3.2 Regulatory impotence emanating from "extremist" protection of citizen rights

Various forms of regulatory impotence – meaning that the state is peculiarly and structurally unable to induce various societal actors to act, or refrain from acting in certain ways – abound in the selected empirical material as well as in media representations and in simple "daily citizen experience". Such impotence can be caused by a number of factors ranging from low-quality and thus unworkable regulations through insufficient implementation capacity to a lack of real political support and to corruption, to name but a few. Such instances of regulatory impotence are uninteresting from our current viewpoint as lacking professional, organisational, personnel or political resources and competencies are an age-old factor of policy failure

(in other words: in a country where civil servants are poorly paid and trains are behind don't be surprised if regulations don't work either).

The case is, however, different to the "extremist" protection of citizen rights. In this case the problem is not that the state, for some unfortunate reason, was unable to elaborate the most appropriate regulation[8]. Rather, unworkable regulations (i) seem to have stable and structural sources (ii) rooted in some abstract and almost perverse – but, surely, strongly counterproductive – protection of the interests of the offender while (iii) limiting the scope and effectiveness of regulatory/administrative actions to a dysfunctionally large extent. It is not easy to expose this motif in a concise format as this would require describing minute details of legal regulations. Still, some (to a certain extent stylised) examples follow below; for the sake of brevity the quotations include extensive notations.

> In the case of a building constructed without or contrary to the permit the building authority is obliged to decide on the fine within one year. One frequent way of violators to thwart this deadline is to delay the submission of a request for subsistence permit [i.e., for the unlawfully constructed building]. Another method is that the offender submits the request imperfectly, and (s)he supplied the various deficiencies only slowly, one by one. Or (s)he could initiate a juridical process for getting the signature of his/her spouse on the request. All these actions were counted as part of the one-year deadline… It also sufficed for the client to move to an unknown address where the administrative decision could not be delivered for months. The policymakers have been contemplating all these problems for eight years with stoic quiescence [until a regulatory change in 2005]. (Building regulation case; senior building regulation official of a county-level/supervisory building authority.)

> [Suppose] I want to carry out a forceful demolition. I have to acquire three different offers from demolition entrepreneurs… Then there are the scraps – I have to store them. Whatever happens to be there, I have to stockpile and guard it since it is not my property… I have to prove that I did not take away a piece of brick… There was no forceful demolition in the past 7 years here. I tried it twice, with the help of the police but especially until 2005 [change of the Law on Administrative Procedure] I couldn't go into a property where I am not allowed to… Yes the

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8   It is emphasised that the term "regulation" is used in a functional sense; thus it refers not only to legal measures adopted by relevant institutions such as Parliament or the Government, but refers to the broader set of legal institutions influencing the ways in which the legal system operates – for example Supreme Court rulings on the practice of the courts or Constitutional Court decisions.

> *police are there but only to protect our colleague... it is now a little bit different but at that time the police had no right to say 'Stay back, I'm opening the gate'. And all costs [occurring to the building authority] are burdened on the real estate – this money might, in the distant future, possibly be recovered but this is not so sure in the beginning. (Building regulation case, chief officer of a building authority of a Budapest district.)*

> *The strategy of the action [to prosecute unauthorised use of the PC] is the following: a closed-circuit television system (CCTV) records arriving cars parking with PC as well as their drivers. Later, when the car departs, colleagues on the spot inspect/check the identity of the driver and ask him/her where the PC holder is. If (s)he says (s)he arrived with a disabled person (s)he is confronted with the recording. (Parking card case; senior police officer working in a Budapest district.)*

> *If these [controls using the CCTV recording strategy] were regular then this could help because in that case there would be order at least on the areas covered by CCTV surveillance. But as far as I know in Budapest only 10 to 12 % of public areas are covered by such systems. (Parking card case; president of one of the largest NGO's of the disabled.)*

The above elements all refer to a situation in which the state confronts its own implementation (typically: control/inspection) apparatuses with exceedingly and unrealistically stringent procedural requirements, the fulfilment of which would be impossible even if implementation capacities were much larger than they actually are. These procedural requirements seem to act to protect citizens and other societal actors from arbitrary state action; in other words they are a means to protect the rule of law. In practice, however, they promote the illegitimate interests of those grossly violating the law and vital interests of the broader public by debilitating the enforcement capacity of the state.

In some cases, there might be a problem of practical distinction between the motif identified here on the one hand, and some other causes of failure such as poor legislation, bureaucratic rigidity, or over-regulation, on the other. Still, the distinction usually is, at least conceptually, clear; in the case of "extremist" protection of the rule of law, the effective constraints of enforcing the law are not exogenous to the state but, rather, those constraints are almost scrupulously created by the state itself. Moreover, this contradiction is not hidden behind the façades of complex and obscure technicalities of legal regulation. Rather, they are so obvious that anybody

can easily understand – and misuse – it; this is what makes this motif particularly damaging[9].

3.3 Bargaining authorities

The motive of an implementation deal by/between competent authorities is "caught in the act" in only one of the three policy cases: the needle exchange programme; it can however be presumed to be present in the other two cases too. Put briefly, an implementation deal occurs when implementation/enforcement apparatuses – having no such authorisation or legal possibility whatsoever – bargain with each other and/or with other stakeholders regarding the ways in which, and the extent to which, a given policy coded in law is to be implemented.

This motif emerged most clearly in the form of a formal, written agreement between the Police Headquarters of Budapest on the one hand, and the representatives of NGO's providing needle exchange services in Budapest, on the other. This agreement aimed at safeguarding the safety (from police "harassment") of needle exchange service clients by the services providing them with anonymous "client cards"; the Budapest police promised to "let go" any holders of such cards with no further action (such as body or car search or interrogation). Similar, although informal, agreements were struck between services and the police in various other cities, too.

> *The Budapest Police were open to sign an agreement that, practically speaking, they put aside the enforcement of the Criminal Code provided that the client presents his client card; in fact they supersede the Criminal Code by public health interests… When they [the NGO's] wanted to extend this [system] on a national scale they turned to the National Police Headquarters. The police then asked for an official stance of the Office of the Chief Prosecutor, which took the stance that this is not possible, and that the police have no right to strike such deals. (Needle exchange case, senior official of drug affairs at a large national NGO active in the field.)*

> *We've just opened out permanent needle exchange service in X [large city]. I met the local police chief… he was very sympathetic*

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9 Although it is beyond the scope of the present study, it is illustrative to mention as an additional, anecdotal nevertheless instructive case of extremist protection of the rule of law. Violators of the traffic code (those speeding etc.) could, until very recently, avoid being prosecuted in a very simple and cheap way. The procedure started with the police sending a letter to the car owner stating that his/her car was proven (e.g. by means of photography) to have violated the traffic code, and that (s)he had to name the person driving the car on the given date and hour within 15 days so that (s)he could be prosecuted. The Code of Criminal Law allows the attestant to decline attesting in case by doing so, (s)he would accuse a close relative. Using this provision it has been possible, throughout the past fifteen years or so, to avoid any police-related (criminal) consequences of speeding, illegal parking etc.

> *and supportive… I asked him to let the clients go free. Then he asked 'Why? Were there any problems about this so far?' I said 'No, I don't know about that'. 'Then no problem', he said. So each policeman interprets the problem in his or her own way. (Needle exchange case; director of one of the largest NGO's providing needle exchange services.)*

Some form of such bargaining between authorities on the one hand, and those regulated, on the other, is not infrequent in many administrative systems. Authorities such as independent regulatory boards do this overtly, on the basis of explicit legal authorisation. This is however not the case here as the legality of such agreements is, at the least, strongly debated – not only by the official stance of the Chief Prosecutor but also in police circles:

> *It was an unprofessional mistake not to collect the opinions [regarding the legality of such an agreement] in advance. If there was a clear legal position in advance then such an agreement – contradicting to effective legal norms – wouldn't have been signed. (Needle exchange case, police officer in charge of investigating drug crime at the National Bureau of Investigation.)*

Thus the peculiar feature of this practice is that (i) while being quite visible – and in some cases, such as in Budapest, even formalised – it is (ii) illegal, nevertheless (iii) it is not treated as a disturbing irregularity to be eliminated immediately but, rather, it remains a stable feature of the given policy field. If one looks for similar patterns in the world of public policies the concept of regulatory capture might emerge as a candidate (Stigler 1971). In the concise formulation of the Wikipedia, "regulatory capture is a phenomenon in which a government regulatory agency, which is supposed to be acting in the public interest, becomes dominated by the vested interests of the existing incumbents in the industry that it oversees"[10].

Despite some apparent and distant similarities, this is, however, clearly not the case with implementation deals, since in this case powerful vested interests are missing (as neither drug addicts nor the few NGO's totally dependent on government funding can be conceived of as such actors). The driving motif behind the deal comes from the implementation apparatuses themselves.

Although we might stop at this point, it seems worthwhile to go one step further and look for some explanations regarding what made/makes the police strike such deals. A clear point of departure here is the inherent ambiguity of legal regulations created and, throughout the subsequent years, maintained by the Parliament (that is, the governing coalitions of the day). This ambiguity is not only straightforward at first sight but was clearly stated by, among others, such entities as the

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10 www.wikipedia.org, downloaded 5 April 2008.

Constitutional Court; identical positions of the Office of the Chief Prosecutor and the Ombudsman are not cited for the sake of brevity.

> *The Parliament committed an unconstitutional default by… not creating the legal provisions regulating the criminal responsibilities regarding the personnel of harm reduction, prevention and treatment services for drug addicts. […] The guiding principles and detailed regulations of treatment, prevention and harm reduction services have been elaborated and harmonised with the Criminal Code only to an incomplete extent. The position of the policymakers/legislators on the different methods [of treatment and harm reduction] is unclear, for example with regards to… needle exchange services. (Needle exchange case, Ruling of the Constitutional Court 54/2004. (XII. 13.) AB.)*

In sum, the policymaker created and maintained for about six years a situation characterised by overt and totally unresolved contradictions between two important segments of drug policy (harm reduction and penal policy). This contradiction is especially peculiar for two reasons:

- First, it is not only a functional contradiction in terms of one policy *de facto* counteracting another; rather, it is apparent and explicitly coded in high level legal measures (Laws adopted by the Parliament). Hungary has a strongly legalist, *Rechtsstaat*-type/bureaucratic administrative culture (Hajnal 2005, Hajnal–Jenei 2007) where government apparatuses are not only required to follow the letter of the law but are also strongly dependent on such guidance. In such a context, overt contradictions in high level legal regulations is especially "shocking".

- Second, some may argue that in some cases, different policies necessarily contradict one another. Indeed, it is an all-too-well-known situation that trade-offs exist between different policies and the goal-attainment thereof. However, this is not the case here as international experience, as well as common sense and recommendations of such actors as the Constitutional Court and the Ombudsman suggest clear ways of eliminating unnecessary contradictions.

Observing the stability of this situation – and the adherence of the government to it despite repeated warnings of various high-profile actors to eliminate it – it should be clear that this situation didn't/couldn't emerge as a consequence of some indavertent mistake of the legislators but, rather, seems to have structural sources. It is beyond the scope and ambition of the present study to further investigate the chain of factors and events leading to authorities bargaining on implementation; nevertheless one decisive factor potentially driving the government to create and maintain such a situation might be the pursuance of two irreconcilable political goals,

- one of them being the fulfilment of international (UN and EU) requirements of introducing/accommodating harm reduction measures, while
- the other one being the internal (national) political imperative of maintaining (seemingly) stringent criminal policy regarding drug addiction (drug addicts being one of the most negatively viewed social groups).

In sum, implementation bargains are a tactic of government apparatuses, the function of which is adapting to the inherent policy and legal uncertainty "devolved" to them by policymakers. It enables strong rule-following, bureaucratic organisations to operate in an (legal/policy) environment otherwise inapt for hosting such organisations. This occurs however, not without costs; uncertainty is being "devolved" further down, towards societal actors primarily affected by these policies. Moreover, there is also a price to pay in terms of decreased effectiveness and efficiency of both harm reduction/public health and criminal policies.

4. Concluding remarks

The ambition of this research was to devise – identify, conceptualise and describe – sources potentially and, at least partially, explaining policy failures that are difficult to explain and understand on the basis of more conventional notions and factors. To this end, three cases of policy failures were selected and examined in-depth. The qualitative analysis of the empirical materials collected in the course of field research resulted in three propositions regarding such causal motives. Following a careful conceptualisation and empirical anchoring, these were given the following labels:

- petty, self-serving interests of policymakers;
- regulatory impotence emerging from "extremist" protection of the rule of law; and
- implementation deals struck by/between government apparatuses responsible for implementation.

While the first motive seems to be separable from more conventional notions of self-serving politicians (cf. the utility-maximising politician of Public Choice theory) to a less than satisfactory extent, the other two causal motives exhibit sounder conceptual demarcation from similar, more traditional concepts. Reaching a sounder conclusion on whether, and to what extent, these emergent concepts (i) have added value in terms of explanatory power and (ii) are separable from other, similar concepts, might require additional thought and arguments.

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3. Background documents of the NGO "TASZ" ("Society for Freedom"; www.tasz.hu).

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6. Ruling of the Constitutional Court 54/2004 (XII. 13.) affecting a number of basic issues of drug policy.

Interviews

1. Drug policy key expert of one of the most influential NGO's in the field of drug policy.

2. Former senior civil servant in charge of elaborating the national drug strategy, at the time of the interview, deputy director of a national agency in charge of coordinating the implementation of the drug strategy.

3. Director of a large NGO providing a needle exchange service.

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11 In order to ensure the anonymity of key informants, their position is not specified in detail. The term "senior civil servant" is used to denote state secretary, deputy state secretary, government commissioner and ministerial commissioner level respondents. The term "top level manager" is used to denote Director Generals and Deputy Director Generals of other (corporate) entities.

4. Senior official playing a key role in elaborating the government's drug policy and coordinating its implementation.

5. Police officer in charge of investigating drug crime at the National Bureau of Investigation.

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Documents

1. Background study written by a head of a Department of Legal Inspection at a county-level State Administrative Office (in charge of overseeing the work of building authorities).

2. Selected reports of the Ombudsman on various cases affecting the work of building authorities (altogether eight reports; www.obh.hu)

Interviews

1. Head of Department of Legal Inspection at a county-level State Administrative Office (in charge of overseeing the work of building authorities).

2. Senior civil servant of the ministry in charge, having been responsible for relevant lawmaking for a number of years.

3. Former senior civil servant for 25 years and head of department in the Department responsible for elaborating the present regulation.

4. Chief officer of a building authority of a Budapest district.

5. Entrepreneur active in several districts of Budapest in real estate development projects in the catering and hotel industry.

Parking card case
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1. Selected articles of print media having appeared on the topic in the period 2002–2006.

2. An internet forum devoted to parking problems of the disabled.

3. Selected laws and regulations and excerpts thereof: 218/2003 Korm., 141/2000 Korm., 100/1999 OGY, 164/1995 Korm., 143/1995 Korm. és 1/1975 KPM-BM.

Interviews

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2. Head of Department at the (then) Ministry of Social and Labour Affairs responsible for policy related to the disabled.

3. Head of Inspection of one of the two municipally-owned pay-parking companies of Budapest.

4. Top level manager of the Budapest Public Areas Maintenance Ltd. and top level representative of the Hungarian Parking Association.

5. Car driver at the National Institute for Persons with Locomotor Disabilities.

6. Top level manager of the National Institute for Services for the Disabled.

7. Local Government councillor of a Budapest district responsible for parking issues.

8. Senior police officer working in a Budapest district.

Political and Governmental Response to Ethnic and Linguistic Diversity: The Cases of Romania and Ukraine

Natalia Kolisnichenko, Mykola Izha, Allan Rosenbaum

Abstract

This paper examines the manner in which ethnic and linguistic minorities seek to have issues of concern to them addressed within the context of the political and governmental structures of their country. It examines the relationship between variations in minority group circumstances and variations in the specific means used by such groups in seeking to have their concerns addressed. For this purpose, we look at two relevant eastern European countries — Romania and Ukraine. Both countries have important ethnic and linguistic minorities. However, the rather different circumstances of each of these ethnic groups have produced quite different means by which ethnic and linguistic issues have been brought to the political and governmental forefront. This, in turn, has impacted the way in which policymakers respond to them.

Introduction

Issues of ethnic and linguistic identity are significant ones for all governments – be they democratic, democratising or non democratic.[1] Moreover, as events from Canada to China and from South Africa to the United States clearly indicate, they present persistent and significant dilemmas for many, if not most, societies. The collapse of Yugoslavia and the tragic conflicts in Bosnia and Kosovo all demonstrate that these issues are important ones in terms of the transition to democracy in Central and Eastern Europe.

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1   Brubaker, Rogers. Nationalism Reframed: Nationhood and the National Question in the New Europe. Los Angeles: University of California, 1996.

In many respects it is not surprising that issues of ethnic and linguistic status have emerged as critical ones for the new governments of Central and Eastern Europe. Political and governmental theorists have been concerned about these matters for decades. Nevertheless, despite the attention devoted to these issues, there is still a considerable lack of clarity regarding what factors contribute to what types of outcomes when ethnic and linguistic diversity emerge as critical concerns within societies. Indeed, there is even some considerable ambiguity as to what causes these issues to emerge at certain times and in certain places and not in others. In this paper we examine two countries, Romania and Ukraine – one of which, Romania, little more than a decade and a half ago was thought to have the same potential for catastrophic violence as would subsequently envelop Bosnia.

In the case of Romania, the country has a significant Hungarian minority, officially estimated to represent approximately 7 % of the population (although some estimates are higher). The country also has significant German and Roma populations.[2] In Ukraine, somewhere between 20 and 30 per cent of the population are identified as Russian speaking, many with ethnic Russian family roots. In addition, Ukraine has a significant Tatar population, especially located in the Crimea.[3]

In Romania, ethnic and linguistic diversity issues have been raised by the Hungarian minority through the electoral process, by attempting to influence public officials and by forming coalitions with other groups to address them. In Ukraine, issues of Russian linguistic and ethnic identity emerged as major political issues during the course of the 2004 election and have been matters of considerable concern in subsequent elections. The Crimean Tatar issue has a long history in the region and perhaps no current minority group in contemporary Ukraine has so strong a sense of community identity.[4]

Explaining the Emergence of Ethnic Issues

One of the more influential scholars to have addressed issues of ethnic identity and its political consequences, especially in the European context, has been the Norwegian political scientist, Stein Rokkan. In a series of highly influential books and articles written in the 1970s and 80s, Rokkan suggested that ethnic/linguistic conflicts represented a variant of centre-periphery conflict in European politics and

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2   Gherghina, Sergiu and George Jiglau. "The Role of Ethnic Parties in the Europeanisation Process: The Romanian Experience." Romanian Journal of European Affairs, vol. 8: No. 2, 2008, pp. 82–99.

3   Rowland, Richard H. "National and Regional Population Trends in Ukraine: Results from the Most Recent Census." Eurasian Geography and Economics, 45, October-November 2004, pp 491–514.

4   Kolisnichenko, Natalya and Allan Rosenbaum. Building a New Democracy in Ukraine: The Unacknowledged Issue of Ethnic and Linguistic Diversity in Public Administration Education and Training. Forthcoming Public Administration Review, 2009.

government.[5] Rokkan argued that within most European societies there is a dominant ethnic/linguistic group which is represented through at least one, and perhaps more, major political parties. These parties are centralising or homogenising forces — political parties which are committed to integrating a country's various ethnic and linguistic minorities into its broader and more dominant central culture.[6]

Rokkan further hypothesised that the rise of such centralising, homogenising political parties (and comparable forces) within a society will, in turn, produce a countervailing response of one or more political parties that will represent the specific ethnic, linguistic and cultural interests of the individual ethnic and linguistic minority groups that are found within the nation. Rokkan also theorised that such minority interest political parties would, as they developed, negotiate (generally peacefully) gradual, step by step, incremental responses to the political, policy and administrative demands of the ethnic/linguistic minority group which they represent and that their activities consequently would be narrowly focused upon the specific ethnic or linguistic interests of the group they represented.

In a 2002 article in "Southeast European Politics", French political scientist, Antoine Roger, of the Bordeaux Institute of Political Studies argued that the Rokkan theory was somewhat flawed because it did not take account of a particularly important variable in the process of the mobilisation of ethnic and linguistic minority groups.[7] Examining ethnic minority politics in Bulgaria and Romania, Roger suggests that the Turkish minority in Bulgaria, whose interests are represented through the Movement for Rights and Liberties (DPS) Party, behaves in a manner that Rokkan's theory would predict. It has organised a political party which has negotiated a variety of positive incremental achievements for the Turkish minority in Bulgaria. In so doing, it has not attempted to engage the major political parties on issues other than those affecting the well-being of the Turkish minority in the country and, even on such issues it has refrained from behaving in a conflictual manner.

In contrast, Roger looks at Romania — one of the cases we shall examine further here — to consider the activities of the Democratic Union of the Magyars of Romania (UDMR) Party which represents the Hungarian minority in Romania, and finds that its behaviour is quite different to that of the DPS. In contrast to the DPS, the UDMR has assumed a much more wide-ranging, aggressive, active and, consequently, risky role in Romanian political life. It has entered coalitions with

5   Lipset, Seymour and Stein Rokkan. "Cleavages Structures, Party Systems and Voter Alignments: An Introduction." Party Systems and Voter Alignments. New York: Free Press, 1967.

6   Rokkan, Stein and Derek Urwin. "Centres and Peripheries in Western Europe." Politics of Territorial Identity: Studies in European Regionalism, eds. Rokkan, Stein and Urwin, Derek. London: Sage Publications, 1982.

7   Roger, Antoine. "Economic Development and Positioning of Ethnic Political Parties: Comparing Post-Communist Bulgaria and Romania." Southeast European Politics, vol. III: No. 1, June 2002, pp. 20–42.

other parties and from time to time has taken ministerial positions in the government and, at other moments, has opposed the government on a variety of issues going well beyond concerns about the immediate interests of the country's Hungarian minority.

Roger explains this quite different and unanticipated behaviour by suggesting that the Rokkan theory has failed to pay attention to one critical variable. That variable is the relative political and economic standing of the country from which the minority originates. In essence, Roger argues that in the case of the DPS and its representation of Turkish minority interests in Bulgaria, the conditions of life in Turkey and Bulgaria were quite comparable and thus not encouraging of the sense of relative depravation needed to sustain a more aggressive and politically risky stance that might lead it into conflict with other political parties. In addition, the Turkish government, with its own resource constraints, had made no active effort to provide support or encouragement to the DPS in Bulgaria.

In contrast, Roger points out that the Hungarian minority in Romania, mobilising through the UDMR, is in a quite different position in the sense that economic and social conditions in Hungary were objectively better than in Romania, thus causing the Hungarian minority to have higher aspirations and expectations and, consequently, feel more disadvantaged. In addition, the Hungarian government took various actions at different points in time to encourage individuals in the Hungarian Diaspora to aggressively assert their rights and their Hungarian heritage. Consequently, Roger suggests that Rokkan's theory, while being generally relevant, must, in order to be fully predictive, be amended to take account of the impact of the ethnic minorities' homeland country — its domestic conditions and its actions in support of its Diaspora — in order to fully understand and explain the political behaviour of the ethnic linguistic minority within the country in which it is living. In looking at two very different types of ethnic/linguistic minorities in Ukraine, as well as the Hungarian minority in Romania, we should obtain an even broader perspective on the range of political and administrative behaviours of ethnic/linguistic minority groups within the European context.

Romania

The two principal ethnic minority groups in Romania are, first, the Hungarians and, second, the Roma.[8]

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8   The material on Romania draws heavily upon Gherghina, Sergiu and George Jiglau. "The Role of Ethnic Parties in the Europeanisation Process: The Romanian Experience." Romanian Journal of European Affairs, vol. 8: No. 2, 2008, pp. 82–99 and Roger, Antoine. "Economic Development and Positioning of Ethnic Political Parties: Comparing Post-Communist Bulgaria and Romania." Southeast European Politics, vol. III: No. 1, June 2002, pp. 20–42 as well as conversations with faculty at Babes-Bolyai University in Cluj, Romania.

Table 1

Minority Population in Romania

Ethnicity	Total Population	Percentage
Hungarian	1,434,000	6.6%
Roma	535,000	2.5%
Ukrainian	61,000	0.3%
German	60,000	0.3%
Russian	36,000	0.2%
Turk	33,000	0.2%
Tatar	24,000	0.1%
Serbia	23,000	0.1%
Slovak	17,000	0.01%
Romanian	19,409,000	89.55%
TOTAL POPULATION	21,698,000	100%

2002 Census

Generally speaking, the Roma, because of their local and cultural traditions, have not organised politically. In contrast, since the collapse of the communist system, the Hungarian minority in Romania has been very active politically. Much of that activity has been through a Hungarian dominated political party created in the early 90's, the "Democratic Alliance of Hungarians in Romania" (DAHR). In the immediate aftermath of the collapse of communism, the Romanian nationalism that had characterised political discourse during the final years of the communist system produced considerable political tension between the Hungarian minority and the Romanian majority. Indeed, in March of 1990, in the city of Targu-Mures, ethnic riots erupted which resulted in at least some fatalities. While the 1991 Constitution did make reference to minority rights in Article 6, there was no major legislative or administrative attention given to such matters until after the DAHR entered the ruling government coalition in 1996.

As is the case of Ukraine, in the aftermath of the overthrow of the communist regime in 1989, efforts were made to establish a basic law that took account of the rights of national minorities. In December of 1991, Romania's new Constitution was approved by referendum and it makes reference to the rights of persons belonging to national minorities and to the "preservation, development and expression of their ethnic, cultural and linguistic and religious identity".

Also of note in terms of minority rights was the 1991 law of public administration which included provisions that stipulated that local council decisions should be made public in minority languages when there was a significant number of individuals belonging to an ethnic minority; another provision provided that minority individuals could use their native language both in writing and orally in commu-

nications with public authorities so long as a Romanian translation of any documents is attached or that the minority person employs the services of a translator for involvement in public activities. The past several years have seen further attention directed to these types of issues, although no new legislation has been approved.

In 1992, the Parliament modified its electoral procedures to establish a system under which the country's Hungarian language minority would be guaranteed at least one seat in each meeting of the Parliament. A major milestone for the DAHR was the Parliamentary elections of November 1996 in which the party became a part of the ruling governmental coalition and, as a result, was able to obtain political representation at the ministerial level. Among the most notable achievements from the perspective of the Hungarian minority during this period were amendments to the laws on public administration and education which further enhanced the linguistic rights of minorities.

Following the Romanian elections of 2000, in which the Social Democratic Party came to power in the country, the DAHR entered into a political alliance with it through the "Agreement on Co-operation Between the Social Democratic Party and the DAHR" which was signed in 2002 and committed both political parties to giving priority to the protection of the interests of national minorities. Subsequent to this agreement, there have been at least five draft laws on national minorities prepared and debated publicly but they did not receive the political support necessary to enable their passage.

Of particular note was the approval by the parliament of a new law on public administration which provided for the use of a minority language in territorial administrative units in which a minority group represented 20 % of the population. Other significant achievements since then have been the establishment of a National Counsel against Discrimination, that is charged with encouraging the enforcement of non-discrimination legislation and the establishment of new laws which address the use of a minorities' native language in the courts and the public sector generally.

While the DAHR has been an active player in Romanian national government, its efforts have produced mixed results. Some Romanians are highly critical of it and suggest that it lacks a real commitment to the nation's wellbeing and readily sacrifices principle for immediate self-interest. Others attack it as fundamentally ineffective. One critic of Romanian developments, Maximillian Telti, the President of the Hungarian American Coalition, has characterised the national government situation in Romania regarding ethnic and minority rights in the following way – "although the Romanian Parliament has passed a number of laws on minority rights since 1990, including legislation on education and public administration, these laws have failed to address the full range of issues facing Romania's minorities. Furthermore, even where they have been implemented, the laws are insufficient for the preservation and promotion of minority linguistic and cultural identities and have

failed to support the legitimate aspirations of the minority to restore Hungarian educational institutions which were forcibly closed down under communism".

While there has been a major effort on the part of the Hungarian minority in Romania to engage in the political process nationally, it has been much less involved at the local level. In his study "Local Politics in Border Regions in Central Europe" Hungarian political scientist Antal Bohm, points out that one consequence of the much greater efforts to introduce local government reforms in Ukraine than in Romania is that ethnic minorities in Ukrainian municipalities have been much more active in seeking local rights and recognition than has been the case with the Hungarian minority in Romanian local communities.

Bohm noted that his research on border communities in Eastern and Central Europe found that some 71 % of the villages that he had sampled in Ukraine had sought some degree of local autonomy and the enhancement of service delivery that facilitated the promotion of the local language (in most cases Russian). In contrast, only 10 % of his sample of border communities in Romania had sought such recognition for their minority rights. He also found that in Ukrainian border communities, 29 % of his sample communities had allowed Russian to become an official written language whereas in Romania none of the communities allowed Hungarian as an official written language.

In the case of Romania, where the National Government does exercise greater control over local government than in Ukraine, one can note a pattern in which Hungarian minorities in the border communities of Romania, though often not very successful in local elections, are able to have a highly significant local government presence through the important office of municipal clerk which is appointed by the national government.

While issues of ethnic and linguistics diversity remain both complex and controversial in Romania, they are nevertheless being addressed in the political process, as Sergiu Constantine has commented, whether or not Romania has been, as its politicians like to claim, a success story in terms of issues of ethnic and linguistic diversity, it has been reasonably responsive to the "combined pressure from the European Union, NATO, Council of Europe and Hungarian Minority Political Representatives" as regards such matters. As Constantine goes on to note, this combination of factors and actors has proved to be decisive in convincing the Romanian political class to accept reforms as regards ethnic and linguistic minority rights in general.

Ukraine

The past few years have witnessed the emergence of significant political debate and controversy over ethnic and linguistic issues within Ukraine.[9] The Country's west-ward-leaning political forces, led by Ukraine's President Viktor Yushchenko, and its eastward-leaning political forces, led by some time (2002–2005; 2006–2007) Prime Minister, Viktor Yanukovich, have, amongst other topics, had significant political disagreement regarding both the use of the Ukrainian language in the public sphere generally and as a requirement for the carrying out of governmental activities by public administrators (a requirement which, in many instances, is not enforced). Even more intense than the debate over the role of the Ukrainian language in the work of government has been the conflict over what is the role of the Russian lan-guage in the country and the question of whether Russian should be established as a second official language within Ukraine.

The use of the Russian language is very widely-accepted within Ukraine by most segments of its population. It is the dominant language of Eastern and South-ern Ukraine and a prevalent language in most of the remainder of the Country. Nevertheless, in the past few years, it has become an increasingly politically volatile issue for Ukraine's ethnic Russian population who are encouraged by some politi-cal leaders to demand that the Russian language be given co-equal status with the Ukrainian language. For at least some Russian speakers, this is perceived as the first step toward a reunification with Russia.

In fact, however, ethnic and linguistic issues within Ukraine are much more complicated than a simple controversy over the relative roles of the Ukrainian and Russian languages. Rather, they reflect and are manifestations of major cultural and political divides within Ukraine. While almost all of Ukraine's population can understand the Ukrainian language, probably only about a bit more than half the country's population is really comfortable speaking Ukrainian – a language which does have many similarities to Russian. The promotion of Ukrainian has, however, been adopted by many (especially Ukraine's most western-leaning political leader-ship) as a symbol of national identity and unity. Some of the country's more extreme Ukrainian nationalists would also actively reject all use of the Russian language as a means of fostering the national identity of Ukraine through the mandatory usage of the Ukrainian language.

In some cases, as in the situation of Ukraine's Crimean Tatar population, eth-nic/linguistic issues are, in part, a contemporary manifestation of the kind of past traumas that characterise many societies that have been dominated by authoritarian and oppressive regimes. This relatively small group, numbering in the hundreds of

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9   The material on Ukraine is drawn from Kolisnichenko, Natalya and Allan Rosenbaum. Building a New Democracy in Ukraine: The Unacknowledged Issue of Ethnic and Linguistic Diversity in Public Administration Education and Training. forthcoming Public Administration Review, 2009.

thousands, is descendant from the country's principal indigenous people. Having been almost entirely expelled from their Crimean homeland during World War II, over the past decade many have returned to Crimea. Since returning they have mobilised politically for the purpose of having land and other resources repatriated to them. This has led to significant tension between Crimean local government and some elements of the Tatar population – especially the small but outspoken portion that would like to see the establishment of an independent Crimean state.[10]

One of the principal areas of conflict between Crimean authorities and the Tartar population has been with regard to local schools. Currently there are 14 Crimean Tartar language schools which educate 4,151 students (as opposed to 1,595 Russian language schools which educate over 700,000 students). The Crimean Tartar population has focused much political activity on protesting against the lack of adequate schools to educate students in the Crimean Tartar language. Especially notable in this case is the situation in the Crimean capital, Simferopol which has a population of 40,000 Crimean Tartars but does not have any school in which teaching occurs in the Crimean Tartar language.

Ethnic linguistic issues do occasionally briefly emerge in the broader national political processes in Ukraine and take the form of political parties which, for the most part, are very short lived. A small party, the "Russian Bloc" took part in the 2004 elections and then disappeared. Before the 2006 elections to parliament, two Hungarian parties were established but they also disappeared after the election. One factor contributing to this is that such parties have little chance to overcome the 3 % barrier that is a prerequisite to having representation in the parliament. In addition, ethnic communities, with the exception of Ukraine's Russian speaking population, tend also to be concentrated in small areas and thus find it difficult to attract support beyond their immediate community. The reality is that with the exception of the ethnic Russian and Tatar populations, none of Ukraine's one hundred plus ethnic/linguistic minorities have both the desire and the capacity to mobilise in a politically significant manner.

In part this is because the actual attitudes of most of Ukraine's citizens on these matters, while significantly divided, are nevertheless both moderate and tending towards inclusiveness. A recent national survey found that 37 per cent of Ukrainians felt that both Ukrainian and Russian should be official state languages, with 20 per cent feeling that Ukrainian should be the national state language but Russian could be an official language in some regions of the country. Only 35 per cent felt that Ukrainian should be the sole state language.

Equally significant, despite the fact that many Ukrainians are still less comfortable speaking Ukrainian than Russian, there is remarkable support for the

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10 Ablyatifov, Rustem. "The Adaptation and Integration of Formally Departed Crimean Tatars in Ukraine: Evaluations of the Governmental Program." Delivered at the 12th NISPAcee Conference. May 13–15, 2004.

use of Ukrainian as a national language. Only four per cent of Ukrainians felt Russian should be the official state language and 3 per cent had no opinion. This, along with other survey data, seems to suggest that, despite the Country's several ongoing political controversies, Ukrainian nationalism — in the sense of modern nation-hood — basically is alive and well and that regardless of the actions of political leaders who have sought to make ethnic/linguistic issues a political rallying point, for most citizens of Ukraine – including those of Russian descent – it is not a significant issue.

Nevertheless, this has not stopped it from becoming a political issue. It was the political party, the Party of the Regions (PoR), which has its strong base in the Russian-leaning eastern region of Ukraine that took the lead in introducing ethnolinguistic issues into the mainstream of Ukrainian politics during the bitterly fought 2004 presidential campaign. The proposal to grant Russian the status of a second state language was strongly endorsed by its leader, the former Prime Minister, and then candidate for the office of President, Victor Yanukovych. On September 27, 2004, when he spoke about granting Russian the status of a second state language, he also indicated support for the idea of dual citizenship — Ukrainian and Russian — for Ukraine's citizens. One consequence of this was that, subsequently, in Parliament there was a substantial increase in the number of bills filed about language issues. In addition, it is highly likely that the political interest generated by these proposals helped to produce the electoral turn out and vote necessary to make the PoR the largest single bloc within the Parliament.

Subsequently, the PoR continued to emphasise this issue for political purposes. In the programme of the PoR during the parliamentary elections of 2006, Yanukovich stated: "We are for granting Russian the status of second state language in Ukraine." Indeed, the slogan: "Two languages – one people!" was frequently heard and, during the campaign of 2006, Yanukovych remarked repeatedly that, after the parliamentary elections, his party would be initiating a proposal for Russian to have the status of a second state language and further commented "… it is a principal question for us", since to "grant Russian the status of second state language will remove lots of contradictions which are in our society." In an interview, Yanukovych spoke about the possibility of conducting a referendum concerning granting Russian the status of a second state language and bringing changes to the Constitution of Ukraine he noted that "… if it is needed to conduct a referendum, we will conduct it, if it is needed to change the Constitution – we will change it. Parliament will accept the proper decision. We will have voices, I am convinced. If there is a referendum on this question, we will win also."

President Yuschenko, from the beginning of his presidency in 2005, has stressed constantly the importance of issues connected with the protection of rights and cultural diversity for ethnic minorities. He has called the appreciation of the rights of ethnic minorities one of the key internal priorities of the Ukrainian state.

In 2005, President Yuschenko signed the Decree "On Measures to Realize National Policy in the Area of Inter-Nation Relations, Religion and Church" (№1172 from 23. 09. 2005). In this document of the Cabinet of Ministers, it is proposed "to develop (with the participation of research institutions and the public organisations of ethnic minorities) and approve by November 1, 2005, the National Programme of Inter-nation Peace in Ukraine", which would address the "prevention of inter-ethnic conflicts through the carrying out of, for instance, some definite activities in inter-nation peace, tolerance in relations with the representatives of various nationalities, support of national cultural traditions, making changes in curricula and programmes and provision of relevant research."

However, beyond this initiative, President Yuschenko has not, perhaps because of preoccupation with the ongoing conflict that has characterised Ukraine's politics for the past few years, paid great attention to the initiation of new policy regarding these matters. Particularly notable has been the absence of a systemic position by the President regarding issues surrounding the renewal of Crimean Tatar rights. Similarly, the limited activity of the numerous advisory bodies on ethnic minorities that function within the Office of the President of Ukraine has been especially notable. During 2005, there wasn't a single official meeting of either the Board of Crimean Tatar Representatives or the Board of Community Organisations of Ethnic Minorities Representatives.

Thus, while the controversy over language issues has become very real in Ukrainian society, public policy (in the form of a united strategy and set of measures) in this sphere has yet to be developed. In some cases, there has been a lack of institutional capacity to coordinate or reconcile the positions of social groups between which there is disagreement. However, far more significant is the fact that there has been little or no mass popular mobilisation around these issues – either by the Russian population (who could do so) or other minorities (whose capacity to do so is somewhat limited). In part, this is because the language issue is still a relatively new one in contemporary Ukrainian politics (although its roots go back at least a century). It has only been since the emergence of highly competitive elections at the end of 2004 that the language issue has become a controversial part of the national political dialogue.

In fact, recent surveys show that the "language issue" is not an "important" dimension of public political concern. Citizens are much more concerned with economic and trade issues (76.2 per cent) and energy issues and problems (42.7 per cent). Cultural issues (including language) occupy last place among citizen concerns (9.8 per cent). The same survey testified to the current popular acceptance of the status of the Russian language and Russian language speakers in Ukraine. Almost 80 per cent of respondents said that the needs of the Russian-speaking population currently are satisfied completely or partially and only one-tenth (9.6 per cent) said that these needs are not satisfied. Historically, these language differences have not

led to inter-group tension. Recently, however, they have become the basis for frequent conflict and permanent contradiction at the political level – typically between political forces which lay claim to the role of being representatives of the political and economic interests of some definite language group.

Research Findings

The research presented here, which has examined the circumstances of the Hungarian minority in Romania and two ethnic/linguistic minorities in Ukraine, the Russian and the Crimean Tatar populations, suggests a slightly different way of understanding the factors that influence and shape the way in which such groups seek to advance their interests through government action. As we looked at what are essentially three different cases, it became apparent that there are actually two major independent variables involved in any explanation of the nature of the political behaviour of ethnic/linguistic minorities within the context of their country's political life. The first is, as Roger suggests, the sense of depravation and/or discrimination felt by the minority group and the second is the capacity of the group — especially in terms of the concrete political resources which they can bring to bear on the governmental processes of their country.

In the case of Ukraine, the ethnic Russian linguistic minority, while having great political resources and a significant capacity to mobilize, has not coalesced into a single politically active ethnically or linguistically focused political party principally because, as survey data clearly indicates, the Russian speaking population does not feel a high degree of discrimination or depravation relative to their Ukrainian speaking compatriots. In that sense their behaviour serves to further confirm Roger's modification of Rokkan's theory.

In contrast, the UDMR in Romania was born out of the belief that the Hungarian minority have been the victims of significant discrimination, as well as some depravation (especially as regards their Hungarian brothers and sisters living within Hungary). However, a second critical factor in explaining its behaviour, and one that Roger does not address, is that the Hungarian minority also has the size and resources to mobilise politically in an effective and influential manner and, consequently, is able to play a very active and wide-ranging role in Romanian politics. In contrast, the Crimea Tatar population in Ukraine, while feeling a much more substantial, and quite real, sense of discrimination and depravation, has lacked significant political resources and, consequently, has sought remedies not so much through the broad spectrum of political activity, but rather through relatively narrow, highly focused negotiations with administrative offices and public protests intended to encourage policy modifications within the bureaucracies of various government ministries. Other ethnic/linguistic minority groups have been even

less politically active, reflecting their very limited resources and consequent lack of capacity to effectively drive or shape governmental response.

Conclusion

As we noted at the outset of this paper, issues related to matters of ethnic and linguistic diversity within a country are becoming ever more central and, in many instances, highly contentious in terms of governance and nation building. In recent years numerous countries have become increasingly polarised over such matters and, in some cases, such conflict has brought about the demise of some nations. On the other hand, some countries where these issues are equally central to political life have found ways to integrate discourse about such matters into normal political dialogue.

In this paper we have examined issues of ethnic/linguistic diversity in two Central and Eastern European countries – Romania and Ukraine. In doing so, we have seen a variety of ways in which these matters are reflected and addressed within the framework of a nation's governance system. We have also seen that a combination of sense of depravation and capacity to mobilise resources serve to shape the nature of the efforts by an ethnic/linguistic minority to exert influence on such matters.

In Romania, we have seen how the country has moved from a situation where conflict had become so intense as to result in the loss of life, to circumstances where the political party representing the interests of the Hungarian minority has come to play an important role in government. In Ukraine, we have found quite different patterns of response. The country's potentially very powerful ethnic Russian population has been so well integrated into the life of the nation as to not feel the need to mobilise politically. In contrast, Ukraine's Tatar, and other minority populations have sought to mobilise politically but often lack the resources to sustain such efforts.

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Section II

Public Administration Reform

National Assessment of Excellence in Slovenian Public Administration – Pilot Project 2007

Polona Kovač, Nina Tomaževič

1. Introduction

National public administrations are nowadays forced to adapt to societal changes all over the world (Pollitt, 2004). In the European Union, the Lisbon Strategy is one of the key incentives, among other things striving to develop the public administration (PA) operations on the basis of focusing on customers and all other stakeholders. In the EU there is no prescribed tool for quality development in PA, but the European Commission recommends especially self-assessment and external benchmarks, as well as improvements according to the Common Assessment Framework (CAF) for organisations in the public sector in the context of overall reforms of PA. The Government of the Republic of Slovenia determined that in the mandate 2004–2008, the key goals are to make the administration user-oriented, its operation open and transparent, and to ensure efficiency and quality on all levels. The latter specifically includes the establishment of a quality system within PA – this being also the objective of the Slovenian Development Strategy until 2013. In the Slovenian PA, different standards and models are used to develop quality management, mainly the ISO standards, and the EFQM excellence model within the frame of annual national awards for business excellence. From 2002 to 2007, approximately 80 Slovenian administrative organisations carried out self-assessments with the CAF model; in this manner they became part of the group of 800 CAF model users from all over Europe (Engel, 2003, Staes and Thijs, 2005). The reality shows that none of the existing tools ensures public organisations to gain external and therefore objective assessment and the consideration of the specifics of work in PA at the same time. Consequently, in 2007, the Ministry of Public Administration (MPA) and the Faculty of Administration (FA) decided to implement a project "*The Development and the Establishment of the System for External Assessment of Excellence in Public Administration*".

The first part of the paper describes the project, while the second part summarises the experience (benefits and areas for improvement) obtained during the pilot assessment within the project. In the third section of the paper, based on an analysis of selected applications submitted by the applicant organisations, we present examples of good practices in the areas of 'People', 'People Results' and 'Leadership', since the authors find this field particularly critical for successful implementation of reforms in PA.

2. Description of the Project

2.1 Background of the Project

Slovenia has been striving to make its public administration and the entire social system one of the best in the EU. A possible approach to achieving this goal is the development of an effective and efficient public administration that promotes the competitiveness of the national economy and sustainable development of the broader community.

The project 'The Development and the Establishment of the System for External Assessment of Excellence in Public Administration', which was carried out in 2007, is an important piece in the mosaic of endeavours aimed at creating an excellent public administration and implementing the necessary reforms. The project was based on the following starting points:

- in most organisations of the Slovenian public administration, awareness about the significance of quality has been present for more than a decade. Therefore, some isolated steps towards improving the work and operations of public administration have already been made, with active support of the MPA;

- based on comparative data, self-assessment, particularly using the CAF model, has been widespread in Slovenia since 2002; however, such self-assessments are not fully objective and therefore comparable in terms of methodology, assessors and consequently contents, and therefore cannot be regarded as objective;

- in view of the experience gathered during the pilot project of the national Business Excellence Prize of the Republic of Slovenia and regular contests in the public sector category carried out in 2004, 2005 and 2006, most administrative organisations are still insufficiently qualified for external assessment using the EFQM model, i.e. they have not established total quality/business excellence management at the appropriate level of maturity of the system.

The pilot assessment project was based on a total excellence model that allowed us to integrate the work done as well as to make benchmarking and upgradings. It is critical that the comprehensive model of excellence allows us to compare similar organisations within public administration according to general criteria that

are valid for all types of organisations and areas of their work. Furthermore, in view of globalisation and Slovenia's full membership in the EU, the comprehensive model must also ensure comparability beyond the national borders. By constructing a total quality model that is equal or at least very similar to the one(s) used by other EU countries and elsewhere, Slovenia can play an active part in shaping the European Administrative Area.

2.2 The Objective and Purpose of the Project

The basic objective of the project was to develop and establish a system of external excellence assessment in Slovenian public administration organisations, based on the European model for the public sector CAF 2006 and pursuant to the Decree on Administrative Operations (regarding operating standards for transactions between public administration bodies and their customers (UUP, Official Gazette of the Republic of Slovenia, Nos. 20/05 and amendments). The purpose of the project was to enable benchmarking and learning opportunities among as many Slovenian public administration organisations of the same or different type as possible and raise awareness of the importance of excellence and good practices in all types of public administration organisations and, in the long run, in the public sector as a whole. Participation in the project and regular assessment will allow the more developed and ambitious public administration organisations to gradually adopt the EFQM excellence model in the framework of the Business Excellence Prize of the Republic of Slovenia, where they will have the possibility to benchmark with private enterprises.

2.3 Project Partners and the Structure of Project Bodies

Partners in the project 'The Development and the Establishment of the System for External Assessment of Excellence in Public Administration (SOOJU)' were the Ministry of Public Administration (MPA), the Metrology Institute of the Republic of Slovenia (MIRS) and the Faculty of Administration, University of Ljubljana (FA). The MPA was engaged as the project sponsor and administrator. The Ministry's main objectives (in its 2004–2008 Mandate) regarding public administration include customer orientation, openness and transparency of public administration operations, efficiency and quality at all levels and above all, overall high-quality and efficient functioning of the entire public administration (www.mju.gov.si). The latter expressly includes the establishment of a quality system in public administration, which was also endorsed by Slovenia's Development Strategy, the national development programme until 2013. Through the Project Programming Council, i.e. the coordinating advisory body of the project, the Ministry prepared guidelines for the development and establishment of an excellence assessment system in public administration. The Ministry is planning to implement the quality assessment system as a regular activity from 2008 onwards. The MIRS is the national partner organisation of the European Foundation for Quality Management (EFQM) from

Brussels that awards the Business Excellence Prize of the Republic of Slovenia for the private and public sectors. MIRS was the Ministry's strategic partner in the project that provided the sponsor and operator of the project with the knowhow, documentation and information regarding the establishment of the system, drawing on its experience in the procedure for awarding the national Business Excellence Prize. The project was carried out by the FA, an institution that has for 50 years gathered expertise on teaching methods, research and consultancy in the areas of public administration and the development of quality/excellence. The faculty set up a Core Project Group with a Project Office, which collaborated with representatives of public administration organisations as external consultants.

Figure 1
Project Organisation Chart
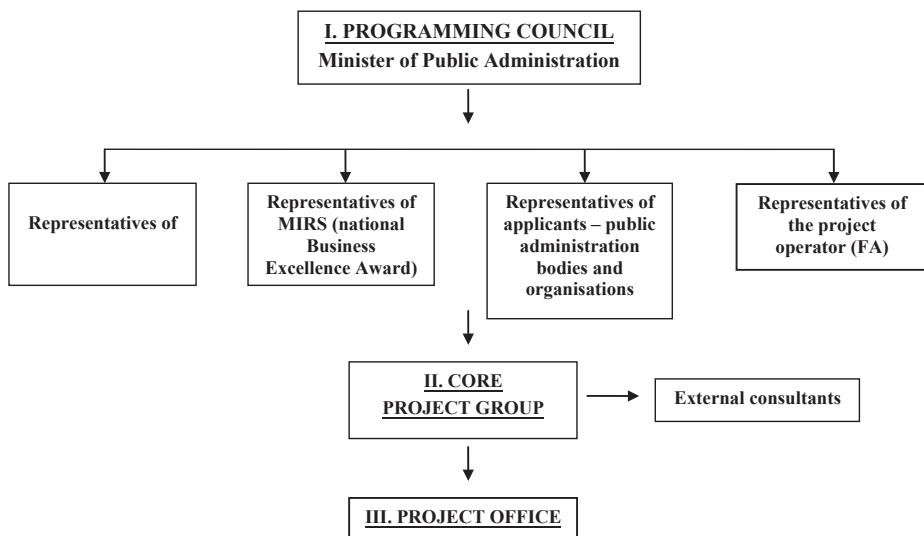
The Programming Council had an advisory and coordinating role. The activities of the Council were coordinated by the project operator. The Programming Council met three times during the course of the project: in March 2007, upon the completion of the first and second project phases in July 2007, and in November 2007, when the project ended. The Core Project Group, led by Head of the Project, represented the second level in the structure of project bodies. The group also collaborated with external consultants from public administration organisations, who advised the project group on a continual basis regarding the appropriateness of project activities from the viewpoint of the applicants – public administration

bodies and organisations. The project group was the principal operator of activities within the project.

2.4 Participating Applicant Organisations and Assessors in the 2007 Pilot Assessment

The assessed organisations that participated in the project included public administration organisations (administrative units, ministries, bodies affiliated to ministries, government services) and parastatal organisations that perform administrative functions under state jurisdiction (public authority holders, predominantly public institutes). These organisations took part not only as applicants; they also contributed assessors. In subsequent assessments, municipal administrations and other providers of public services will also join in.

In April 2007, eight organisations (out of 25 applications) and 40 assessors (out of more than 100 applications) were selected by way of an open invitation to the pilot assessment carried out in the autumn of 2007. The pilot excellence assessment project in public administration was an applicant-friendly, practical example that showed the participating organisations how to tread the path of excellence, and was therefore primarily targeted at organisations eager to find out more about their performance and the performance of their organisational units, seeking a comprehensive approach to improving their operations. These organisations wanted to be informed in a simple and practical way about how the best organisations manage and improve their operations and learn from them, while appreciating some formal acknowledgement of their initial efforts on the way to excellence. The applicant organisations that took part in the 2007 pilot assessment were (in alphabetical order):

- the Administrative Unit Metlika (a territorial state administration authority, one out of 58 in total);
- the Administrative Unit Velenje (a territorial state administration authority, one out of 58 in total);
- the Employment Service of Slovenia – Regional Office Koper (one of the regional units of the ESS; a public authority holder);
- the Environmental Agency of the Republic of Slovenia (an authority within the Ministry of the Environment and Spatial Planning – state administration);
- the Ljutomer Social Work Centre (public authority holder; there are 62 such centres in total in Slovenia);
- the Market Inspectorate of the Republic of Slovenia (an authority within the Ministry of the Economy – state administration);
- the Office of the Human Rights Ombudsman (an independent government body); and

- the Police Directorate Novo Mesto (one of the regional directorates of the Police as an authority within the Ministry of the Interior – state administration).

The participant organisations were selected by a panel of judges, composed of representatives of the Programming Committee. The panel considered several conditions and criteria, particularly the following:

1. Applicants must have carried out at least one assessment using the CAF or EFQM models, or demonstrate the use of other quality tools. The selected organisations were not the most experienced ones with several years of experience in the areas of the national Business Excellence Prize and the application of the EFQM model. The aim of the project was to include the widest possible range of different organisations in improvement processes.

2. The selected organisations had to differ in terms of type of the body, area of activity, geographical location (seat), budget size, number of employees, number of customers, the use of quality tools (level of experience), etc. The criterion of different types of organisations also used a regional key and gave priority to the organisations from different regions of Slovenia. An important criterion was the type of activity (e.g. service activities on the one hand and inspection or the police on the other), combined with the coverage of different administrative areas.

The selected organisations prepared their applications based on the structure of the CAF 2006 model, although they did not write running text as in applications for the Business Excellence Prize of the Republic of Slovenia, but reported their situation by means of indicators and supporting documentation (e.g. annual reports, analyses of the results of the monthly survey "Quality Barometer") or by quoting other references.

Assessment teams were composed of five assessors, at least one of whom had experience in public administration operations and was also an experienced CAF or EFQM assessor. Two assessors came from the group of assessors within Business Excellence Prize of the Republic of Slovenia and were employed in the private sector, indirectly representing the customers of public administration. The fourth assessor was from a public administration organisation of the same type in order to be able to explain to fellow assessors the internal aspects of operations in such an organisation, whereas the fifth assessor came from a public administration organisation of a different type, which ensured the exchange of good practices and a broader perspective. The assessors had at least a university degree and several years of managerial experience, as well as experience in assessment and reviews. In addition, they had to attend a two-day workshop where they were trained to assess organisations using the CAF 2006 indicators and methodology, adhering to the prescribed standards of transactions with customers and other specificities of public administration. Each assessment team was also accompanied by an observer pair, composed of one

representative from the academic circles and one from practice. They were selected from among assessor applicants, so that as many interested people and their employers as possible were able to participate in the project. The task of the observers was to monitor the work of the assessors and representatives of applicant organisations, and to submit proposals for improving the regular assessments procedures, since only a proper methodology can result in objective assessment.

2.5 Assessment Criteria

The substantive bases for assessment in the project were the CAF 2006 model; and the Decree on Administrative Operations (DAO) regarding the operating standards for transactions between public administration bodies and their customers (e.g. office hours, keeping customers informed, customer satisfaction surveys, exchange of data from official records as a duty of administrative bodies, e-operations customers, etc.); the standards laid down in the Decree on Administrative Operations (DAO) were included accordingly in the (sub-) criteria of the CAF model. Thus, the model, while tailored to the specificities of public administration, remained comprehensive and well-balanced. By assessing the standards laid down by the Decree, project results partly involved the analysis of the degree to which individual organisations fulfilled the set requirements. The task of the assessors was not only to establish whether a standard was being applied in practice, but also to assess the possibilities and realisation of its upgrading. Figure 2 shows the criteria of the CAF model, developed in accordance with the EFQM model.

Figure 2
The CAF 2006 model
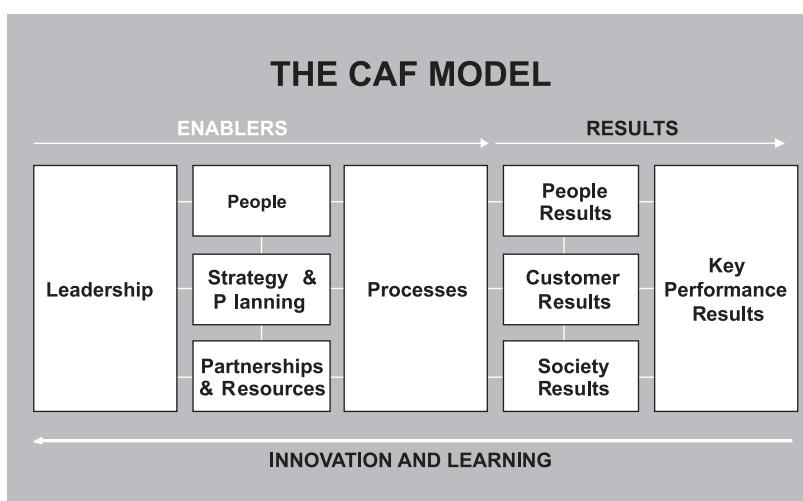
Source: http://www.eipa.eu/files/File/CAF/Brochure2006/English_2006.pdf, March 2008.

We used the CAF 2006 version of the model (launched in September 2006) for the assessment, which places a greater emphasis on modernisation and innovation. In the project we used the more demanding of the two possible assessment methodologies, i.e. fine-tuned assessment, modelled on the RADAR matrix of the EFQM model. The fine-tuned scoring with the CAF 2006 model is appropriate for organisations that wish to carry out a thorough examination of the analysis comprising a total of 28 sub-criteria. It enables simultaneous scoring – for each sub-criterion – of all phases of the Deming Cycle (Plan-Do-Check-Act). Compared with the CAF 2002 version, where the scoring scale was set at 0–5, the new scale was revised and set at 0–100. Internationally this scale is more widely used, it is more in accord with the 1000-point system of the EFQM model, and has generally been accepted as authoritative in various tools.

2.6 Schedule of Project Activities (2007)

Activities in 2007 were carried out according to the schedule set out in Table 1:

Table 1
Schedule of project activities

Project management	January–December 2007
A short overview of assessment schemes in the EU	January–February 2007
Development of assessment criteria (identification of standards laid down in the DAO and their integration in the CAF 2006 indicators)	February–April
Determining the conditions and criteria for assessors and applicant organisations	March
Public call for applicants and assessors in the 2007 pilot assessment	March
Listing and selection of applicants	March–April
Listing and selection of assessors	March–April
Formation of assessment teams for each applicant organisation	April–May
Preparation of workshop programmes and study material for applicants and assessors	April–June
Development of documentation for assessment in the pilot project – instructions for preparing applications, instructions for assessors and observers	April–June
Training applicant organisations representatives to prepare applications for assessment (one-day workshop based on previous workshops in the organisation)	June
Training assessors to use the CAF 2006 model and the DAO (two-day workshop)	June
Preparing applications for assessment by applicants	August–September

Assessing applicants and on-the-spot visits in applicant organisations	September–October
Preparation of assessment reports	October–November
Evaluation of the 2007 pilot assessment	November
Evaluation of the project	December
Presenting awards to participating organisations and individuals	February 2008

After the conclusion of the project, regular external assessments of interested public administration organisations are planned to be carried out by the MPA from 2008 onwards.

3 The Experience of the Pilot Assessment in the Framework of the Project

3.1 The Main Benefits of the Pilot Assessment

The evaluation of the pilot assessment was carried out in October and November 2007 by applicant organisations, assessors and observers. All participants commended the idea, contents, and implementation of the project. In their opinion, the project contributed significantly to the development of excellence in the Slovenian public administration, particularly in view of the following:

- assessment in the project was based on a total excellence model (CAF 2006), which ensured that the appraisal was comprehensive, objective, comparable and authoritative, and allowed the identification of good practices; at the same time, the assessment focused on the particularities of the Slovenian public administration by taking into account the DAO;

- the organisations that were assessed in the project included various public administration organisations (eight organisations were selected from 25 applicants), which did not take part only as applicants but also contributed a significant number of experienced colleagues to the group of assessors (40 assessors were selected from 120 applicants); in their evaluation, the assessors highlighted the dedication of applicant organisations in preparing applications, on-the-spot visits, and participating in the project in general. The assessment teams were heterogeneous, composed of:

  - the head of the assessment team, who was a civil servant experienced in CAF and EFQM assessment procedures,

  - two members of the team, who were representatives of the private sector experienced in the assessment system for the national Business Excellence Prize, and

- two members of the team, employed in public administration – one in an organisation of the same type and one in an organisation of a different type. The heterogeneity of the assessors was important in order to ensure that the assessments were as objective as possible, taking into account the specificities of operations in each organisation;

- a two-day workshop was carried out for the assessors to train them for assessment using the indicators and methodology of the CAF 2006 model in line with the prescribed standards of transactions with customers and other particularities of public administration;

- a one-day workshop was carried out for applicant organisations to acquaint them with the preparation of the application for assessment and the assessment procedure, particularly regarding on-the-spot visits;

- for each applicant organisation, a pair of observers participated in the assessment; their role was to monitor the assessment procedure in order to collect proposals for improvements to the course of the assessment; observers were selected from among assessor applicants; thus, it was possible to engage a greater number of interested individuals and their employers in the project;

- on-the-spot assessment, which was obligatory for all applicants, gave assessors an insight into the organisation culture in a given organisation and facilitated their decisions regarding the scoring, particularly where formulating an opinion on the basis of the application alone was difficult;

- for the purposes of workshops, assessments and the project as a whole, a number of high-quality, transparent and useful materials, as well as clear and timely instructions were prepared;

- high-quality training for both applicants as well as assessors and observers ensured a uniform approach to the project and the pilot assessment and facilitated assessment related activities (based on Kovač, Tomaževič et al, 2007).

3.2 Main Areas for Improvement as an Input for Potential Future Assessments

The pilot assessment and project implementation brought all participants many new insights and experiences that could serve the broad Slovenian and European area in the future, especially to identify areas for improvement in the field of excellence in public administration. The key areas (activities) that should be prioritised and carried out in future by those responsible for the development of excellence in public administration include:

- involving municipal administrations and other public service providers in the future assessments and activities in the area of excellence in public administration;

- major promotion of the project in the broader public (among users of the public administration services/sector and those organisations that are currently not active in this area, as well as internationally);

- increasing the funds available for project implementation (lower participation fees for workshops/higher assessor fees);

- planning activities in such a way that applicants will be motivated to use business excellence tools systematically in various segments with an emphasis on continuous progress – setting up quality circles to spread good practices;

- setting up two to three categories of applicants and adjusting the contents of training to the 'maturity' of applicants;

- simplifying report samples and other assessment tools and deciding which supporting documents/enclosures to the applications are absolutely necessary and which are not (based on Kovač, Tomaževič et al, 2007).

Finally, we should emphasise that assessment procedures should be designed in such a way that excellence will be regarded as a general way of functioning rather than an isolated activity of a given group of employees (either only the management, or, where the support of management is lacking, a few people "responsible for quality"). In this regard, the significance of long-term and strategic assessment strongly depends on public policy objectives, i.e. the objectives of public organisations, since the rate of performance must be based on the achievement of these objectives.

4 Best Practices in the Areas and Criteria 'People', 'People Results' and 'Leadership'

4.1 Background to the Analysis

In January 2008, following the evaluation, we also conducted an analysis of approaches and good practices in correlation with the performance of organisations in the pilot assessment. The approaches and practices analysed were those observed in two organisations with the highest scores in the criteria People, People Results and Leadership (criteria 3, 7 and 1 according to the CAF model). These practices were insufficiently present in organisations with the lowest scores, which evidences the effect of these approaches on the quality/excellence of an organisation as a whole.

In criteria 1, 3 and 7, which concern Human Resource Management and people satisfaction exclusively or in major part, the CAF model contains the following sub-criteria (approaches):

1.1 – provide direction for the organisation by developing its mission, vision and values – the key points in this segment are to develop the mission and vision by

involving all employees, translate the mission into strategic and operational objectives, set up a values framework, etc.;

- 1.3 – motivate and support people in the organisation and act as a role model – the main components of this criterion are e.g. leading by example, keeping employees informed, rewarding and promoting employees, promoting a culture of innovation, etc.;

- 3.1 – plan, manage and improve human resources transparently with regard to strategy and planning – this sub-criterion includes regular analysis of human resource needs, developing and communicating the human resources management policy based on the strategy and planning of the organisation, ensuring the capability of human resources and proper working conditions;

- 3.2 – identify, develop and use competencies of employees, aligning individual and organisational goals – this criterion refers to developing competencies, training, mobility, etc.;

- 3.3 – involve employees by developing open dialogue and empowerment – this primarily means promoting a culture of open communication and dialogue and encouraging teamwork;

- 7.1 – results of people satisfaction and motivation measures – this criterion pertains to results regarding overall satisfaction, management and management systems, working conditions, motivation, career and skills development;

- 7.2 – indicators of people results – e.g. levels of absenteeism and sickness, staff turnover rates, number of complaints, measures of productivity, and results of staff satisfaction surveys.

Below, we discuss some of the highlighted good practices, which are principally not separated according to criteria 1, 3 and 7 since are they closely interrelated. The same approaches are found in both enablers and results. For example, the process of training evaluation is classified as a good practice under criterion 3, while measures relating to education planning based on the results of the evaluation analysis belong to criterion 7. Similarly, the monitoring (surveying) of people satisfaction is an approach within criterion 3, while favourable or rising marks due to action of the management based on previous surveys are results under criterion 7. In this sense, the assessors in the SOOJU project evaluated the participating organisations not only against criteria 1, 3 and 7 according to the CAF model; in addition, these criteria were, for both enablers and results, complemented by two standards laid down in the Decree on Administrative Procedures, which are directed to the satisfaction of public administration customers but largely refer to employees. These two standards are:

- a clear delineation of competencies (responsibilities and powers) of employees by the management pursuant to Article 4 of the DAO; and

- annual interviewing of employees about their satisfaction by way of a question-naire (methodology) prepared by the MPA (see the Ministry website); in the DAO, this standard is expressed indirectly (Article 17) and relates to customer surveys.

The task of the assessors regarding these standards was not only to determine whether a standard was being applied in practice, but also to identify the possibilities and realisation of its upgrading (e.g. by imposing the obligation not only to conduct annual customer satisfaction surveys, but also to monitor the satisfaction of partners and employees by way of publicly accessible scoring data).

The lowest aggregated scores were achieved in criterion 8 – society results (this criterion also scored lowest individually in four out of eight pilot organisations); the other two criteria with the poorest results were criterion 9 – key performance results (two out of eight) and criterion 7 – people results (two out of eight). It is interesting that the two organisations with the lowest number of points in criterion 7, as well as criterion 3, were among the organisations with the highest total points. This shows that other enablers and results are largely under control, whereas the significance of people is still underestimated or their potential unused. This is evidenced by the comparison with aggregated data for all 28 sub-criteria, presented in the table below.

Table 2
Aggregate results of the pilot assessment

	Total points possible	Average achieved by the eight applicant organisa-tions	Average achieved by the eight applicant organisa-tions – % share	Highest number of points achieved among the eight organisa-tions	Highest number of points achieved among the eight organisa-tions – % share	Lowest number of points achieved among the eight organisa-tions	Lowest number of points achieved among the eight organisa-tions – % share
Enablers (20 sub-criteria)	2000	500	25%	753	38%	269	13%
Results (8 sub-criteria)	800	174	22%	256	32%	48	6%
Total	2800	674	**24%**	974*	**35%**	337*	**12%**

Data are calculated for individual organisations at the level of enablers (five criteria) and results (four criteria), as well as all nine criteria (28 sub-criteria). This means that at the level of enablers, there is one organisation with the highest score, while at the level of results and all criteria, other organisations are rated highest (therefore, the figures in the last line are not sums of the values in previous lines). All figures are rounded off.

The achieved average values are fully comparable with the aggregate data of *external* assessments at the EU level available for public sector organisations, such as the EFQM excellence model (see the website of the EFQM and MIRS), although the group of applicant organisations in the SOOJU project is only a small and non-representative sample of all public organisations. Data on self-assessment using the CAF model show much higher scores, both for Slovenia (approximately 80 assessments; see the MPA website) and at the EU level (approximately 800 assessments in the EIPA database), which is psychologically plausible. Especially in results, the SOOJU exhibits lower scores, i.e. stricter criteria or assessment methodology in comparison with the self-assessment scores using the CAF model.

In order to identify best practices in human resources management in the pilot organisations participating in the SOOJU project in correlation with their ratings (performance), the following survey procedure was carried out:

- the scores of all eight organisations, both aggregate and broken down by (sub-) criteria, were reviewed, and then organisations were classified into four categories according to their rating based on performance: Group I (the two most successful organisations) with approximately one third of the total possible points (34 %), Group II (two organisations) with approximately one quarter of total points, and Groups III and IV with scores from one tenth to one fifth of total possible points (four organisations; the lowest score was 12 %);

- the same review was conducted for criteria 3 and 7 (People and People Results), as well as criterion 1 (Leadership), since human resources management is a vital part of leadership; this analysis showed that two organisations, the one with the highest and the one with the lowest score among all eight organisations, were ranked highest and lowest among all organisations according to all criteria – aggregately, according to criterion 1, criterion 3 as well as criterion 7, which proved the consistency and hence authenticity of assessment results;

- next, the applications and assessment reports of those organisations that scored best on criteria 1, 3 and 7 (primarily in Group I, organisations ranked first to third among the eight) were thoroughly examined to identify good practices;

- we also examined a control group of applications and assessment reports for criteria 1, 3 and 7 for the organisations that achieved the lowest number of points on these criteria (Group IV) in order to test the hypothesis that the least successful organisations score worse precisely because of their lack of good practices that are characteristic of the organisations with the highest scores.

4.2 Best Practices Identified

The analysis of applicant organisations and assessment reports identified a number of good practices regarding human resources, which are in the theory generally demonstrated as effective approaches, regardless of whether an organisation be-

longs to the public or private sector. This piece of research also proves the usefulness of selected approaches also in public administration. Surprisingly, a high number of employees (apparently) does not affect the possibility and actual use of these approaches, since the most successful group – Group I – includes both the organisation with the highest number of employees and the one with almost the lowest number (from several tens to several hundred, noting that the organisation with the largest number of employees is even divided into territorial organisational units). In order for an organisation to be successful, it is vital that excellence (of operations) is regarded as a general way of functioning rather than an isolated activity of a given group of employees (in some organisations, that may be only the management, while in others it is carried out without the support of the management). However, as expected, we found a correlation between the performance of the organisations in the SOOJU and the use of different tools of human resources development and quality/excellence (e.g. the ISO standard or self-assessment using the CAF and EFQM models). Moreover, it should be emphasised that several organisations in Groups III and IV claimed they had very limited possibilities in human resources management and in general because of being tied to the central organisation or line ministry, which appears to be, at least in part, a mere excuse for inactivity, given the comparable or even equal status of the organisations in Group I.

In our opinion, the existence or development of a vision, mission and strategy of an organisation should be given the highest priority among good practices. Based on substantive as well as financial objectives (use of budgetary funds), this should lead to:

- the formulation of objectives of organisational units down to the level of individual jobs;
- a human resources development strategy and separate detailed strategies, e.g. a training strategy, prepared by the organisation on the basis of a general strategy.

Interestingly, in formulating the objectives of its mission and strategy, one of the organisations in Group I places emphasis on expert topics and an apolitical approach, which also enables politically neutral assessment of goal achievement in the organisation. It is vital that all employees can participate in the development of the vision and objectives of the organisation in the annual business plan. In the context of formulating overlapping goals between the organisation and each individual employee, annual interviews should be carried out earnestly, not only on paper to satisfy the legal requirement. In one of the SOOJU organisations, superiors at certain levels conduct these interviews even more frequently than once a year. Some organisations have special human resources development projects; they monitor the realisation of the human resources plan and adopt corrective measures, and above all, they evaluate training with regard to the objectives of the organisation. In the administration –in fact, only within state administration – a single strategic document on training as an important human resources function was adopted

thus far, namely the governmental *Education and Training Strategy for Civil Servants for the Period 2006–2008* (adopted in April 2006), which, however, is not based on a comprehensive human resources development strategy for the entire public administration. Another major concern regarding this strategy is that its contents are not aligned with Slovenia's Development Strategy until 2013, which may be regarded as the programme strategy for the operation of public administration. The doctrine of New Public Management, which advocates the rationalisation, resource management and greater customer orientation of public organisations, provides an ideal basis for the use of various tools and their combinations whereby individual public administration bodies and the system as a whole can operationalise governmental quality policies and strategic guidelines aimed at developing the quality of operations in public administration, as observed by Nemec (2003, p. 6). The above mentioned training strategy thus primarily represents merely a formal framework for the collection of employer organisations' proposals. However, individual public administration organisations can make up for this deficiency at the national level by creating their own visions, missions, strategies, and development strategies for human resources and training, as evidenced by the organisations in the SOOJU project classified in Groups I and II. In this regard, a key topic is designing a competent people model that creates all other sub-functions of human resources (employment, rewarding, training etc. and, last but not least, career development). In this context, we should also highlight the establishment of a code of ethics for employees in an organisation and the care for its implementation (in both organisations included in Group I). At the strategic level, each organisation must first (after defining the objectives of its work in terms of contents) identify the needs for training, prepare training programmes tailored to target groups, implement the programmes and evaluate their implementation, and repeat these steps at regular intervals according to the principle of constant improvement (the PDCA cycle). It is difficult to speak of a systematic training process if there are no established evaluation schemes at different relations between training participants, i.e. education institutions, providers of training programmes, participants and, above all, employers of participants. This could also be observed in the SOOJU organisations, in Group I and partly Group II. From the perspective of the employer (who usually also pays for the education), the main objective of training is to expand and enhance the capabilities of civil servants so that they will contribute maximally to goal achievement in an administrative organisation and thus increase the quality and efficiency of its operation. Employers should evaluate the efficiency of training by analysing the inputs and the increase in professional competence or productivity of the employees in a given period following the training. The procedure of mentoring new employees for a certain period, which was launched in both organisations in Group I and several others, could also be regarded as part of training. Furthermore, in Group I we observed that the management supported self-training of employees with concrete action.

At all levels of the organisation, good practices are influenced by the culture of open dialogue and open communication, particularly in a parallel manner:

- top-down (for example, posting all board meetings on the intranet, accessible to all employees, is already a concrete step in this direction); however, it is particularly important to communicate strategic documents and reports about the work of the organisation;

- bottom-up (the SOOJU organisations mention e.g. the "obligatory" shared morning coffee where all employees are expected to join in if the size of the organisation allows that, and the management encourages other employees to also *"talk about unpleasant topics"* and express their opinions and feedback during informal conversation); and horizontally.

In this sense, the systemically planned, monitored and evaluated mobility of employees in an organisation is a similar good practice that achieves several goals: more people are capable of performing more tasks, employees are informed about the work of others, they can understand each other's problems more easily, and they must respond to new challenges. Another related practice is teamwork, particularly interdepartmental.

Employee recognition rewards and sanctions are definitely a key approach. According to the Salary System in the Public Sector Act and Civil Service Act, public funds provided for cash rewards are fairly limited. Nevertheless, rewarding civil servants is possible. We found two concrete approaches to this issue in the SOOJU reports clear criteria for (financial) rewards, established in advance; and verbal public commendations of employees, which are also posted on the internal notice board. A good practice that must be mentioned is regular (annual) monitoring of employee (dis)satisfaction and the consequent action of the management. A similar practice is the monitoring of the organisation culture. At the beginning, a statistically sophisticated methodology is not necessary; it is enough that the superiors show concern for the well-being of their employees for them to feel motivated. In two organisations ranked in Groups III and IV, the assessors explicitly highlighted the poor approach of the management, which did launch employee surveys but was hiding the data, and above all, it was not working to improve the situation, which the employees justly expected given that they had been interviewed (*"there has been no reaction to the deficiencies identified,"* said the employees during the on-the-spot visit). Similarly, in both organisations classified in Group IV, the management does measure absenteeism and turnover rates, yet it does not look for the underlying causes of the changing data, nor does it take any action. The monitoring of staff satisfaction not only allows the management to identify the weaknesses in this area but also allows it to see whether the activities carried out so far were appropriate or not (by way of various indicators). This is evidenced by organisations from Groups I and II, which have systematic permanent training with a rising trend in training days per employee, resulting in an increased level of employees' trust in their own

knowledge as reported in annual questionnaires. Within criterion 3, both highest ranking organisations also emphasised the need to "ensure a better working environment" (within financial constraints; they mentioned specific examples of pictures on the walls (drawn by children from a nearby kindergarten), water coolers, and adequate office access for people with disabilities).

Both organisations in Group I emphasised that they (partly) followed the example of similar institutions abroad. One of the notable model areas is promotion of the organisation (publications, participation of representatives at conferences), which increases its reputation and loyalty of employees. It should be emphasised that the above-mentioned good practices were found exclusively in the applications and assessment reports of organisations in Group I (and, usually, Group II) but not in Group IV (and very rarely in Group III), which proves that these approaches contribute, either positively or negatively, to the overall performance of the organisation. Contrary to Group I organisations, assessors in the SOOJU project report that in Group IV organisations, strategic objectives are planned in the short term only, communication is efficient only at the top managerial level, the management ostensibly endorses innovation yet does not have a methodology in place for rewarding it, training efficiency is not monitored, there is no internal mobility of employees, teamwork is not the rule, no employee satisfaction surveys are carried out, etc. While these organisations may apply some of the above approaches, they obviously do not implement and monitor them systematically, which leads to less than optimal results.

5. Conclusion

After the initial assessment of the situation in Slovenia and Europe, it became clear that the project 'The Development and the Establishment of the System for External Assessment of Excellence in Public Administration' was a necessary and important step towards efforts in the area of excellence in the Slovenian public administration, which was additionally confirmed by the opinions of participants in the pilot assessment, obtained by the evaluation at the end of the project. In addition to commendations, a number of useful proposals and wishes were put forward. Participants would like such external assessment to become a regular practice to allow mutual benchmarking and, indirectly, dissemination of good practices among organisations. At the same time, however, the organisations should be aware that participation in such projects is not merely a 'contest' but should also serve to help the participants realise the significance and benefits of constant actual improvement of their operations, and consequently, the functioning of the Slovenian public administration, as well as the entire public sector in the long term. We can expect that the Slovenian government will continue to provide systemic support for such external assessment systems. Even more, such contests may be expected to spread to other EU countries as well. We should bear in mind that the principal purpose

of using various quality/excellence development tools in public organisations at the national level is to identify good practices. However, it is crucial that these good practices are then disseminated to other (all) administrative organisations in order to raise the overall level of quality/excellence in relation to all parties involved in public administration operations.

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Decentralisation Process in Romania

Marius Profiroiu, Andrei Tudorel, Alina Profiroiu

1. Decentralisation between theory and practice

Romanian society is now in a process of change where all the economic, social, political, civic aspects have registered a new dynamic in an attempt to adapt themselves to the present conditions. A democratic system is functional when the economy has successful outcomes and if a democratic spirit is developed in the social mentality.

The issues of decentralisation are directly linked to the all-round process of democratisation of society; it is a part of good governance. Decentralisation is not an end unto itself, neither is it a universally applicable model that must be applied at any cost. Decentralisation is a mechanism for the achievement of higher social goals: citizens' participation in the decision-making process, better public services provided to citizens, more effective use of resources, higher quality of life. It is a complex system for allocating the competences and necessary resources for exercising them between different levels of government based on the subsidiarity principle. Therefore, the extent of decentralisation corresponds to the degree of socio-economic development of each country and is a confirmation of the degree of democratisation and maturity of its political environment. In the transformation of Romanian society one cannot exclude the system of local public administration and the necessity to introduce a European dimension in this field, according to the values of this administrative space. By coherently and continuously carrying on the decentralisation process in the immediate future, we can witness an increase in public services' quality and efficiency, and the local administration will respond in an improved manner to citizens' requirements and local development.

In the near future, the local public administrations have as priorities: an improvement in the provision of quality local services, the increase of incomes at the local level, the support of the development concerning the capitalisation capacity of the local potential and the implementation of measures aimed at attracting strategic investors into the competence zone, etc. With that end in view, local public

administrations are considered as primary units of local politics and the decisional process.

2. General characteristics of the reform process at local level

An important aspect of public administration reform is represented by reform management during the process of its application. An important risk in putting into effect the public administration reform is the agglomeration of the daily tasks, so there remains too little time for searching new solutions to the registered non-functional situations. Accordingly, in order that public administration reform has a successful result, it is necessary that a large number of target groups (especially key persons at the managing and decision-taking levels) shows support and the pledge in recognising the necessity for changes and the implementation of these changes.

2.1 The perception of the public administration reform process

The public administration reform process, both at the level of the technical apparatus and at the level of the local representatives, according to the study[1], "The public administration reform in the context of European integration" is perceived as a process that has not so far brought about the expected transformations. That is why half of the mayors do not have a favourable opinion with regard to the changes in public administration whilst 36.4 % of the modern-thinking people believe that public administration is subjected to a reform process in a small way. Moreover, between the two important actors of the reform process, those in favour of modernising in the prefectures and district councils, and the localities' mayors, there are significant differences in their perception. The representatives of those who are modernising have a more positive perception concerning the process, in comparison with that of the mayors, taking into account their more intense involvement in the undertaken reform actions.

Table 1.1
Do you think that the public administration is subjected
to a large process of reform?

Possible answers	Mayors		Those Modernising		Balance
	Relative frequencies (%)	Cumulative relative frequencies (%)	Relative frequencies (%)	Cumulative relative frequencies (%)	(%)
1	2	3	4	5	6=4−2
No	3.6	3.6	0.0	0.0	3.6

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1   Profiroiu, Marius, T. Andrei, D. Dinca, R. Carp. 2006. *The public administration reform in the context of the European integration*, Working Paper, European Institute of Romania.

In a small proportion	46.6	50.2	36.4	36.4	10.2
In a large proportion	41.9	92.1	54.5	90.9	-12.6
To radical changes	7.1	99.2	9.1	100.0	-2.0
Not responded	0.8	100.0	0.0	100.0	0.8
Total	100.0	-	100.0	-	-

Figure 1.1
Do you think that public administration
is subjected to a large reform process?
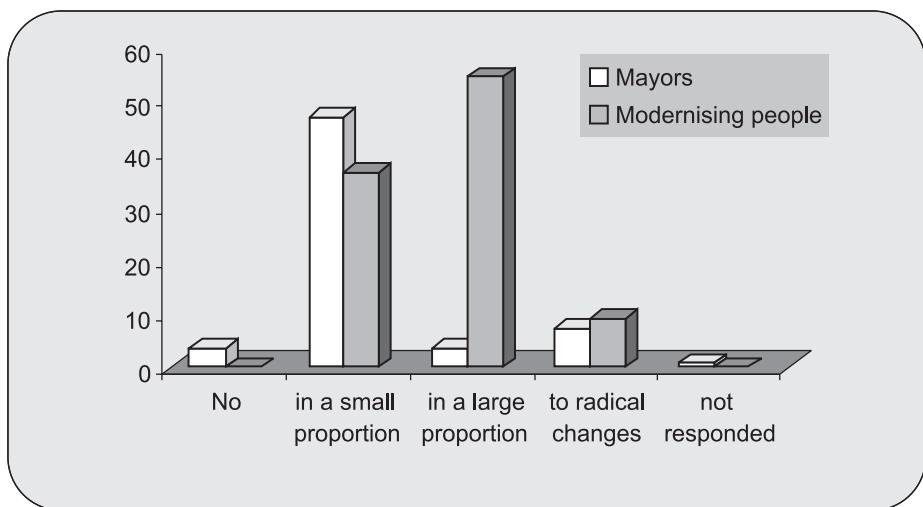
The possible explanations for this situation can be: lack of communication between modernising people from the counties and the localities' mayors, concerning the concrete of reform; a number of reform measures in the course of implementation do not yet have significant effect at the localities level, the reform process of that lasts; the political message from the government level is not accompanied by an information campaign and training courses for local representatives with regard to the concrete components of the reform, etc. As a matter of fact, the lack of a campaign aimed to promote the reform measures to be put into practice during the closest period of time at the level of the local public administration explains a reduced agreement between the aspirations and the changes perceived by the mayors.

Table 1.2
To what extent do the present changes agree with your aspirations?

Possible answers	Relative frequencies (%)	Cumulative relative frequencies (%)
1	2	3
Not at all	5.5	5.5
In a small proportion	48.6	54.2
In a large proportion	39.1	93.3
Hundred per cent	6.3	99.6
Not responded	0.4	100.0
Total	100.0	-

Figure 1.2
Measuring the agreement between
the present changes and aspirations at the mayors' level

In a small proportion
48.62%

Do not agree 5.53%

Not responded 0.40%

Hundred percents 6.32%

In a large proportion
39.13%
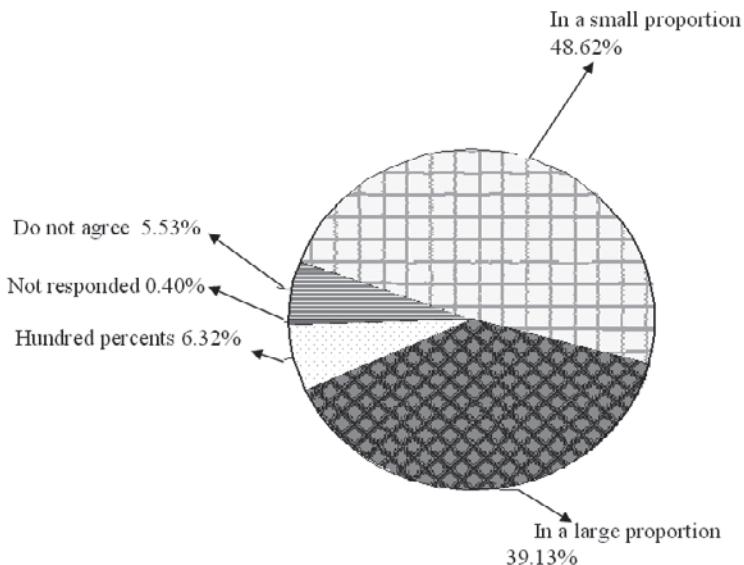
3. The political and administrative context of carrying on the decentralisation/deconcentration process

The reform of the public administration in the field of decentralisation and deconcentration includes three major elements: further decentralisation by transferring the competences and administrative and financial responsibilities to the level of local authorities; the continuation of the deconcentration process by delegating the responsibilities to the territory depending on the necessities existing at local level, within the same administrative structure (the deconcentrated services operate on ministry orders which delegated the responsibility); the transformation of the deconcentrated services in the territory, depending on the citizens' needs and for making these services efficient, in decentralised services, the responsibility of the local authorities.

The updated strategy represents the general framework that provides the premises to continue the decentralisation/deconcentration process by providing its coherence. The responsibility to define and implement the sector strategies concerning the decentralisation/deconcentration is that of each institution belonging to the central public administration and of the local authorities taking over the transferred competences from a financial and administrative point of view. This sector's strategies will be accompanied by impact studies concerning the anticipation of induced effects.

The decentralisation and the deconcentration, involving the transfer or the delegation of competences and new responsibilities, represent processes that began at the moment of the adoption of the Constitution of Romania in 1991. A set of laws concerning important sectors for development, such as the administration's organisation, territorial arrangements and urbanism, have been put applied, regulating, at present, both the form of political decentralisation concerning certain public services and the territorial and administrative form of decentralisation by means of the prefect institution. Later rules[2] have improved the provisions for public services and have also extended the field of responsibilities in the following areas: financial, management of the real estate patrimony, infrastructure services, both at the county level and local level. Moreover, the law of local public finances dating from 1998 and the last emergency ordinance concerning the local public finances[3] have increased or will increase considerably the resources allocated to LPA and have also increased their financial autonomy. The decentralisation process has also represented the beginning of a process aiming to create and strengthen new forms of dialogue between the central and local administration represented by the Federation of Local Authorities of Romania (FLAR) and the professional administrative formations

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2   The law of health insurances begins with 1997, The law concerning the public services of communal house holding No.326/2001 together with some amendments of the Law No.69/1991,

3   OUG 45/2003 concerning the local public finances (coming into force from 1 January 2004).

or other associative structures of the local authorities. The initiatives of delegating competences have not always been coordinated at the ministry level and for certain responsibilities, the local administration had not been prepared in advance, thus generating difficulties in the process of providing quality services for the local communities. Under the pressure of the budgetary deficit, the central administration was not always in a position to accompany the set of decentralised services with the appropriate financial resources.

4. Principles and rules sustaining decentralisation

4.1 Decentralisation

This is the process of transferring administrative and financial authority/responsibility from the level of the central public administration to that of the local public administration. The transfer of authority/responsibility refers to the field of planning, decision-taking (finances, fiscal system), legal responsibility (issuing rules, local decisions) and the management of the public services being transferred.

4.2 Deconcentration

This is the process of transferring within the same structure, from central level to the territorial level, administrative and financial authority/responsibility. The prefect is the Government's representative at local level and he/she manages the public services deconcentrated from the ministries and other bodies of the central public administration from the administrative-territorial units.

The continuation of the decentralisation/deconcentration process will provide **an improvement in public services' management and increase their quality.** This will secure a more coherent allocation of the responsibilities, financial resources and rights connected with the services provided. At the same time, the new approach of this process takes into account the analysis of the reasons on which is based the selection of the system for allocating the tasks/functions between the decentralised structures of the local public administration and the deconcentrated units of the central authorities.

The decentralisation/deconcentration process is based on **principles** and **rules** that provide the following:

- **With regard to the responsibilities transfer:** the technical substantiation accepted by the specialty apparatus in the field; the application of subsidiarity as a means for securing the transparency and efficiency of the public services; the observance of quality standards in providing the public services; a stable system of regulation concerning the encouragement of local strategies and a reward for innovating solutions; the treatment of the citizen as a "consumer" of public

services; the acceptance of the competition as a means to increase the efficiency and the efficacity of the public services.

- **With regard to the financing system of the local authorities:** the allocation of the incomes according to the decentralised responsibilities; financing mechanism observed by the central administration which provides a minimum standard for the public services offered by the local authorities; securing the transparency of the local funds allocated with objective criteria and regulations, clearly established, concerning the volume of the allocated tasks, the localisation of the incomes and regulating elements; securing transparency in the process of setting up the local budgets and proceedings providing an adequate financial management; the simplification of the incomes redistribution proceedings; the anticipation and stability of the allocation system that allows planning at local level; an efficient system of legal control concerning the use of the funds at local level; the local autonomy concerning the financial management accompanied by strict budgetary obligations.

- **With regard to the transfer of decision-taking competences:** the stable and stimulating character of the coordination process, instead of the present mechanisms of control and of discretionary; the decisional autonomy based on own resources and responsibilities; the limitation of the control exerted by the local authorities over the public services management by the authorities from the central level, to the provision stipulated in the national legislation; the transparency of the decisional act based on the public's access to the public information and its participation in taking decisions. In Romania, the Constitution adopted in 1991 was the first legislative act recognising the local governments, based on the principle of decentralisation. According to the Constitution revised in 2003, "*local governments are based on the decentralisation principle, local autonomy and de-concentration of public services.*" Since 1991, the trend oscillated from centralisation to decentralisation. Some of the regulations enforced the control exercised by central government and some others, such as Law no 215/2001 on local public administration, emphasised the principle of decentralisation. By applying these principles, the central government will have the guarantee of implementing a unitary, well-defined, efficient, synchronised decentralisation process, adapted to the local governments' needs.

The law also regulated the concept of "administrative capacity" in order to eliminate the case in which local governments have the same responsibilities, regardless of the territorial administrative unit's size and resources. Following this concept, the transfer of competences will thus be selective, and in accordance with the territorial administrative unit's capabilities for exercising them. The general set of criteria for assessing the administrative capacity of the territorial administrative units and the methodology for performing the assessment were approved by the

Government in February, 2008, as the Methodological Norms for applying the provisions of the Framework-Law on decentralisation 195/2006 (G. D. no.139/2008).

The Framework law also introduced a new chapter regarding competencies exercised by local government. For the first time, concepts such as exclusive, shared and delegated competencies were introduced, in order to clarify the assignment of competencies for each administrative level, at the level of communes, towns or counties.

5. The decentralisation stage

The Constitution adopted in 1991 was the first legislative act of the post-communist Romania that recognised "the communal and urban authorities" "on the basis of the decentralisation principle" (Article 119) "as autonomous administrative authorities" (Article 120/2).

The strategy concerning the acceleration of the public administration reform approved in 2001 by the Romanian government has identified the necessity to decentralise certain public services for reducing the expenditures and strengthening the managerial capacity of the local public administration.

Also, sector strategies were set up, accompanied by a plan of action concerning the decentralisation process in some fields (for example, welfare work – child protection). In accordance with the revised and adopted Constitution in 2003 "*The public administration from the administrative-territorial units is based on the decentralisation principle, local autonomy and deconcentration of the public services*". At the same time, the fundamental Act considers the County Council as "*the authority of public administration for the coordination of the communal and urban councils' activities with a view to providing public services of county interest*" (Article 122/1).

Financial decentralisation is an important component of the decentralisation process because the local public authorities have at their disposal the most complete information, on which basis they can take better justified decisions than the specialty bodies from the central level, with regard to the allocation of local financial resources. Clearly, financial decentralisation and administrative decentralisation are closely correlated between them.

During the last decade, Romania has made significant steps in the field of financial decentralisation, but the process of implementing this policy has been confronted with many problems because of the lack of a national strategy for decentralisation. Within this process, three cycles have been identified. In the first cycle (1991–1994)[4] important changes were initiated in the structure and financing of local authorities, which also included the introduction of the system of local taxes and fees. In the second cycle of the reform policy (1998–2000), new steps have been taken to put into practice administrative and financial decentralisation.

In this sense, on the basis of the new legislation concerning the finances of the local public authorities[4] the quota from NGP concerning the local budgets has been increased and, also, the corresponding proportion of local expenditures in the total of public expenditures (between 1998–2001 the percentage from the NGP has been increased from 3.6 % to 6.5 % and local expenditures from 14.4 to 26.6 %). During the third cycle (2001–2004), new laws have been adopted and new rules have been established for certain functions of the local authorities,[5] especially with regard to public services/utilities.[6]

Tendencies to centralise and decentralise were registered during this period. Some new legal provisions have strengthened the control of the central authorities over the functions of the local authorities, whilst others have taken the decentralisation direction. [7]In July 2003, a new law concerning local public finances abrogated the first one, having provisions correlated with those of the Law of Public Finances no. 500/2002 (harmonised with the provisions of the Rules of the Council of Europe (CEE) no.1605/2002) and have increased the percentage from tax on profits applied individually (IPP) which is allocated to the local authorities. [8] A detailed study concerning the present phase of the financial decentralisation at the level of the entire country, and for the most important sectors of activity (education, health, welfare work, public order and public security, agriculture, culture and public services for local development) has been drawn up by the National Union of County Councils from Romania and the Association of the Economic Manager from the County Councils of Romania.

Besides the positive aspects during the decentralisation process, a series of negative aspects has been encountered: important rights have not been given to the LPA authorities, thus limiting their capacity to efficiently organise the offer of services (for example, the right to establish prices for these services (see footnote no. 3). In certain fields, the mechanism of direct control and discretionary decisions still persist. There are few fields with clear and transparent regulations. This situation limits both the financial planning and provision and the possibility to experiment and introduce creative local solutions in order to offer more efficient services. Indirectly, this aspect also limits the absorption capacity of the funds provided by the European Union. The autonomy of the local financial management is limited

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4   There were been done some amendments of the Law no. 69/1991 and the Law no.189/1998 concerning the local public finances.

5   Law no. 215/2001 concerning the local public administration.

6   For example: Law no.326/2001 concerning the public services of the communal management, OG no.86/2001 concerning the local public transportation services for persons, OG no. 88/2001 concerning the community public services for emergency situations, OUG no.202/2002 concerning the integrated management of the coastal zone, OG no.21/2002 concerning the management of the urban and rural localities, OG no.71/2002 concerning the set up of the local public services for the management of the public and private patrimony of local interest.

7   Law of the local public administration no. 215/2001.

8   OUG no. 45/2003 concerning the local public finances.

by the regulations concerning the allocation of the own incomes by restricting the use of transfers; the Predominance of the allocation with a precise destination is an obstacle for efficient spending because it limits the coordination and the integration of the local services; the existing balancing mechanisms do not provide the equity of the system (aspect pointed out during the Conference in Bucharest – 9–11 October 2003); the incomplete transfer of property is an obstacle in the effective management of local goods; the insufficient specification concerning the legal and constitutional guarantees connected with the local autonomy; the public policies insufficiently substantiated and partial implemented were not in a position to offer rational solutions for the existing problems; the predominance of the ordinances and law issued in emergency procedures instead of laws issued in the normal manner; the LPA authorities did not benefit in all cases, in advance, of specialised training concerning financial management and the management of the decentralised public services and the registration of a gap between the decisional competences transferred to the local authorities and the resources allocated with a view to supporting them (the allocation of the local resources does not reflect the changes of responsibility).

A decentralisation process wrongly managed can lead to a large number of State failures: both "errors by omission", when the State does not succeed doing something that would improve economic/administrative performance, and, also, "errors of action", when the State carries on actions leading to the worsening of economic performance. [9]These errors do not only hinder the development of a significant policy of decentralisation, which could lead to an offer of more efficient and equitable local services, but also has negative effects concerning the credibility of the local authorities. Having no clear rules for transferring the competences from central to local government, different negatives aspects were identified – most of the time, the assignment of administrative competencies was not supported by financial means, the initiatives of line ministries were not coordinated or were incomplete, and the transparency and predictability of the financial system was lacking. The first law issued exclusively for regulating the decentralisation process was the Framework law on decentralisation no 339/2004. Unfortunately, this law was inapplicable due to ambitious objectives for 2004. In order to make "the rules of the game" clear and respected, a new piece of legislation was drafted, in a set of package laws for local governments.

6. Perspective

The adoption of the new Blueprint Act on Decentralisation 195/2006 which transfers new responsibilities to sub-national governments, along with the 273/2006 Act

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9   Krueger, Ann. 1990. Government failures during the process of development, Journal of Economic Perspectives 4 (3): 9–23.

on Sub-National Public Finances and the Public Services Act (51/2006), recently began a new chapter of decentralisation in Romania. The new framework law on decentralisation, no. 195/2006, defines a set of principles, rules and steps that have to be respected by each ministry in the process of transferring new competences to local governments. The final objective was to integrate the efforts made by each line ministry involved in this process into a coherent, systematic and efficient decentralisation policy.

The 195/2006 Decentralisation Act gave new responsibilities to sub-national governments. They are now entirely responsible for human resources management in primary and secondary schools, setting up the local police service and running the local and country public health units. They benefit from additional resources to build and maintain the public road network and the decentralisation of cultural and local interest religious institutions. Sub-national governments now also have the right to set energy prices as part of the changes in public utility management changes. The Act introduces some fundamental concepts for the implementation of the future transfer of administrative and financial responsibilities from central to local level, including cost and quality standards, the geographical area for beneficiaries, their administrative capacity and a more specific definition of shared, delegated and exclusive responsibilities.

The question of balancing the local budgets is one of importance that requires the observation of the principle of solidarity, but also that of stimulating the local collectivities producing larger incomes. In 2006, the present government of Romania proposed that this balancing be carried out by the County Department of Public Finances within each county, after taking advice from the mayors within a special established commission for this scope. Also, it is proposed that the balance should be made for local collectivities that really need this, i.e. those administrative-territorial units which are under the average of the income taxes on inhabitants. Until 2007, the main equalisation mechanism was the equalisation fund, made available to counties for re-distribution to local authorities in order to eliminate disparities. Among the elements taken into account were the financial capacity of the municipalities, their area, the number of school pupils in the area and the number of people on social welfare institution lists.

In practice, the final distribution of funds was the outcome of a political negotiation process which was not always transparent. According to critics, it represented a formidable means of political control over municipalities.

Edict GO 45/2003, which came into effect in 2004, set out quantitative criteria for the redistribution process and was a first step towards trying to rectify this state of affairs. The 273/2006 Local Public Finance Act went even further: the distribution of 82 % of the equalisation fund to municipalities is now carried out by the Ministry of Finance and based on strict criteria. Only the remaining 18 % will continue to be re-distributed by counties to finance joint development projects.

This mechanism has, nevertheless, also certain risks, in the sense that it will be clearly known which administrative-territorial units are the beneficiaries and which are donors. We can, however, also conceive the new mechanisms, to which Romania has not so far resorted:

- the contractual procedures between the State and the local collectivities or between the local collectivities, having as an objective to anticipate a determination, in a concerted way, of the financial actions and even of the financial means and may be the development of a certain solidarity between the collectivities.

- mechanism of multi-annual guarantees for the transfers given by the State, thus allowing the local collectivities to avoid the unforeseeable character of certain actions and decisions of the State.

Therefore, there is a series of possibilities that can offer us a perspective on the necessary procedures to be put into practice in order to prove an unquestionable financial autonomy and which does not generate opposing effects on those of successful decentralisation.

The 2006 Local Interest Community Services Act (OUG 34/2006) states that sub-national public services can either be managed by the sub-national government itself (direct management) or via a delegated management contract. It also stipulates a mandatory competition clause, along with some special dispensations. There are two possible kinds of sub-national public service operators:

- Autonomous regies (regia autonoma), as defined in the 15/1990 State Reorganisation Act, are companies that are set up and wholly-owned by sub-national governments. The 15/1993 edict sets out their scope of activity. They can only operate in sectors that meet one of the following criteria: the existence of a natural monopoly, an activity in the general interest or the production of goods and services linked to national defence or security. Approximately 140 entities currently exist in Romania, mainly in areas such as the provision of drinking water and sewage, where they provide 80 % of public services.

- The recent public administration reform (DG 306/2005) is intended to deregulate the public utility market and eliminate the institutional barriers to investment and the privatisation of public utilities. As a result, some autonomous regies have been gradually transformed into commercial companies with private or mixed social capital which also provide public services. Roughly 120 entities exist, particularly in the areas of urban heating, waste management, urban cleaning and public transport in towns.

Public-private partnerships will doubtless play a more significant role in the decentralisation and general catching-up process in Romania. PPP contracts are currently regulated by the Constitution and the GD 16/2002 Act, but will be modified in time by the 2006–2008 government programme that aims to better define

co-operation mechanisms, simplify tender selection procedures and eliminate unfair expropriations in the public interest. To date, PPPs are mostly found in the areas of tourism, construction, public utilities and research.

Several (often vague) Acts deal with the responsibilities and conditions for pooling resources between sub-national governments and are:[10]

- As stipulated by the 246/2005 Act, local authority councils can set up inter-communal associations, which are public interest legal entities but subject to private law.

- In addition, there are public inter-communal co-operation establishments, which are subject to public law.

The two structures are complementary entities, set up by sub-national authorities to jointly implement local interest development projects for the area or to jointly provide public services (water, waste management, public transport). There were 278 forms of co-operation at the end of 2006, including 130 inter-communal associations.

Metropolitan areas (zona metropolitana) are a sub-category of inter-communal associations. Current legislation (286/2006 Local Public Administration Act) defines a metropolitan area as an inter-communal development association set up on the basis of a partnership between municipalities of "rank one" (towns of "national importance" according to the 351/2001 Act) and neighbouring local authorities. There were five metropolitan areas in 2007 (Braşov, Bucureşti, Constanţa, Iasi and Oradea) and several more are in the works.

Nevertheless, inter-communal co-operation in any form is little developed in Romania, mostly because of the many grey areas that continue to exist with regard to decision-making mechanisms, democratic legitimacy, the genuine transfer of responsibilities and funding mechanisms. As the government is anxious to encourage co-operation, talks are now underway to move faster in this area.

7. The decentralisation priorities

As an adequate response to the problems identified at the level of the public administration system in Romania in the field of decentralisation and deconcentration of public services, we have pointed out the following priorities:

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10. Sauviat Agnes – "The financial and fiscal autonomy of the local collectivities in Europe. A theoretical approach" in "The autonomy of the territorial collectivities in Europe – a potential source of conflicts?"- reunited texts by Helen Pauliat with the occasion of "University Periodical Meetings for Administration in Europe", Pulim Publishing House, Presses Universitaires de Limoges, p.178.

7.1 The improvement of the system providing the public decentralised/deconcentrated services.

On the basis of the analytical and conceptual directions developed within the strategy, one can set up alternative solutions that lead to the improvement of the process in various sectors and fields. Finally, within the Law of decentralisation, the new system and relations between the responsible structures can be redefined. Among the most important measures aiming to support this priority are: the setting up of the necessary mechanisms for coordination of the strategy implementation; the setting up of the necessary mechanisms for providing the communication of the main directions of action belonging to the strategy of civil society and other beneficiaries of the decentralisation process; the setting up of the working groups for the essential components of the strategy; the adoption of the law of decentralisation which will provide the coherence of the decentralisation framework; the setting up of a system of indicators for measuring the performance of carrying on the decentralisation process.

7.2 Further clarification of the competences at various levels and structures of the public administration.

Within the reform of the public administration, the decentralisation and the deconcentration of public services must be treated as complementary processes. In each sector and field, where these processes are carried on, a rational distribution of the responsibilities must be achieved in order to improve the use of resources, the quality of the services provided and the orientation towards the beneficiaries' requirements. The above mentioned objectives can be realised under conditions of carrying on an analytical and conceptual activity based on sectoral strategies with the consent of the beneficiaries. Among the most important measures meant to support this priority are: the setting up of specific working groups for setting up the sectoral strategies; the setting up of implementing structures at central and local level with responsibilities and relations well defined; the coordination and harmonisation of the sectoral strategies and the setting up of a standard system of measuring the performances of the decentralised services.

7.3 The strengthening of the financial autonomy

For the implementation of the prior measures within the reform, it is necessary to strengthen local autonomy and management capacity by increasing the quota of own incomes at the local level and by strengthening the predictability of the allocation system. One must establish strict rules and procedures for the allocation and the balancing mechanisms, periodically revised in order to guarantee a minimum level of services in accordance with national standards. An increased financial autonomy must be accompanied by strict budgetary obligations, by an increased transparency and a better application of the rules concerning the use of resources and report-

ing. Among the most important measures aiming to support this priority are: the increase of own incomes at the level of the local administrations; the introduction of a computing system, based on the allocation of operational subsidies; strict procedures and rules for carrying out investment financing; the improvement of the anticipation capacity of the system regarding the allocation from central level; the improvement of the equalising system of distribution of resources horizontally and the improvement of the budget management and reporting system at local level.

7.4 Redefining the prefects' competences

It is necessary to clearly define their role in coordinating the deconcentrated services, resources and the means at their disposal. At the same time, an increase of the professional competences of the prefects is necessary, so that at the beginning of 2006, they become high-ranking public office workers. A programme of specialised training will achieve this objective. Among the most important measures needed to support this priority are: the definition of the prefect's attributions concerning a deconcentrated service by means of an organic law and programmes of specialised training for prefects.

7.5 The set up of the capacity, instruments and procedures necessary for implementing the strategy

During the strategy implementation, special attention must be paid to the specialised training of staff involved in the reform implementation. Their knowledge of the decentralisation and deconcentration process, new responsibilities and relations between the various structures and bodies and of monitoring the implementation process must be strengthened so that the application of the reform measures leads to a better quality of the services provided. In parallel with the implementation of the reform phases, the increase of the capacity for setting up and implementing policies at the level of the local structure must be taken into consideration. Among the most important measures meant to support this priority are: the setting up of a standard system of procedures and norms for supporting the Strategy implementation; the increase of the local authorities' capacity to manage and provide the new decentralised services and the training of the human resources necessary for supporting the decentralisation/deconcentration process.

Conclusions

Following the investigation of the decentralisation process, the conclusions are as follows: i) the considerable gap existing between the actual (constitutional and legislation) and reality in the field. Theoretically, Romania is already a decentralised State. In this sense we would like to mention the following: the Constitution guarantees the free administration of local collectivities and the lack of guardianship

between the various levels; the successive laws have given the counties and the local collectivities important competences concerning education, health, welfare work, cultural actions and management of local public services, etc. The reality in the field seems to lag behind and this is often due to financial reasons. For example, the VAT transfers that serve to finance the new competences are given in a relatively obtuse manner and do not seem to always observe the objective criteria; ii) the decentralisation effects at local level do not manifest themselves in a consistent manner up until now; iii) there is favourable opinion regarding the decentralisation process with the advantages that it can generate; iv) the absence of a genuine locally involved system of bookkeeping: the annual budgets remain indicative and are adjusted during the year depending on the collected incomes and the effective expenditures, thus forcing a large number of collectivities to call on the State (mostly at the county level) to request additional funds in case of need; v) the State services lack visibility concerning local needs and have a tendency to approve measures by giving credits which, nevertheless, should automatically finance the new competences. From this results a strong frustration of local representatives who can say, with good reason, that the decentralisation foreseen in the legal texts is applied in an insufficient manner.

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Blueprint Act on Decentralisation 195/2006

Searching for Professionalism: The Provision of Technical Assistance to Local Government in CEE-Countries During their Transition Process

Iwona Sobis, Michiel S. de Vries[1]

1. Introduction

This paper is the last one in a series of eight on the Western assistance to local government in CEE countries during their transition process. Its aim is to draw conclusions and give recommendations on the basis of that previous research.

That research began out of curiosity. Western countries provided about 40 billion US $ for technical assistance to CEE countries between 1990 (after the fall of the Berlin Wall) and 2004 (the year in which 10 CEE countries became members of the EU), and it appeared, from many comments from the recipients at the local level, that much of this assistance fell flat. The local officials of the CEE countries we spoke to were critical, sometimes even cynical about the quality of this assistance. For them, only being acquainted with the individual experts, the latter were to blame. During the process of investigation we discovered, however, that this criticism was only part of the story. There seems to exist something like an aid-chain, not a coherent chain, which is sometimes depicted as "Development Inc" (cf. Easterly, 2006), but an incoherent chain, with which at each junction, goals, objectives and instruments and techniques are proposed, which do not necessarily coincide with the goals and objectives formulated by others, and in which each link is subjected to its specific boundary conditions.

This paper models the results from that previous research within the manifold theories on professionalism. This is done because at first sight, it appears that all the outcomes on the process of the technical assistance given to CEE countries, point

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1 Sauviat Agnes – "The financial and fiscal autonomy of the local collectivities in Europe. A theoretical approach" in "The autonomy of the territorial collectivities in Europe – a potential source of conflicts?" – reunited texts by Helen Pauliat with the occasion of "University Periodical Meetings for Administration in Europe", Pulim Publishing House, Presses Universitaires de Limoges, p. 178.

to a lack of professionalism. Professionalism was lacking among the recipients, who did not know how to act under the new circumstances arising in the early 1990s and how to deal with the transition process. It also seemed to be missing among the individual experts and advisors who were sent to the CEE countries. They often did not have the slightest idea what the circumstances were over there, what to do, or what advice to give. Furthermore, professionalism seemed to be missing among the donor organisations which sent these unknowing experts abroad without giving them the opportunity to prepare properly. Finally, this seems to have been missing amongst the politicians of donor countries, who simply had their own countries' interests in mind.

However, as this paper will argue, this view is only a superficial part of the story. We will argue that there is more than one definition of professionalism and the concept includes many aspects. It will also be argued that over the years, one specific concept of professionalism has become more and more neglected, while other aspects were over-emphasised. Hence, the conclusion we will draw at the end of this paper, and which is argued within, is that perhaps it was not a lack of professionalism which interfered with effective technical assistance, but a one-sided perception of the true meaning of professionalism, which might be the cause of the problem.

Furthermore, we will argue that this dominance of a specific type of professionalism was encouraged by a specific power, organisation and incentive structure. The hierarchical flow of money, dubious objectives and steering instruments, such as monitoring and evaluation, as well as the incentive structure in which it is stimulated to please donor organisations and governments, instead of concentrating on what the recipients needed, has driven out good professionals in favour of modern-day professionals, in the same way, according to Gresham's law, is that "bad money drives good money out of circulation". The "bad money" in our case is represented by those modern-day professionals who opt for emotion-free and goal-oriented standard-setting and keeping up appearances, based on academic education, and who work solely for financial gain. The good money is, in our case, visible in old-fashioned professionals who show commitment and empathy, who never misrepresent themselves, continually try to increase their expertise, have the clients' interests in mind, see the contingencies of problems and base their interventions on sound diagnosis. These types of professionalism are seen in the conduct of the recipients of technical assistance, foreign experts and representatives from donor organisations as well as politicians.

This paper concludes by proposing some improvements, but these are not in line with current trends. We do not conclude, for instance, to increase or decrease the volume or quantity of foreign aid and technical assistance as such, or that one should build standards of excellence in terms of education and accreditation as preconditions for providing technical assistance, or that it suffices that the plot of a

malicious aid industry against the poor is exposed, or that there should be more administrative control on the aid provided.

This paper argues that professionalism is also about content and that content is more than just a transfer of standards in exchange for money, the existence of a proper monitoring system, and conducting regular evaluations.

We begin with an overview of the outcomes of previous research and frames and analyse the outcomes. This continues with a description of recent attempts to improve practices in the field and recommendations as contained in the literature and concludes with a number of recommendations based on our own research.

2. A summary of previous findings

What emerged from our previous research? This section concisely presents the most important outcomes.

The first paper mentioned presented the theoretical and empirical puzzle. How could it be that while everyone wanted Central and Eastern European countries to move towards the Western camp, and huge amounts of money were spent on technical assistance to make this happen, the effectiveness of that help at the local level was nevertheless disappointing? (De Vries & Sobis, 2006) This paper explained our progress and also the problems faced while doing this research. It explained how we, out of continuous reflection on parts of the research, finally got a grip on the problem and began to see it in terms of what it is, namely a lack of professionalism. The problem of the ineffectiveness of technical assistance is not a widely discussed problem, although the umbrella under which it is usually classified – foreign aid – is. We explained why our approach and findings are rather different from those of others who investigated the effectiveness of foreign aid in general. It argued that underlying the debate about the effectiveness of foreign aid are four assumptions: (1) an indifferent and (2) coherent aid industry that can be made more effective simply by (3) optimising procedures and (4) the quantity of aid. These assumptions were taken as hypotheses for our research.

The second paper we would like to mention (De Vries & Sobis, 2008) explores the nature of technical assistance and compared this with the nature of foreign aid in general. This paper describes technical assistance as a part of foreign aid and the trends in technical assistance that flowed to the CEE countries during their transition process. It shows that the amount of foreign aid, as well as technical assistance received by CEE-countries during their transition period, was huge, implying that the research object is not something to be neglected.

Furthermore, the paper investigated whether there is a difference between trends in foreign aid in general and the one component central in this study, namely technical assistance. At an aggregate level over 28 (post-) communist countries that

were faced with the consequences of the decline of the communist block after 1989, it was shown that foreign aid as such is much more volatile and susceptible to political changes, than technical assistance. This seems to be the more so if foreign aid comes from bilateral aid and less so if the aid comes from multilateral aid. Such volatility is much less seen within technical assistance programs. These seem to be less political induced and more from a substantial idea to help improve the recipient countries structurally. The paper argues further that it would be profitable for empirical analyses if one would look at the components of aid separately. Second, it argued that the level of aggregation determines the amount of information revealed. The more one disaggregates the data, the richer the analysis. Such disaggregated analysis followed in subsequent papers.

The third paper (Sobis, 2006) presented the situation on the labour market on a disaggregated level, namely in the city of Lodz, the Polish textile industrial city during 1989–2003. Lodz is the second city in Poland, after Warsaw, regarding number of citizens. The city experienced an extremely difficult transition to a market economy. In a short time, there were about 86 000 unemployed people looking for work and assistance through the Employment Agency. The increasing unemployment and poverty of society became urgent social phenomena which were unknown under socialism. In order to help solve this, the Employment Agency of Lodz received assistance from the developed countries in the field of labour market policy and labour market protection. However, the statistics on unemployment in Lodz showed that unemployment did not decrease until 2003. The paper questioned the effectiveness of foreign advice and advisors in this whole process. The circumstances in Lodz were not optimal. If they were, foreign technical assistance would probably not be needed. The question was to what degree foreign advisors had a keen eye on the awkward circumstances and whether they adapted their proposals to the specifics of this context.

The first investigation into that question (Sobis & De Vries, 2004; cf. Sobis, 2002,) pointed out that western advisors have to be seen primarily as standard-setters who make recommendations that perhaps work in their home country, but that are quite beside the point in the recipient country. There were, however, differences between the Swedish advisors on the one hand, listening and deciding through advice based on the local situation, and on the other hand advice given by American and French foreign experts who acted arrogantly and simply told the local officials to do things as they were done in the USA and France. The latter often tried to copy the standard operating procedures used in their home country, without analysing the specifics of the context and without taking path dependencies into account. The result was that some recommendations were contrary to domestic regulations, some exceeded financial possibilities, and some just introduced a lot of bureaucracy. Furthermore, the advice of the French and US experts was often different, or incomprehensible from the recipients' point of view. Even the British experts, who were perceived positively by aid-recipients, proposed organisational standards passing

184

aid-recipients' domestic legislation. The result was that the recipients often made choices that can at best be described as compromises between the norms of rationality and the norms of fashion. From their perspective, the foreign experts were to blame for giving ineffective advice. The results also showed that quantity, as such, did not make a difference, but rather the quality of the experts and their advice.

In the second phase of our research project we went to the Swedish experts, of whom it was said that they were the best (Sobis & De Vries, 2005). Even they agreed that their work was not always successful, and that they did not always act according to the criteria given in manuals and books on advisory work. They were equally critical about their own work. Their excuse was that they did not have any experience in CEE countries. According to our respondents, they were hired by donor organisations, which were hardly interested in making projects work, but were only concerned about western interests. Hence, the experts ended up in CEE countries without being properly prepared by their employers, and entered into situations characterised by ambiguity, ignorance, uncertainty, without any support from the donor organisations. Moreover, at the beginning, they were quite often expected to prepare a basis for the Swedish aid provided within the chosen countries. This outcome redirected our research to the donor organisations because their morale and motivation was now at stake. The experts felt little trust in donor organisations regarding what they were working on, and they saw too little attention for ethics, trust and commitment. In the eyes of the experts, the donor organisations were to blame.

The question then became whether the role of the donor organisations was really to be criticised (Sobis & De Vries, 2006). According to them, this is only partly justified. The respondents in our third case study were very frank about this. They told us they were trapped between the demands of the Swedish national authorities and the regulations that restricted their possibilities on the one hand and their own goals with regard to improving the situation in CEE countries on the other. We investigated whether indicators could be found that supported this view. Because of the openness and transparency of the Swedish policies and the frankness of our respondents, ample indicators were found. This paper concluded that the aid to CEE was not a question of altruism or selfishness, as proposed by the social exchange theory. It argued that the establishment of "new" power relations in Europe was the major motive behind assistance, which meant that the assistance programmes to CEE countries were entrapped between the major objectives of the Swedish government and the down to earth, concrete, operational goals formulated for specific projects (cf. Statute-Books, 1988:533; 1991:840; 1992:269). Thus, the incoherence between major objectives and operational goals might well be an explanation for the failure of concrete assistance projects. According to the donor organisations themselves they were just small players in the field with only a minor impact. They had limited knowledge about what really was going on in the recipient countries. They were dependent on shifting regulations made by government, and shifting

goals also determined by government that were not always congruent with what was needed in the recipient countries. Their main task was to transfer money to consultancy agencies which sent so-called "experts" and "consultants" to do something, but which resulted in it being far from transparent to the donor organisations what they really did.

These results were the basis of our final investigation. It resulted in a research project addressing politicians within national government (Sobis & De Vries, 2007). Until then, those involved in the aid-chain always pointed to new suspects. This was not the case of the Swedish politicians. According to the respondents (previous Prime Ministers and ministers of foreign aid), they *were* responsible for their decision-making concerning aid to CEE countries. They emphasised that they made only general decisions, based on general objectives, in this regard. As politicians, they were hardly interested in evaluations or information about the operational processes or the effectiveness of aid-projects in CEE countries. All this could be interpreted within the neo-institutional theory developed by March & Olsen (1989), in which a distinction is made between the logic of consequentiality and the logic of appropriateness. We sought indicators for both rationales and found arguments in favour or a logic of consequentiality in the 'hidden' agenda of Swedish politicians. That agenda was reflected in the rules or guidelines for the aid-organisations. These guidelines made the need for effective aid in terms of the improvement of the aid-recipient's situation subordinate to the need to improve the situation of Swedish business and institutions. However, at the same time, the major objectives of Sida dealing with aid provision, gave the impression that assistance was only provided in favour of aid-recipients (Sida, 2005). That explains why Swedish politicians were neglecting the information about the aid's effectiveness. All that mattered was whether the Swedish economy could profit from tied aid.

3. Analysing the outcomes

We are not the first to criticise consultancy work. Many scholars preceded us and probably many will follow (Wedel, 1998; Pinault, 2001; Byrne, 2002; Clark and Fincham, 2002; Kitay and Wright, 2004; Craig, 2005; Czander, 2001; Smith, 2002; Pries and Stone, 2004; Sobel, 2004; Warren, 2004; Brunsson, et al 2000; Obolensky, 2001). Our broad research showed that western assistance did not solve the major problems of aid-recipient countries. However, we cannot follow the famous opinion of Ferdinand Piëch – the former CEO of Volkswagen, who said: "If you want to ruin a company, all you have to do is try fixing it with the help of external consultants". The situation in the aid-recipient countries of CEE was so bad at the beginning of the transition process from socialism to capitalism that only a war or a natural catastrophe could make it worse. In such circumstances, any pieces of western advice could not but contribute by introducing some modern working methods in line with a market economy. In our opinion, this should be perceived in terms of

assistance. Nevertheless, we share the opinion with the aid-recipients that this aid could have been much more effective and professional. When analysing the entire aid-chain, we came to the conclusion that even the Swedish were not really worthy of the classification of "the best qualified, most honest and really humanitarian actors in the field of foreign aid" but we wish to avoid the only conclusion that, in the end, everything is about politics. Is there simply no other answer to this problem? Do these findings give rise to pessimism? In our opinion, giving an answer like this would certainly be too easy when billions are spent without really helping the recipient countries.

We would like to see the business of aid-industry, and technical assistance particularly, to become more professional. However, that immediately begs the question: "What do you mean, professional?"

Studying many theories dealing with professionalism e.g. Freidson (1986), Abbott (1988), Burrage & Torstendahl (1990), Brante (1990 and 1999), Evetts (1999), Hellberg (1999), Andersson (2001), Florida (2001), we observe that there are different definitions and types of professionalism. Below, we will address two forms of professionalism and analyse how well the process of technical assistance fits those two sides of professionalism.

3.1 Individual professionalism

3.1.1 Modern views on individual professionalism and amateurism

Nowadays, when one wants to find out the basics of something, *Internet* is among the first sources. When searching the term "professionalism" through *Google*, we found approximately 11.900.000 hits. The first few results provide definitions and tutorials on what constitutes professionalism. *Dictionary.com* gives, as a definition of professionalism: 1) professional character, spirit, or methods, 2) standing, practice, or methods of a professional, as distinguished from an amateur. The Merriam Webster dictionary tells us that professionalism is: 1) the conduct, aims, or qualities that characterise or mark a profession or a professional person, and 2) the following of a profession (such as athletics) for gain or livelihood.

An Indian Guru named Sanjeev Himachali sees professionalism as a declaration, wherein you mention how you like to be treated by others. It is about attitude, behaviour, self-presentation; self-respect and dignity. It means not just knowing how to do your job, but demonstrating a willingness to learn, co-operating and getting along with others, showing respect, and living up to your commitments. It also means avoiding many kinds of behaviour that cause trouble in the workplace.

Edgar B. Toupin (2002) tells us that a general, raw view of professionalism is: "a focused, accountable, confident, competent, motivation towards a particular goal, with respect for hierarchy and humanity, less the emotion".

A tutorial on the internet tells us that a profession is "a vocation requiring knowledge of some department of learning or science"; a professional is one who follows "an occupation as a means of livelihood or gain", or one who is "engaged in one of the learned professions". Professionalism is exhibited by "professional character, spirit or methods" or the "standing, practice, or methods of a professional as distinguished from an amateur".

Another tutorial tells us that professionalism is: 1) a vocation *requiring* knowledge of some department of learning or science, 2) a professional is one who follows "an occupation as a means of livelihood or gain", or one who is "engaged in one of the *learned* professions", 3) professionalism is exhibited by "*professional character, spirit or methods*" or the "standing, practice, or methods of a professional as *distinguished from an amateur*" (American College Dictionary, 2008).

Still other websites provide a number of recommendations for people wishing to be (seen as) professionals. Among such recommendations, there are the following explanations:

> *"Don't ever do anything as though you were an amateur."; "Anything you do, do it as a Professional to Professional standards."; "A professional looks, speaks and dresses like a professional. An amateur is sloppy in appearance and speech."; "A professional keeps his or her work area clean and orderly. An amateur has a messy, confused or dirty work area."; "A professional is focused and clear-headed. An amateur is confused and distracted."; "A professional does not let mistakes slide by. An amateur ignores or hides mistakes."; "A professional jumps into difficult assignments. An amateur tries to get out of difficult work."; "A professional completes projects as soon as possible. An amateur is surrounded by unfinished work piled on top of unfinished work."; "A professional remains level-headed and optimistic. An amateur gets upset and assumes the worst."; "A professional handles money and accounts very carefully. An amateur is sloppy with money or accounts."; "A professional faces up to other people's upsets and problems. An amateur avoids others' problems."; "A professional persists until the objective is achieved.";"A professional produces more than expected."; "A professional produces a high-quality product or service."; "A professional earns high pay."; "A professional has a promising future. An amateur has an uncertain future."; "The first step to making yourself a professional is to decide you ARE a professional."*

Although such internet sources are not to be taken too seriously, because statements are mostly not argued and, as such, differ from scholarly sources, the internet does give one an indication of the aspects of professionalism. The above views

underline professionalism as an individual trait of someone who has a well-paid occupation within a profession, who acts in conformity with the standards of that profession, who keeps up a professional appearance, who has acquired knowledge within some department of learning or science and who is goal-oriented and avoids showing emotions. This is reflected in the internal guidelines of McKinsey who tells its consultants never to leave the client's office before everyone has left the building. Not to promote hard work, but in order to give the image of being hard working. It is the commercial view on professionalism that is dominant in this approach.

3.1.2 Classic views on individual professionalism

The criteria for individual professionalism may be rather different from those found on the internet and the organisational criteria given. This section addresses some of the classic academic interpretations of professionalism, which contradict the above mentioned description of professionalism in that they emphasise content.

Contrary to the businesslike, *free of emotions*, attitude, Talcott Parsons already stressed the importance of altruism versus selfishness, after esoteric knowledge and complex skills (Freidson, 1994: 2–13), and of being aware that it is special when one is serving the needs of the public. Freidson (1994) sees commitment as one of the basic elements of professionalism (Freidson, 1994: 200). According to Kubr, in his classic and famous work on management consulting, especially in the public sector, professional consultants should show empathy for the client, and understand that in this sector "people" and "process" problems prevail over "technical" problems (Kubr, 1976; 1996: 428–429).

Contrary to *keeping up appearances*, Kubr (1976, 1996: 121) tells us: "A professional consultant will never misrepresent himself, pretending that he can do a job that is beyond his competence, even if he is short of work and keen to get any assignment."

Kubr also has a rather different view about the role of a consultant's *pay* than seems to be the dominant idea about consulting nowadays. A consultant is not in the field of making money. He or she should even handle commissions with care, because they could be seen as bribes, and "a professional consultant would make his competence and time fully available to the client, with the objective of achieving the best possible results in the client's interest" (ibid). This, he calls the "golden rule of consulting". Consultants should even warn their clients beforehand if the costs of the consultancy are expected to be high in relation to the benefits. This idea is similar to that of Freidson, who warns that performing some activity for the sheer love of it and without interest in its capacity to provide a living, indeed as an amateur, in contrast to "professionals" who earn money from their activity, is not at all the same as characterising something as an amateurish job, or the work of an amateur, which implies poor work, while a professional job implies good, reliable work of skill and quality (Freidson, 1986: 22–23).

Contrary to *organisational professionalism,* understood in literature on the subject, in terms of the institutions behind the professionalism of individuals, and especially the role of proper, e.g., academic, education, many scholars doubt whether that is the essence of professionalism. Andrew Abbott (1988), for instance, is critical about the (American) system of academic education. He is not convinced that academic education turns a university's alumni into professionals. According to him, the American system of education is still divided into elite professional education and non-elite professional education. Individuals learn their professional skills not necessarily within the academic environment. This can take place e.g. by practising somewhere e.g. in other organisations that have their rules, procedures and guiding principles to act upon. For Abbott, professionalism is synonym to *expertise,* that is institutionalised in people, commodities and organisations, and which often is not established by educational systems. On the contrary, it can even be acquired in a better way outside such systems. Thus, expertise that consultants possess is for sale as a commodity against payment, while organisations in which consultants are employed, can structure their expertise by their internal organisational regulations. As Freidson concludes "professional education is too academic, theoretical, or unrealistic" to practical needs, especially for new professional adepts (Freidson, 1986: 212; see also Hughes et al., 2002).

With regard to *acting in conformity to the standards of the profession,* academic scholars also have quite a different view. Let us take as an example the opinions of Soal (in Wallace et al 2007):

> "To work with professionalism is not simply to deliver a service that is reliable in its predictability and consistency of standards. The development sector is teeming with people who can provide respectable, even reputable, services: trainers who have their workshop 'packages' that get sold all over the world; consultants who ply their methods and ready solutions; NGOs that make it their reputation developing something original – then peddle it endlessly, with little regard for need or context. Professionalism goes beyond this, generating in its adherents the abilities to face each situation they confront, anew, to recognize these and to formulate from a confident inner capacity, responses and interventions that best suit that situation at that time" (Soal in Wallace et al., 2007: 7).

Thus, the spread of "institutionalised standards" in fact contradicts the classic understanding of professionalism. This is also argued in studies conducted by Czarniawska and Sevón (1996), Brunsson and Jacobsson (2000), and Røvik (1996; 2002).

As to the *goal-orientation*, this can perhaps be seen as the most important problem, no matter how sound it seems in the eyes of everyone involved in the

process of foreign aid. Many scholars have argued that to emphasise predetermined goals is perhaps the main flaw in the process of providing aid. Eberhart Reusse (2002: 28) gives two astonishing examples in his review of development policies by the FAO, that is, on the "War on Waste" and "Cereal Banks". In both cases, millions of dollars were spent, based on "news", which was later unmasked as unrepresentative dramatisation, but which resulted nonetheless in new goals and allocations to achieve those goals without a proper diagnosis. The news triggered its own momentum and programmes, technical assistance against, for instance, the alleged food waste continued for two decades (ibid). As Reusse tells us: "the lack of professional expertise, especially in the field of economic analysis and evaluation, tends to be responsible for the tenacity of NGO-supported paradigmatic intervention concepts of problematic justification" (2002: 86) and the cost-effectiveness, efficiency and impact are rarely subjects of analysis in NGO-country program studies (Reusse, 2002: 87).

To be goal-oriented implies that one has skipped two important phases in the field of consultancy, e.g. entry and diagnosis. Consultancy involves, as Kubr (1996: 22) argued, a number of phases, a process one has to go through. In this process of consulting he distinguishes five phases, i.e. the Entry, Diagnosis, Action Planning, Implementation and Termination phase:

- There is always an entry phase, when consultants come in. In this phase there is the necessity to learn about the perspective of the client on the problem, to conduct a preliminary problem diagnosis, and to develop a dynamic and comprehensive view of the organisation, its environment, resources, goals activities achievements and perspectives. All this should result in a SWOT analysis which could form the basis for action (cf. Kubr, 1996: 141 ff).

- Central, during the diagnosis phase, are investigations into the nature of the problem, the people side of diagnosis, an analysis of the causes of the problem, insight into the client's potential to solve the problem, and to avoid flaws such as mistaking symptoms for problems, preconceived ideas about the causes of the problems, looking at problems from a technical point of view only, ignorance about different perceptions of the problem, partial problem diagnosis and a failure to focus purpose (cf. Kubr, 1996: 175).

- Third is action planning, requiring on-the-job-diagnosis; using creativity such as could be achieved by brainstorming, synectics, attribute listing, morphological analysis lateral thinking et cetera (See also Dunn, 1994) and presenting alternative routes towards the goal, including risk analysis, an assessment of the necessary conditions to be fulfilled, and the perspectives of such alternatives, leaving it to the client to make a decision on what to do.

- The implementation phase is "the culmination of the consultant's and the client's joint effort" (Kubr, 1996: 221). Implementation is where "the rubber hits the road" (ibid). The consultant working with the client to put into action the plan

that has been agreed upon and to implement changes that are real improvements from the client's point of view is the basic purpose of any consulting assignment. Basically, the client wants to see their problems solved and it is in the implementation phase that the consultant uses their preset plan to solve the problem.

- The termination phase means that: "Every project has to be brought to an end once its purpose has been achieved and the consultant's help is no longer needed" (Kubr, 1996: 237).

At this stage, we simply conclude that there are huge differences between the classic and modern visions on professionalism. These differences are visible in the position of "professionals" on six dimensions:

	Modern professionalism	Classic professionalism
1.	emotion-free	commitment and empathy
2.	keeping up appearances	never misrepresenting oneself
3.	financial gains	having the clients' interests in mind
4.	formal (academic) education	building expertise
5.	standard setting	interventions that best suit that situation at that time
6.	goal-orientation	intervention based on sound problem diagnosis

3.1.3 The 'professionalism' of actors in the process of assisting CEE countries

How did the actors in the process of providing technical assistance to CEE-countries fit in with these dimensions? Figure 1 below shows how most of the demands out of theories on professionalism were not met. The recipients did not get what they wanted, but also failed to define their problems and purpose and left this to the consultants to decide; they did not choose their consultants – they were imposed upon them.

Often, there was no equality, but rather dependence, and no joint fact finding or active co-operation, or involvement in the implementation process. All these findings are contradictory to recommendations in literature. Kubr recommends recipients to "learn about consulting and consultants; define your problem; define your purpose; choose your consultant; develop a joint programme; co-operate actively with your consultant; involve the consultant in implementation; monitor progress; evaluate the results and the consultant; beware of dependence on consultants" (1996, 2002: 721 ff).

As to the consultants, the two models – the classic and modern – partly explain the variance in the appreciation of the recipients. These differences were seen in the dichotomies: emotion-free versus commitment and empathy; keeping up appearances versus never misrepresenting oneself; making money versus having the clients' interests in mind; formal education versus building expertise; standard setting versus interventions that best suit that situation at that time; and goal-orientation

versus intervention based on sound problem diagnosis. In our view the variance in the appreciation of consultancy can partly be explained by the position of consultants on these two conceptions of professionalism.

For instance, from our previous research it could be concluded that the Western consultants in local government in CEE-countries focused mainly on action planning. Their action plans, however, were not embedded in any on-the-job diagnosis; they were without any creativity, and they were certainly not presented in the form of alternative routes towards the goal, including a risk analysis, an assessment of the necessary conditions to be fulfilled, and the perspectives of such alternatives, leaving it to the client to make a decision on what to do. Instead it was standard-setting i.e. copying the standards that were used in their home countries. It was also seen that consultants often terminated their consultancy work right after presenting this plan, neglecting that real improvements needed to be implemented. The whole planning process, the contingencies involved, the training and developing of client staff, the provision of tactical guidelines and the maintenance and control of new practices were often left to the client. The consultants did follow the rules for terminating better, e.g. stay no longer than necessary (Kubr, 1996; 2002: 239).

As to the donor organisations, similar comments can be applied. They were unable to facilitate the consultancy process, by allowing the consultants to prepare properly. They did not provide working boundary conditions. Instead, within those organisations the timely circulation of money, the political objectives and control in the form of project evaluations dominated.

Finally, the remarks of the *politicians* were frank but nonetheless astonishing. They were not interested in substance at all and moved the money as they saw fit, given the economic interests in their own country.

Perhaps many of our actors – recipients, advisors, representatives of donor organisations and politicians – in the field of technical assistance were in one way or another professional in the modern definition thereof, namely keeping up appearances, being free of emotions, setting standards, primarily goal-orientated, aiming for financial gains and recruiting based on the criterion of being highly educated. What was neglected, however, was the classic perspective, in which the substance of professionalism is crucial. Classic, implies, not in vogue, not fashionable, but in our view, certainly not outdated.

Figure 1. A
Casual model of the problems in the aid chain

Dependence			
Recipients	Foreign Advisors	Donor organizations	Governments	Actors in aid-chain
Did not get the advice they needed	Could not give the assistance needed	Could not provide adequate boundary conditions	Not interested in effectiveness of aid for recipients	Problems
Had no choice in what and who they got. Were passive recipients	•education • experience • preparation • sustainability •difficult context	•Circulated money •Time restrictions • Bound to political objectives	•Donor country's interests came first •No substantive interest in recipient •Geo-political goals	Causes

3.2 Power and professionalism in the organisational context

The behaviour of the individual actors does not come out of the blue. It was structured within an organisational setting which can be interpreted from different theoretical frames. First, all individual behaviour can be explained in terms of power and dependences (Bell, 1976; Freidson, 1986; Abbott, 1988). Second, such behaviour can be explained by the organisational structure of the aid provision in relation to the specifics of the context in which technical assistance takes place (Mintzberg, 1973) and third, it can be explained by the specifics of inter-organisational relations in the aid-chain, in which the incentive structure, transaction costs and aspects of principal agent theory are crucial.

3.2.1 The role of power and dependencies in knowledge transfer

Figure 1 above illustrated that technical assistance is not just about actors in a process of transfer of knowledge, but also about dependencies and power-relations among the different actors in the aid chain. It suggests that one of the causes of the problem is to be found in the political arena. This is not only a problem for CEE countries, but it can be seen as a general problem of the *commodification of knowledge,* in which knowledge transfer is less and less about substance and more and more about making money, and creating power-relations and dependences (Wallace et al, 2007; Easterly, 2006; Sogge, 2002). As Sogge already writes; "The portrayal

of development aid as apolitical and non-ideological, like a kind of engineering, is mythology" (2002: 114).

This argument fits into a long tradition, beginning with the work of Daniel Bell, who already at the beginning of the 1970s formulated his theory about post-industrial society. His ambition was to describe a transition of society from industrialism to post-industrialism. The prefix *post* shows very clearly that the industrial production with its mass production following the loping band principles and focus on energy was gone (Bell 1976: 54 and 112). This does not mean that the rudiments of industrial or even agrarian sectors have disappeared in the post industrial society. They are still important, but the majority of the workforce is employed in other sectors:

> "*What counts is not raw muscle power, or energy, but information. The central person is the professional, for he is equipped, by his education and training, to provide the kinds of skill which are increasingly demanded in the post-industrial society. If an industrial society is defined by the quantity of goods as marketing a standard of living, the post-industrial society is defined by the quality of life as measured by the services and amenities – health, education, recreation, and arts – which are now deemed desirable and possible for everyone*" (Bell, 1976: 127).

According to Bell (1976: 117) this development has implications for the nature of knowledge. Knowledge is there to sell. The increasing demand for high competences and high academic merits on the labour market allowed him to talk about "meritocracy" and a new type of professionals. These professionals represent the so-called *knowledge class*. Bell argues that the post-industrial society permanently creates knowledge and such production constitutes the dynamic force that forms modern society. He observes a new tendency that he calls "development of meritocracy". This tendency causes academic education to become the most important mechanism behind social mobility and new opportunities for social (in) equality. For him such a professional class is "the heart of post-industrial society" (Bell, 1976: 374) and its growth is based on formal training in a broader intellectual context. Thus, meritocracy with its somewhat new codification of knowledge essentially contributes to creating a new social order (Bell, 1976: 426).

His theory was taken up by Eliot Freidson (1986) who, in his book, *Professional Powers. A study of Institutionalisation of Formal Knowledge,* develops this understanding of the production of knowledge by focusing on the relation between formal knowledge and power in the context of existing institutions in American society. He investigates "the relationships between those who create, transmit, and apply that knowledge and the actual exercise of power" (1986: 1–2). He wonders which rules or institutions are created by professionals and how the growing commodification of formal knowledge can explain the existence of the "tyranny of the

experts". For him, agents of knowledge are creators and carriers of these institutions. They create, transmit and apply rules in order to solve some problems.

Freidson argues that knowledge is intrinsic and "not all people have the same body of knowledge" (1986: 2). Knowledge develops due to a human culture. It is not so surprising that knowledge from one culture can be different from knowledge of another culture. Moreover, specialised, theoretical and rather abstract knowledge can be understood only by elites in each society. In this regard, Freidson (1986: 4) agrees with Bell (1976: 20) and shares the same opinion as Ellul (1973) concerning politicians' importance for a development of formal knowledge. He says that "politics and politicians hold the power, and they decide what formal knowledge to apply and to what purpose" (Freidson, 1986: 7). Politicians make decisions in a framework of a complex consultative relationship between them and experts, advisors, consultants – those who have the relevant skills.

Freidson observes that *formal knowledge* is permanently transformed by professionals due to their actual work-demands and due to the particular expectations of clients for whom they work (Freidson, 1986: 210). Professionals, in fact, do not have a choice but to be in a system that is organised by various authorities in order to control the development of knowledge and skills and secure professionalism. This is furthered by the one-sided education these professionals receive which is "too academic, theoretical, or unrealistic" to the practical needs, especially for new professional adepts (Freidson, 1986: 212; see also Hughes et al, 1973).

Julia Evetts (1999) follows somewhat in Freidson's footprints. According to her:

> *"(…) states in Europe are witnessing the growing phenomena of translational regulations of professional service. One of the major objectives of the European Union (EU) since its inspection has been the harmonisation of national regulations affecting the provision of goods and services in order to facilitate the free movement of produces and labor in the European market. The professions, and the services they provide, are increasingly covered by regulations which define a common basis of competence for licensing as well as sometimes common standards of professional practice" (Evetts 1999: 19).*

Evetts argues further that a growing number of international professional federations or associations show us, on the one hand, that they try to protect professional identities and their major characteristic elements such as e.g. philosophy of profession, guidelines of professional behaviour, admission requirements and others to clearly distance themselves from other occupations, although these international professional federations and associations are not the regulative bodies themselves. On the other hand, the same international professional organisations essentially contribute to the modification of a national regulatory and licensing sys-

196

tem for professionals that is perceived as the institutional side of professionalism (Evetts, 1999: 24).

Especially in a highly developed country such as Sweden, the theory on post industrial society as first described by Daniel Bell, might be valid. The logical conclusion would be that the problem we address is political in nature and the major objectives and goals of those at the top of the aid-chain are crucial for understanding the problem. In our case, those at the top, e.g. the government, set the priorities which were primarily in its own interest to take Sweden out of isolation in Europe by assisting the neighbouring countries in their transition process. Moreover, there was pressure coming from industry and other organisations, which saw a good opportunity to do business in CEE countries. This made the politicians make a decision about aid provision to CEE and Russia. However, the government also had some kind of expectation that this could create a win-win situation. Nonetheless, the domination of own interest affected the whole aid-chain, which eventually was not about helping out of altruistic aims, but just about preserving and creating power relations, dependencies and improving one's own position. This keeping up the appearance of altruism, the emotion-free and goal-oriented standard-setting, and the motivation to get one's own academics to work induces the dominance of a certain kind of professional and the driving out of those professionals that could not care less about Sweden's or even worse, French or US interests, and care more about the fate of the beneficiaries.

3.2.2 The organisation of technical assistance in relation to its context

When the problem is perceived within an organisational perspective, it is basically about the question of how to optimise "two fundamental and opposing requirements: the *division of labour* into various tasks to be performed and the *coordination* of those tasks to accomplish the activity" (Mintzberg, 1989: 100).

The classic work of Henry Mintzberg (1983) on organisational structures argues that an optimal organisational structure as such does not exist, but has to be judged in relation to its fit to its environment. When the environment of an organisation is dynamic, when there is much uncertainty, when the complexity of tasks is high, and the market is diversified, one needs a different kind of organisation than when the environment thereof is stable, tasks are more routine and information is amply available. In the latter situation, a bureaucratic organisation and hierarchical management that standardises knowledge, skill, processes and output could be fitting. The more the environment is characterised in terms of the former situation, the more suitable it becomes to decentralise, remove hierarchies and reduce standards.

When judging the context of the transition of CEE-countries in this respect, as well as considering the views of all those involved, as investigated in previous papers, one cannot but conclude that the situation was complex, that information

was lacking and that the uncertainty was huge. Hence, one would expect an organisational setting fitting this situation, e.g. a missionary, innovative or at least a professional organisational structure.

The characteristics of the professional organisation were well described by Henri Mintzberg (1973: 466–171). In his view, a professional bureaucracy is characterised by the fact that the production core is composed of professionals, who provide services rather than tangible products within a complex environment, as in consulting firms. People within such organisations have autonomy and the power is held by the professionals and a highly decentralised structure exists with horizontal distribution of power. The professional organisation has a large operating core, which relies on the standardisation of skills and knowledge and which permits coordination through work-related training, as is required for professional groups (Mintzberg, 1973). Typically, the skills of the individual worker have been learned outside the organisation (e.g. university). There is a strong culture and clan control, as well as ample space for training and developing and sharing experience in order to enhance proficiency, e.g. performing tasks based on highly developed knowledge and skills in order to achieve excellence.

As a consequence, there is a relatively small management layer but a large support system. In such an organisation, the specific tasks of the professional bureaucracy is to facilitate its operating core by standardising skills and knowledge, and to act as the boundary between the professionals in the field and outside influences such as government. This implies that those employed within the professional bureaucracy are experts in negotiation, public relations, and fund raising (Mintzberg, 1989: 174–81).

Perhaps one would expect the aid-chain to be at least a professional organisation. Our analyses, however, depict it rather as a mixture of different organisational structures. We found lacking professional autonomy, a centralised structure, a management which failed to act as a buffer between political demands and professional work on the floor, and which did not standardise skills and knowledge, but instead the processes and outputs. Hence, we see an organisation in which the classic professional cannot flourish and his destination can only be to become cynical and frustrated.

We see the aid chain as a combination of different types of organisation which are all adverse to classic professionalism. Partly, it is a political configuration, in which processes fluctuate between shaky alliance between the organisations and a politicised organisation. In such political organisations, political games are played that tend to become dominant over substantial issues. Such games include e.g. the sponsorship game, the insurgency game, the budgeting game, the empire building game, the expertise game, and the rival camps game (Mintzberg, 1989: 238–40).

The aid chain is illustrated in Figure 2. It presents the black box in which the government provides money, primarily a means to achieve its geopolitical goals;

in which the donor organisations distribute the money by defining projects and programmes and in which the foreign experts collect the money and execute the projects and programmes. It could be extended by incorporating the recipient side, which is also often seen as a coherent whole. However, the goals of aid receiving governments in CEE countries, aiming for accession to the EU, were very different from those of the 'beneficiaries' at the local level, who were not the ones who were eager to be disturbed by another team of foreign experts, and the local officials who had to implement the changes, but who met resistance when trying to do so.

It would be nice if one could speak of a coherent and at least professional or-ganisation e.g. "Development Incorporated" (Easterly, 2006), with coherent goals, coordinated interventions and a coherent group of actors carrying out their tasks professionally, but one cannot. The goals of the government, the programmes and project, as developed by the donor organisations, the implementation thereof by the foreign experts and the needs of the recipients, do not coincide, to put it mildly.

Figure 2
The aid chain revisited
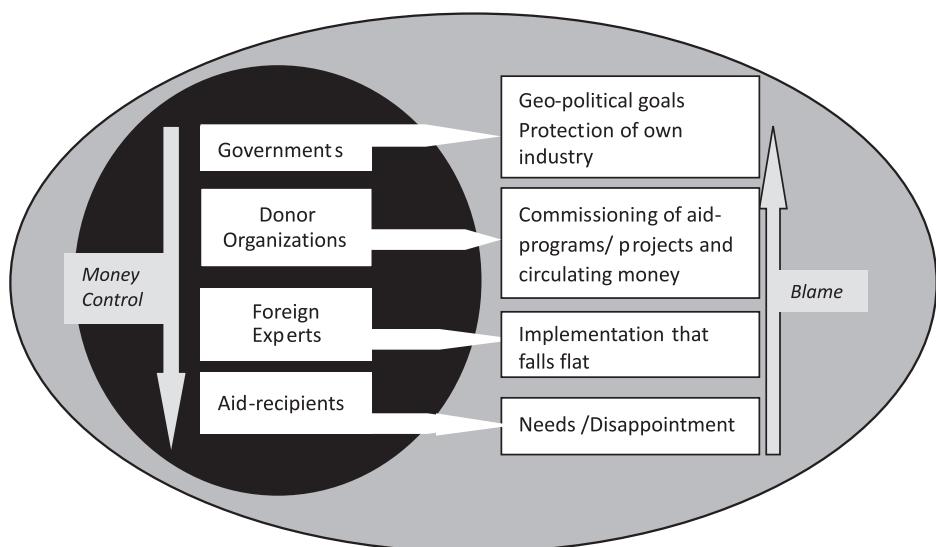
The decomposition of the aid process enables the distinction of the quite dif-ferent interests of the organisations involved. It is striking that only a few of them seem to see aid as a mission. Most organisations involved in aid-provision see the aid as a job to be accomplished. The result of the job, that is the provision of ad-equate advice, has become mainly a side-effect of what the actors involved really do. Whether this side-effect is to be judged positively or negatively seems to be merely a

question of chance, which could explain why approximately half of the aid projects succeed, depending on who measures them and who the commissioner of that research was. The effect is that the impact of this aid for the recipient country is only of secondary importance and the actors within the aid-chain are satisfied, if they can do the job by the book, within the limitations of time and money. The direction the money flows determines the dependences and power disparity. The money is provided by governments, distributed by donor organisations, and received by the advisors in order to benefit the recipients, according to the principle that one of our respondents pointed out that "the Swedish money stays in Sweden".

In conclusion, part of the problems can be explained by the organisational structure, which did not fit the specifics of the context, even if the organisational structure of donor organisations and division of tasks have been changed a couple of times to improve aid providing at hand and coordinate the efforts of all involved. Instead of a professional, missionary or even innovative organisational structure, we see a mixture of a politicised organisational structure and an incomplete divisional organisational type that must negatively influence the professionalism of the aid-chain. Again, this does not create an environment in which the classic professional can perform optimally.

3.2.2 An inter-organisational institutional perspective

In the third place, the problems encountered can be interpreted as an inter-organisational problem. Central to this approach is the dilemma between: (1) inducing actors to do what one wants them to do in an efficient and effective way, under the restriction of incomplete information about what they are actually doing i.e. the asymmetry of information, the impossibility to order such behaviour hierarchically because of the discretionary power of the agents, and (2) realising the goals without increasing the costs involved – the transaction costs too much.

In this framework, our aid-chain does not represent an organisation, but a network of organisations, in which the relations between government, donors, consultancy agencies, and beneficiaries can be framed as principal-agent relations, in which some of the actors are simultaneously principals and agents. In this regard, the aid-chain shows the multiple principal-agent relations e.g. the government being the principal in relation to donor organisations that are perceived as the agent. In the relations between the donor organisation and the consultancy agency, the first organisation is the principal while the second one the agent. Some actors are double agents e.g. the beneficiaries as well as the donor organisations can be seen as the principals of the consultants.

The problems central within this framework are: (1) the existing asymmetry of information between principals and agents, (2) the limited possibility for optimal pricing of the aid provided because of the nature of the provision, (3) the danger of moral hazard, be it supplier-induced or consumer-induced, (4) supplier-induced

demand, (5) double agency roles, and (6) the near impossibility to use hierarchy as an instrument, leaving only incentives as a feasible instrument to induce certain behaviour (cf. Blomqvist, 1991).

All these problems would not be problems if all the actors had the interests of the recipients continuously in mind, if there was an abundance of financial means, and all actors were capable in their work. However, in the complex and dynamic situation, which the transition process in the CEE-countries was, we see that finances were scarce, many actors had their own interests in mind, and one could doubt the capability of actors i.e. the knowledge and skills to make sufficient improvements at the local level during the transition process. These problems were clouded, however, by the asymmetry of information that existed between information providers (consultants) who pretended to know what was needed and consumers (aid-recipients), who had quite different ideas on what was needed; between providers (who said they implemented assistance programmes) and the donor organisations (who constructed the programmes); between aid-recipients that asked for a certain kind of help and donors that provided different assistance, and between the donor organisations that distributed the money and governments that provided the money. The problems concentrate on such questions as: who is especially in need, what is needed, how much it costs to provide it, who has to provide it, how to determine, and how much to invest in order to determine, whether it is effectively and efficiently provided, and how to prevent that some actors take advantage of the existing information they have, while this information is lacking amongst significant others (see: Schut, 1995; Gibson et al, 2005).

As already noted by Arrow in the 1960s, in the business of transfer of information, socially efficient allocations cannot be generated. The reason is that information is difficult to value or price optimally beforehand, because, if the beneficiaries knew enough of the value of information, they would know the information itself and would not need it anymore (Arrow, 1963: 946). This leaves it to the providers to tell the recipients what kind of information and how much of it they need. Hence, such cases are characterised by supplier-induced demand. Providers can even cheat the recipients regarding what is needed, misrepresent the value of their information, and deliver more than is needed, provide something that is not needed, or take much longer than is necessary in the diagnosis, goal-setting or implementation. This is known as the moral hazard, in terms of aid, the risk of fraud and corruption.

As we have seen, not only the providers induced a certain demand, but also the donor-organisations, telling the consultants which problems in CEE-countries to tackle. Both streams result in a phenomenon known as supplier-induced demand. To make the case even more complicated both consultants and donor organisations face, in our case, double agency problems. On the one hand the principals of the consultants are the recipients. Consultants are there to meet the demands of the recipients. However, the finances for this assistance come from a third party, that is

the donor organisations. Hence, these organisations are also the consultants' principals. As Clark Gibson et al note:

> "If we assume that consultants seek long-term relationships with donors, then they worry about their reputations and will try to please their donor-employer. This yields two effects. First given the information asymmetry about how the project is actually working, consultants have incentives to provide information about the project that agency staff wants to hear… Second a consultant concerned with possible future contracts with a donor agency is likely to maximize control over a project, rather than pass control on to the targeted individuals for aid" (Gibson et al., 2005: 231).

Where there was congruence in the goals of donors and recipients there was a minor problem. However, we found ample inconsistencies in the goals of both actors. A similar double agency problem is faced by the donors, who are in the middle between their information about recipients needs and the limitations given by the governments' objectives. This theory gives an explanation or at least an alternative description of the problems we encountered in the aid-chain. One of the obvious recommendations could be increase control, monitoring, and evaluations. Some scholars (see Radelet, 2003) indeed recommend this. However, this would increase the so-called transaction costs dramatically, without ensuring the effect for evaluations suffer also under information-asymmetry, and agents are eager to write evaluations that please their principals instead of giving a realistic account of aid-provision. Neo-institutional reasoning gives an alternative recommendation and suggests that if the technical assistance to local government in the CEE-countries failed, the institutional rules, i.e. especially the incentives to make a process efficient and effective are flawed. As Douglas North tells, such institutions probably do fail, because "institutions are not necessarily or even usually created to be socially efficient, rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules" (North, 1994: 360; cf. Freidson 1986).

The question thus arises: how to insert incentives in the system to induce actors to act efficiently and effectively. This theory has been widely applied in health services, in which a similar organisational structure exists as in the organisation of foreign aid. According to this theory therefore, similar problems exist, although the problem in the health sector is that consumers ask for and receive too much, that providers are mostly capable, and that insurers are mostly unable to tell the providers what kind of help to provide i.e. there is a remote insurance system.

In that policy area, from a similar interpretation of the problems within the institutional theory, several solutions for the existing problems are suggested. The first is that if there is information-asymmetry of which the consumer is the victim, it would help to increase the power of the consumers, by increasing consumer in-

formation, and by increasing their freedom to choose what help is needed and from whom to get it. As to increasing consumer information, this does not necessarily imply increasing the information about the specific service, but rather information about the reputation of providers. This enables a freedom of choice to hire those consultants with the best reputations, probably the most effective ones, even if this would imply charging higher prices. From research into the health system, it is argued further that the incentive to hire advisors that do provide quality has increased, when one would change the system of fee-for-service to be paid by the donor into a system of cost-sharing between donor-organisation and recipient, for instance, by providing the latter with a prospective payment they can use to select themselves the help and consultants needed.

The second solution, also borrowed from the health sector, is also directly related to the existing information-asymmetry. The idea is to replace regulated competition, in which fixed, standardised rules are central, into managed competition, in which managed flexibility and adaptation is central (Enthoven, 1988). This could be done, according to Enthoven, by developing regulatory agencies, positioned on the demand side, that manage the provision of aid by creating and maintaining a new system of incentives for developing aid and learning from past experiences, act as intermediaries between consumers and aid-plans, and are insulated from special interests.

When those two solutions were sought, one could imagine that the classic professionals would come back in. However, all current trends in such incentive structures, point to the desire to establish more control, more need for keeping up appearances and to please donor-organisations and governments by creating a biased image of reality instead of reality itself.

Conclusion

Where does this leave us? We have analysed the problems in the technical assistance programmes to CEE-countries from multiple angles. We looked at the behaviour of individuals, organisations and the relationships between organisations. Everywhere, problems are visible, so it is not easy to recommend what should be done to improve the situation. Nonetheless, this final section tries to do just that. If one is able to identify the problems and can explain the problems, the logical next step is to remove the causes in order to improve the situation. Below we address possible solutions:

- If the analysis is correct that the process of developmental aid is politicised, two obvious conclusions can be drawn: a) increase political control or b) take it out of the hands of politics i.e. privatise:
    1. The first solution, one could argue that there is a *role for national parliaments* in the donor countries and its population at large. They should control the

conduct of their government and could demand a shift in priorities in favour of the recipients. Parliaments could forbid tied aid and could induce demand induced aid. To accomplish this means that the problem should be put on the political agenda, and exposure of what is going on in reality is one of the ways towards that goal.

2. The second solution is to take aid out of the hands of government. This conforms to a momentarily more generally heard plea, namely: "*Leave it to the free market* and stop wasting the tax-payer's money" (e.g. Easterly, 2006; Smith & Thurman, 2007). If it is self-interest that governs technical assistance, let's do it out of self-interest regulated by financial mechanisms and incentives that traditionally rule the free market. If nobody really cares, except about his own salary, as our second hypothesis reads, it makes sense to let the criterion on value for money dominate the regulation of the market. In the free market, the invisible hand would make sure that if one fails to deliver the goods, one eventually will lose buyers and consequently disappear from the market. Only those doing the good job will be hired and increase their market share. However, four counter-arguments are at stake:

a) First, the market of foreign aid and foreign technical assistance is more complex than a normal marketplace. This is the case because the recipient and the buyer of assistance programmes are different actors with different positions in the aid-chain i.e. the problem of third-actor-financing. Hence, doing a bad job for the recipients is not necessarily a bad job from the perspective of the donor organisations.

b) Second, the free market solution is based on an assumption that nobody cares intrinsically, except about the money. If one thing strikes us in the outcomes of the different investigations, it was that the people involved varied very much to the degree they did care and wanted to make a difference. Talking to the key-persons in the aid chain convinced us that the will was there, but that their substantial objectives were continuously intermingled with bureaucratic, strategic, and political restrictions on the one hand and the need for self preservation on the other.

c) Third, every part of the aid-chain has perfectly good reasons to act in the way they are blamed for. The speed with which developments took place in Central and Eastern Europe induced a form of technical foreign aid which could hardly be thought through properly. This would not have been different if the aid was provided by the free market. All actors were unprepared and were restricted by the regulations and boundary conditions imposed on them by others. This constituted the dependences. These restrictions and bureaucracy did not come out of the blue. These were the logical consequences of the avoidance of blame that money is wasted.

    d) Fourth, the plea for a free market of foreign aid assumes that one of the problems in the provision of aid lies in the monopolistic, bureaucratic and inefficient workings of the aid industry. Our investigations showed us, however, that the aid-industry is not a coherent whole. It consists of many organisations. Each of them has its own formal features such as major objectives, strategies to fulfil the goals, organisational structure or even informal features i.e. organisational culture and power relations that influence the behaviour and processes occurring in the aid-chain and out of natural reasons this chain is far from coherent.

When privatisation is not an option, several changes down the aid-chain are recommendable.

3. If the analysis is correct that donor organisations on the one hand lack the power to act as a buffer between political objectives and the work in the field and consequently lack the possibilities to facilitate the field work and instead impose the political objectives on the field workers and overload them with administrative procedures, the obvious solution is to alter their position in the aid-chain. One could recommend that they refrain from setting objectives and give their money straight to the beneficiaries so as to let the latter decide by themselves how this money is used, or that they start to take their position seriously and act as a buffer between consultants and governments and facilitate instead of steer the work of the consultants. When an organisation has the power to distribute financial funds it is, of course, tempting to steer those flows and set general objectives. However, it is recommendable to restrict oneself to giving money and controlling whether this is well spent, or is subject to fraud and corruption. Probably the contract – the major tool of donor organisations used when matching aid-recipients and aid-providers – should be worked out with much more care. It should take into account, first of all, the right to choose consulting firms, to the international co-operation and the substance of aid, well discussed before the signing of any document instead of focusing almost on the financial obligations of those involved and the general goals.

4. If the analysis is correct that consultants are acting professionally in a modern way, but that it would be desirable for them to act professionally in a classic way, this is what one should aim for. Consultants should take responsibility, only accept assignments when the conditions are in order, when they get enough time to prepare properly, when the benefits are expected to exceed to costs, and they should refuse assignments if they know they lack the skills and knowledge to do the job or when boundary conditions are too limiting. They should be committed and take the interests of the beneficiaries more seriously, instead of keeping up appearances. They should see the beneficiaries as

their clients instead of the donor organisations. In other words, they should act as professionals in the classic way.

5. If the analysis is correct that beneficiaries do not benefit from the technical assistance given and their power is too low to get the help they need, the obvious solution is to empower them, to let them set the objectives, and let them choose the help they need. It is similar to what is known in literature about changing the ownership of the problem and striving for demand-induced assistance. Seen from the individual perspective of Kubr (1976; 1996; 2002), the organisational theory of Mintzberg (1983) and the Institutional framework as applied to foreign aid by Gibson et al (2005), it appears: "Encouraging programmes that place the beneficiaries, rather than the contractors, in the centre of the linked arenas is an obvious step to give more emphasis to the role of beneficiaries in the ownership of projects" (Gibson et al, 2005: 84).

The tools to improve the process of technical assistance are, however, not just of an organisational nature. The above emphasised that we seriously think that without able individuals, the process is doomed to failure. Therefore, we would like to stress again that the aid-chain is in need of professionals who are committed and show empathy, who do not misrepresent themselves, who have the clients' interests at heart, are willing to build expertise, adapt their interventions to suit the specifics of the situation and who base their interventions on sound problem diagnosis.

This latter condition can only be fulfilled if the institutional, organisational, incentive structure of foreign aid changes in favour of stimulating such behaviour, not by increasing administrative procedures, but by emphasising substance. The theories presented in the previous sections provide ways to achieve such solutions. It involves changing the organisational structure of the aid chain, decentralising responsibilities, and aiming for more coherence between the actors in the aid chain. When the aid-chain is seen as a chain of independent organisations, altering the structure of incentives in such a way that the above recommendations can be reached might be an option. Moreover, many advocate that the asymmetry of information observed among those involved in the aid-chain proved the "hidden" side of organisational culture and power relations within the chain. It represented the aid's informal features that essentially contributed to reproducing the pattern of aid-provision by spreading institutional standards and organisational fashions which is a one-sided approach to professional consulting work in terms of the classical theory of professionalism. This way of providing aid constituted only the façade towards the world of donor organisations to give the impression that their aid-providing was legitimate i.e. in line with the modern understanding of professionalism when aid providing. Thus, the major dilemma of providing aid concerns the total transformation the basic assumptions, values and norms of aid-providing.

In order to achieve the positive effects, it could be argued from the same theories that it is essential to decentralise the aid chain horizontally and vertically, to

transform it into an innovative organisational model or even adhocracy, implying less standardisation of skills, knowledge, process and output, to reduce the information-asymmetry to the advantage of the recipients, to change the money flow in such a way that recipients become owners of technical assistance programmes, and for the all actors, including the recipients, to change their conduct and act professionally in the classic meaning thereof. It should be added that innovative organisations are the classical example of matrix-organisations regarding division of labour.

The aid chain is in need of such innovative institutions, independent of geopolitics, self centred money flows, tied-aid and goals and objectives put forward by politicians that are contrary to the recipient's interests. Such institutions could make proposals for a system of incentives for all actors involved and the various processes. These incentives are expected to be adapted to changing situations and dynamic developments in accordance with the occurring changes within the organisational environment. It would also be institutions that promote learning, effective and efficient aid-provision and that act as intermediaries between recipients and donors, reducing the information-asymmetry and aim for improved communication. Such institutions could support the professionalism in the aid-chain by providing training courses, by organising meetings between stakeholders, by taking care of knowledge transfer, and by providing information about legislature and culture in recipient countries.

The aid-chain is in need of institutions that can promote what many authors in this field are asking for, that is, innovation; Easterly (2006) talks about the need for "searchers", Prahalad (2005) pleas for a combination of McKinsey consultants, Microsoft Engineers and Peace Corps Volunteer (2005: 365). Together with Sachs (2005), Calderesi (2006) and Klein & Hartford (2005), they ask for innovation in the aid business. Innovation is the new buzzword. What it really says is: "We don't know what to do and are awaiting the prince in shining armour". Easterly and Prahalad are convinced that this prince is to be found in the private sector; Sachs still has faith in the existing organisational structures; Calderesi wants to restructure the aid industry and Klein and Harfort await the outcomes of evaluations.

The consequence is, to continue the metaphor, that the prince is still at home practising his kissing on the available maidens, deliberating whether his armour should be made by his personal blacksmith or by the new commercial guy in town and disputing with his friends whether Cinderella is to blame for the fact that he lost sight of her. The poor beauty waits in vain, while all she wants is the prince to brush his teeth and get on his horse in order to give her that kiss. Similarly our old–fashioned professionals are at home, frustrated about working conditions, failing aid, the ills of aid and roads to hell. They are waiting for conditions under which their professionalism could flourish and they could do their work effectively. The potential recipients of foreign aid are also still waiting; waiting for an outcome of the ongoing discussion in the foreign aid literature about or-

ganisational settings, institutional frameworks, improving processes, and the yet unknown results of evaluations.

What is forgotten is that all the examples of effective aid, presented in recent literature, point out that effectiveness is contingent; it always starts with a valid diagnosis of the problem, based on valid assumptions, a good idea and applying sound theories around which processes and organisational settings are built afterwards, instead of vice versa, that is a process proceeding from professional preparation to professional implementation. Hence, we are not awaiting a modern-day prince, but rather the return of a number of old-fashioned professionals.

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Section III

E-government

Trusted Computing in Public Management

Franziska Cecon, Wolfgang Eixelsberger

1. Introduction

The requirements for IT security are steadily increasing in many business areas, also in public management. Austria was selected as e-government champion in Europe in 2006[1] and 2007[2]. In order to guarantee this extraordinary development in the future, continuous progress in the fields of information and communications technology as well as security needs to be done. Electronic transactions are to be expected to become a more integral part of our daily life and their rate of use will undoubtedly increase. This is especially valid for public administration. Besides the known and highly used applications such as the Austrian "FinanzOnline" (https://finanzonline.bmf.gv.at/), other services will also be provided online in a two-way communication.

Trusted Computing technology is one of the possibilities to increase security in the area of internet usage. The use of specific hardware and software identifies if a computer system is in a trustworthy state. A hardware element called TPM (Trusted Platform Module) is used, which is already fairly well-spread among high-priced devices such as notebooks.

One of the main functions of Trusted Computing is the examination of whether there is only certified and in that sense, secure software, in use. Any existence of non-certified software such as viruses, trojans etc. is detected. In that case, either the user or a requesting system can begin a certain procedure such as interrupting the execution. Furthermore, Trusted Computing makes sure that the execution of a software program takes place in a protected environment without manipulation by other software. Since 1999 a taskforce for standardisation, consisting of a number

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of leading IT companies such as IBM, HP or Infineon, is working to standardise the so-called Trusted platforms.

To gain an overview of the current situation in the public sector concerning Trusted Computing and to identify prerequisites for the introduction of Trusted Computing, a specific research project was conducted, supported by the Austrian Federal Ministry of Transport, Innovation and Technology. Several IT security experts at management level in the Austrian government were interviewed. "Trusted Computing for Public Administration" was a research project executed by the School of Management in collaboration with Technikon Forschungs- und Planungsgesellschaft mbH, Villach and the Technical University of Graz. It began in March 2007 and was completed in February 2008.

Two public administration processes are identified which might be most appropriate for the use of Trusted Computing (e-voting and the Austrian electronic filing system). To ensure the best choice, a selected number of key experts of public administration have been interviewed. Other potential processes and applications are, for example, public health or the use of mobile electronic devices for employed field staff that gains access to internal public information and databases.

The introduction of Trusted Computing technology requires a change in hardware, software and organisational processes. Besides the necessary certification infrastructure, there is a consistent standard required. A thorough planning, as well as the technical, organisational and personnel requirements are crucial for a successful migration process.

2. Trusted Computing

In the area of public management, requirements concerning IT security, secure authentication and safe process execution are permanently increasing. Enforcing such requirements using software is not satisfying, since any software may be potentially corrupted by any other software. Antivirus software is an example of software that may lose the intended functionality after a software attack. One solution is to develop a hardware-based protection concept.

Trusted Computing is an IT-security technology, based on hardware, to enable entities with which the computer systems interacts to have some level of trust in what the system is doing[3]. The hardware module is called the Trusted Platform Module (TPM). The TPM offers a range of functions that are used to increase the security of computer systems and to authenticate hardware devices. Examples of functions of the TPM are the secure generation of cryptographic keys and a random number generator. The generation of RSA keys, a widely used algorithm for public-key cryptography, is an example of the usage of key generation. Other examples are

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3   European Commission Directorate General for Information Society and Media. 2007.

integrity measurement functions to identify if a system is trustworthy and attestation functions. Attestation functions allow a system to prove to a third party that the software has not been compromised.

For security protection, a number of principles are valid[4]. For example, by using a TPM, the addition of a malicious code to a system is always detected. The malicious code is prevented from using keys and the private keys cannot be stolen or be in any way given away.

3. Trusted Computing and Public Management

Public management consists of a wide range of services and products. No other sector is as tightly connected to a person's life as the public sector (starting at birth and lasting until we finally pass away). In principle, all involved services are centred on personal data and therefore highly sensitive data. Some years ago, the services were purely paper-based. Files including different documents were moving from one clerk to another. In recent years, e-government completely changed the way of accessing and processing data. A consequence is that personal data is much more vulnerable regarding misuse than ever before.

The management of personal data is part of the citizen to government (c2g) process. Besides that, similar processes exist, such as business to government (b2g), government to government (g2g) and non-government to government (n2g) processes. In all instances, critical sensitive data may be involved in the process and may be exchanged between partners.

As the world becomes more mobile, public management processes and employees are also becoming more mobile. Employees leaving the office are also leaving the local area network (LAN) and using the internet to exchange data with centralised applications and databases. Additional technology is necessary to protect data, the communication channels and to provide a trustworthy authentication mechanism.

4. Awareness of Trusted Computing in the Austrian Public Sector

For several reasons, the area of security has become a major research and development area. The Austrian Federal Ministry of Transport, Innovation and Technology (BMVIT) therefore initiated a specific programme called KIRAS (Österreichisches Förderungsprogramm für Sicherheitsforschung). Part of the program is a research project for analysing the applicability of Trusted Computing for the public administration. In the project, personal interviews with civil servants were conducted.

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4   Mitchell. 2005. p. 3.

The representatives are IT experts in management positions in different administrational levels (national, regional and local level).

Current situation concerning IT security

The first part of the questionnaire was on the current situation concerning IT security. Interviewees see their organisations as being well-prepared. Threats such as viruses, Trojans, intrusions etc. are under control. The currently used approaches and technologies are satisfying (e.g. Network Access Control). Misuse or manipulation of data cannot, however, be totally excluded. The risk of being a victim of an attack is seen as rather low. One reason for that is the absence of a successful major IT security related attack to the Austrian government in the past. Since misuse or manipulation of data cannot be totally excluded, encryption of data is currently the most used technology to save data. A widely used technology is hard-disk encryption with Public Key Infrastructure (PKI).

However, there are some challenges. Especially mobile equipment (such as PDA's with internet connection) exchanging sensitive data with a central unit is seen as a critical issue. Efforts are necessary to improve the trustworthiness of such equipment. Another challenge is the increasing amount of personalised attacks. Trojans or other viruses are still sent out to millions of potential victims at the same time as the number of specific attacks to organisations of the interviewees is increasing. The handling is much more difficult since the response to this kind of attack must also be personalised.

Even the exchange of sensitive data with other governmental or non-governmental institutions is seen as being under control. Current approaches and technologies (such as encryptions, Virtual Private Networks and others) offer a degree of security that is satisfying. Also the conceptual change to web-based applications in recent years is not seen as critical. An increasing number of customer (citizens, businesses and other organisations) interactions are ongoing via web-based applications. Not only is data exchanged as it was some years ago, but users directly inter-act online with governmental applications (e.g. tax refund system). The range of possible threats gas developed from pure data manipulation to manipulation of logical aspects. A possible attacker could manipulate the logic of an application in a way that both involved parties hardly realise that something went wrong.

Another aspect of the steadily increasing number of web-based applications is the introduction of single-sign-on logic to several applications of different administrational organisations. An example – the citizen logs in to an application of the regional government and starts a process. A step in the process requires the access to data of the central register of residences. To increase the usability, this process step is integrated using the single-sign-on principle. The user is therefore directly routed to the central register of residences. Besides the need to transfer user authentication information, it is also necessary to transfer e.g. authorisation information

to the called application. Especially in governmental applications this requires specific trustworthiness. The calling application of the responsible governmental unit is liable for the correct and secure interaction process. A specific chain-of-trust is thereby created. There is a need to increase the level of trustworthiness in this area.

Architecture and processes

The structure of the IT architecture of public administrations is heterogeneous. The number of applications is typically rather high (150 to 200). The applications are supporting a number of organisational units and processes. Typically, no referential application architecture for e.g. regional governmental organisations exists. Traditionally, governmental units and organisations are built on a high degree of independence. The IT architecture with its broad range of applications and solutions is a result of this independence.

The implementation of new technologies and concepts such as Trusted Computing that influence all applications is difficult. Many different vendors deliver many different applications. Interfaces between applications are, in some cases, implemented internally or by external companies. Most services and thereby processes of governmental organisations are supported by a number of inter-related applications. The introduction of a concept such as Trusted Computing could be either based on a big-bang solution or via a step-by-step approach. Both solutions would be difficult to implement. Even if only a small portion of applications (including the related infrastructure) are affected, the effort to introduce the concept would be significant.

The interviewees focused especially on that fact. Interviewees fear that not only the introduction of Trusted Computing would be difficult and expensive but also their daily business.

Information Security

All IT security managers see employees and non-technical aspects as the highest risk in their organisations. Employees are not purposely a risk, but because of the day-to-day behaviour and routines. Information security rules are constantly under development and improvements are visible. Some governmental organisations still have some improvements to make in this area. Concepts such as Trusted Computing could support the implementation of information security.

Knowledge about Trusted Computing

The concept and available technology concerning Trusted Computing was completely unknown to the interviewees (besides one person, who is involved in the IT security research field). One of the main reasons is probably that the topic was barely addressed at conferences, seminars, fairs, technical newsletters or other media in the past.

After a short introduction to the concept, most interviewees showed interest in the concept, the current state of development and the availability of products and solutions on the market.

Use Cases and Applications

Asked if any specific product, service or process would be a starting point for the introduction of Trusted Computing, the interviewees could not identify a single one. Currently, concerning the interviewee's point of view, there is no specific need for the introduction of Trusted Computing in any field.

However, some citizens to government interactions are highly sensitive. It is worthwhile to have a closer look at some examples. For a number of years, the area of e-voting has received a lot of attention in the research community. In some countries, e.g. Estonia, e-voting was already implemented[5]. In many other countries, e-voting will be implemented in upcoming years. E-voting is an example of very high requirements regarding security. A specific chain-of-trust must be at hand to avoid manipulations and misuse. Another example is the area of e-health. Patient records are exchanged between governmental institutions (e.g. hospitals) and non-governmental institutions (e.g. social security companies). Also the area of e-procurement is a possible example for secure transactions. Confidential bidding information will be exchanged between governments and companies. Both partners demand secure information exchange and secure authentification procedures.

Conclusion on the awareness of Trusted Computing

Several interviews with governmental IT security experts in management positions were conducted. The IT security experts see the current situation concerning IT security as being under control. Also, in the future, (next 2 to 3 years) the situation seems to be under control. No specific application area could be identified requiring specific attention concerning IT security (and therefore being interesting for the introduction of Trusted Computing).

Besides one, all other interviewees did not know the concept of Trusted Computing. However, the concept appears to be interesting to them. However, the current state of development of technology, standards and penetration of the market are seen as unsatisfactory. The earliest date for its introduction is thought to be in 3 to 5 years' time.

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5   Challenger et.al. 2007. p. 10.

5. Introduction of Trusted Computing in Public Management

The issue of trust is gaining interest in the area of e-Government. Codagnone and Wimmer[6] identified trust in e-Government as one of the research and development areas towards innovative governments in 2020. Trust is thereby seen as a rather broad concept, but with focus on trust in ICT. Leitold[7] sees Trusted Computing as one of two enabling technologies in the field of e-voting.

One of the main driving forces behind the introduction of new technology is the example of the usefulness of technology in daily business. The successful implementation of Trusted Computing in a reference process in the area of public management could be such an example.

General Use cases

The interest in Trusted Computing is increasing; however, use cases are still not focusing on processes in business areas. Use cases may be clustered into two areas: system level and application level. System level refers to use cases without any direct user interaction. Trusted Computing technology is embedded in system software. Application level refers to use cases with some user interaction, where users may get a direct response about the trustworthiness of the system and react accordingly.

Use cases on system level

Pearson and Balacheff[8] present different scenario areas. The first two levels are related to the system level, the third to the application level. The first scenario area is about enhancements enabled by Trusted Platforms (e.g. enhanced signatures). The second is about enhanced conventional scenarios (e.g. checking client integrity) and the third about the speculative use of Trusted Platforms (e.g. using terminals in public places for confidential business).

Galley[9] describes a way to secure how mobile devices provide access to video contents. Conditional access systems are used to ensure that users are not illegally accessing video material. The conditional access application is protected while transmitted from the software provider to the mobile device. The mobile device provides information that it can be trusted to prevent attacks.

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6 Madise Ülle and Tarvi Martens. 2006.

7 Codagnone Cristiano and Wimmer Maria A. 2007.

8 Leitold, Herbert. 2006.

9 Pearson Siani and Balacheff Boris. 2003.

Use cases on application level

Smith[10] refers to the usage of TCP for security and flexibility of electronic auctions. The auctioneer can set up various types of auctions, protect the auction from external manipulation and verify that the auction is conducted according to the defined rules.

Gajparia and Mitchell [11] provide a general model for the generation and usage of personal information and how trusted computing is used to protect such personal information. One scenario is about registration. Users send personal information to a service provider and would like to ensure that confidential data is not only transmitted over a secure channel but also securely stored on the server of the service provider. Another scenario is about medical records. Thereby it must be ensured that a medical record is only sent to another location when the condition in which the medical record is stored is available to the sender.

Use cases on process level

An example for a use case on process level would be e-voting. The e-voting process uses different applications, e.g. one for voters and another one for the electoral committee and, of course, different systems (on system software and hardware level). The process describes how the different levels work together, the sequences of interactions, the prerequisites and the overall results. Decision makers in different business fields, e.g. public management think in processes and not in systems or applications. An implemented process, even if only partially implemented, would enforce the introduction of Trusted Computing. Unfortunately, it was not possible to identify such a process related to Trusted Computing.

Use Cases in Public Management

E-Voting

E-voting is gaining attention. The concept itself relates to the possibility to participate in elections by electronic means (including elections via phone, or an electronic ballot machine in a voting booth). E-voting requires high demands and the highest standards for IT-security. Even though the e-government solutions reached a high level of development so far, e-voting solutions are still rather scarce, not to mention the related political and legal issues.

In Austria, e-government is well positioned. This fact can be especially attributed to the electronic identity management concept which guarantees a top level of data protection to the citizens.

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10 Galley Eimear and Tomlinson Allan. 2005.

11 Smith Sean W. 2005.

There are a number of requirements for e-voting. In democracies, elections are undoubtedly seen as the most important instrument for democratic decision-making. Therefore, votes and referenda must be highly accessible to citizens. This is especially true for citizens living abroad for a long time period. Since the results of an election influence the democracy of a country, it is vital to ensure that e-voting is at least as secure and reliable as the traditional paper-and-pencil method. Data protection is another important requirement. A system protects the privacy, that neither the voting authorities nor someone else can link a vote cast to the voter, who cast it.

Equal to traditional voting systems, all e-voting systems must also take special measures to protect their data such as authentication and cast votes. Data for authentication refers to information to verify the identity of the voter. Cast votes represent the decision of the voter, transmitted by an electronic ballot-box. Integrity, confidentiality and availability of cast votes must be guaranteed even after counting. The decision of the voter is the most sensitive data. Especially in e-voting, the most important prerequisite is that votes must be absolutely inviolable.

E-Voting and Trusted Computing

Some research is ongoing about Trusted Computing for E-voting. Trusted Computing may be used to require a signed fully-certified software stack to prevent uncertified software being used on election day[12]. Sastry Naveen and Kohno Tadayoshi and Wagner David[13] focus on the reduction of a trusted computing base for a voting machine.

The Council of Europe Committee of Ministers defined recommendations concerning the legal, operational and technical standards for e-voting[14]. The technical standards are of specific importance related to the topic of Trusted Computing. Some examples of the specification[15]:

- Components of e-voting systems shall be disclosed as required for verification and certification purposes.

- An independent body shall verify that the e-voting system is working correctly and that all the necessary security measures have been taken.

- Features of the e-voting system that may influence the correctness of the results shall be verifiable.

- Steps shall be taken to avoid the possibility of unauthorised intervention affecting the system during the voting process.

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12 Gajparia, Anand S. and Mitchell Chris J. 2005.

13 Sandler Daniel and Wallach Dan S. 2007.

14 Sastry Naveen and Kohno Tadayoshi and Wagner David. 2006.

15 Council of Europe Committee of Ministers. Recommendation Rec(2004). p. 11.

- Before any voting process takes place, the electoral authority shall satisfy that the e-voting system is genuine and operates correctly.

In principle, all of these requirements may be solved or supported by using Trusted Computing technology. However, at the moment, some prerequisites have not been fulfilled. For more details, see the chapter on prerequisites for the introduction of Trusted Computing.

ELAK – Austrian electronic filing system

ELAK (Elektronischer Akt) is a back office system used in Austrian public administration. It aims at the completely integrated electronic process of transactions, producing a "file". The core requirement is the management of files, but it is linked to some other functions and aspects such as work-flow management, document management systems and archiving. As part of the user administration, there is a comprehensive authorisation concept needed.

The beginnings of implementation date back to 1997. The breakthrough of the system took place in 2001, when the national government launched the project called "ELAK im Bund" which meant the introduction of the ELAK concept at the federal government level.

Nowadays the ELAK is used in 12 federal ministries with about 8,500 workplaces. In total, a couple of million files are administered, plus a couple of million of attached documents either scanned or as an MS Office document. One successful example of an ELAK implementation took place in the Provincial Government of Styria, in the department of human resources. This department is responsible for the administration of the public service related laws including pensions for more than 16,000 people.

ELAK and Trusted Computing

ELAK can be integrated in a portal solution in order to become even more customer-oriented. Portals are the "entrance access" to online applications. In most of the cases, highly sensitive data is used. Misuse could lead to terrifying scenarios for both citizens and public administrations. The misuse would lead to a long-term mistrust in e-government solutions. The positive potential of e-government would massively deteriorate. An example for a portal function is the opportunity of citizens to see the current status of a procedure and information about the organisational unit in which it is in process. Direct interaction between citizens and the administrative authority is also possible. Here the prerequisites of authentification and authorisation are needed, which may be supported by the concept of Trusted Computing.

ELAK is an example of an application that is used in several departments which may reside in different locations. Citizens may get in contact in many different ways (personally, via e-mail, via telephone, via mobile device, call centre …).

ELAK is, in this case, used as back-end applications, but may support front-end applications as well.

Interacting systems must follow the principle of chain-of-trust. The original concept of chain-of-trust refers to the validation of hardware and software components during start-up of the system. At each step of the boot process the system's integrity will be checked. This concept must be expanded for the purpose of integrated applications. Each application must be trustworthy, such that a process following a path through the applications is itself trustworthy. By enforcing the chain-of-trust based on Trusted Computing, ELAK could be used as a save system for interactions between different governmental departments and citizens and the government.

Prerequisites for the Introduction of Trusted Computing

At the moment, Trusted Computing is an emerging technology in the area of IT security. A broad introduction in the business field has not happened. Some of the most relevant prerequisites for the introduction in public management are:

- Additional value – The currently used technology and solutions satisfy the IT security requirements for daily business in public management. The additional value of Trusted Computing must be broadly communicated in the area of IT security.

- Technology – The introduction of Trusted Computing requires the change or renewal of most of the IT infrastructure in the affected organisations. Such changes will, in some cases, take years.

- Organisation – Organisation refers to additional factors related to the introduction. Such factors are e.g. the availability of widely accepted standards or organisations for remote attestation.

- Process orientation – Examples of successful process-oriented implementation of the technology in the business area is one of the main prerequisites.

Conclusion

As part of a research project, several IT security experts were interviewed concerning Trusted Computing. The IT security experts work at management level in the Austrian public administration. One major outcome is the fact that the current IT security technologies and systems are satisfying the current requirements. There is currently no specific need for improvements. No specific business process could be identified where Trusted Computing would fulfil open security requirements.

The concept that Trusted Computing was unknown to the interviewees is, however, interesting. A possible introduction in daily business depends on some prerequisites such as availability of standards.

Besides the further development of technology aspects, a marketing effort is needed to advertise the concept of Trusted Computing. Most helpful is the availability of examples of complete processes implementing Trusted Computing. Such processes in the public administration may be in the area of e.g. e-voting, e-health or e-procurement.

Two main public administration processes are presented, which are appropriate for the use of Trusted Computing (e-voting and the Austrian electronic filing system). A number of prerequisites must be fulfilled to ensure the support of the principles of Trusted Computing for the selected processes. Besides changes in hardware and software, organisational aspects must also be taken into consideration. Information security rules must be implemented and dependent processes must be updated.

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E-government Readiness for Long-Term Preservation: The Progress of Slovenia

Mitja Decman

The ease of information and communication technology use and its widespread presence cause a huge amount of digital data to be created in the public and private sectors every day. The widespread presence of e-government and increased use of digital communication in the developed world add even more to it. These digital data do not present only the proof for processes, steps and decisions taken by public administration, but also a source of information for generations to come and their research of the past. Not only that, these digital data have to be available; they have to be searchable, retrievable and presentable as well as reliable, authentic and trustworthy. These elements and functions have been developed and widely accepted for paper data but the question is how suitable are they for electronic data? Are there any special issues that have to be considered when thinking of digital preservation in e-government? Are the processes and environments of e-governments adequate or not and how do they have to be implemented to satisfy this demand? What kind of legal background is needed? This paper discusses the topics of long-term digital preservation with a special focus on long-term digital preservation in public administration. It also focuses on Slovenia as one of the EU countries that developed its e-government during the last decade very well. Its progress in eEurope benchmarking is proof of this. It analyses the situation in Slovenia through legal, organisational and other changes that appeared over the last few years. To describe the current situation considering digital preservation in Slovenian public administration, the results of empirical research made in 2007 are used. The paper uses theoretical background from the digital preservation field and the empirical results to show the important link between e-business, e-government, e-governance and digital preservation. It shows that since Slovenian public administration has strictly specified business processes, the task of implementing digital preservation is much easier. The results prove that with the accepted legislation Slovenian public administration can achieve an accomplishable goal of being able to guarantee that its digital data will remain accessible and trustworthy for decades to come.

Introduction

Nowadays, data, documents and records as well as informational and cultural arte-facts of different types are often transferred to a digital form or are even created and born in it on a daily basis. Information society uses Information and communication technology (ICT) every second in a multitude of different ways, each segment of society in its own way with its own specific goals. The advantage of ICT usage is easier, faster and cheaper creation, higher mobility, easier searching, editing, analysing and usage, although, at the same time, more problems in the area of authenticity, accessibility, reliability and preservation can be noticed.

From the preservation point of view, many questions arise when dealing with digital preservation, a part of them is tightly related to the environment of the public sector. This paper tries to focus on the influence that long-term digital preservation can have on processes that are going on in the modern public sector. By discussing the terms of e-government and e-governance in the second chapter, it tries to install the importance of digital preservation into this. The next chapter focuses on digital preservation itself, the issues that arise in that area and are important from the point of view of e-governance and e-government. The fourth chapter presents the case of Slovenia, which recently adopted the whole spectre of legal acts covering this area and the current situation in this field. Results from the empirical research substantiate the theoretical and practical research results from other parts of the world and stress the importance of digital preservation in the modern processes of e-governance.

E-government and e-governance

E-government is defined by Sheridan and Riley (2006) as the use of ICT to apply public administration principles and conduct the business of government with the purpose of improving the delivery of new services, enhancing the delivery of existing services and making public administration more efficient. The difference compared to classic or off-line government is the significant use of ICT. If we forget about the "e-", government (as an institutional approach to political operations) it is a narrower discipline than governance (as a procedural approach). Governance covers a broader topic of processes, relationships and networks within the government. As stated by Bhatnagar (2004, p. 21), governance is a broader concept that encompasses the state's institutional agreements, decision-making processes, implementation capacity and the relationship between government officials and the public. Governance trends include a larger variety of involved actors, more policy instruments, while international and sub-national policymaking is gaining ground compared to the national policy level (Jakob, 2004). Good governance demands and appreciates accountability, transparency, effectiveness, efficiency, citizen satisfaction and trust, participation and much more. It is supposed to follow the steps of defin-

ing objectives, scope, concepts and models, key problems, methods and solutions with the definition of performance and quality assurance (Costake, 2004). ICT can help achieve these demands. The advantages of e-governance therefore include:

- Better service delivery: using ICT achieving better efficiency, ease-of-use, etc.;
- Transparency: availability of information using web portals with public information about government policies and programmes, newsgroups, RSS (Really Simple Syndication), e-mail notifications, etc.;
- Collaboration and participation: e-surveys, e-forums, e-chat rooms, e-voting, e-communication (e-mail, e-chat);
- Cross-government participation and co-operation: using ICT achieving faster processes, better coordination, lower paper consumption, implementation of efficient horizontal virtual organisations instead of rigid bureaucratic structures, etc.

As described by Nath (2008), ITC can influence governance in 3 ways:

- Technical role where automation of repetitive tasks improves efficiency (e.g. pre-filled tax-forms);
- Supportive role where ICT supports processes to improve governance (e.g. using e-mail for cross-communication while preparing legislation or policies);
- Innovative role where new services or mechanisms are available because of the ICT (e.g. SMS delivery of application status, paperless form submission using digital signatures).

It looks like ICT can make a big and positive impact on governance e.g. removing political apathy of citizens, increase citizens' participation, increase efficiency and effectiveness, include those that were previously left out, etc. But, on the other hand, it can also mean more control, power and monopoly over information by politicians, exclusion of specific groups because of the digital divide, and it can cause users' drowning in the huge amount of information. Some research results even show that, although e-government services are well developed, a negative impression towards ICT by citizens and the lack of trust, hinders the bloom of e-governance (Kunstelj, Jukić, & Vintar, 2007). News all over the world also shows the fear of citizens on disclosure of personal data, negative opinion on centralisation of data in registries and databases and other security and privacy concerns.

Digital preservation

Although the term "electronic preservation" was used at first because of the focus on electronic journals, the term digital preservation today embraces a wider range of material represented in bits and bytes. A similar change was made considering

the term "archiving" and "preservation". While archiving is focused on maintenance and disaster recovery steps for securing the media and content, digital preservation also includes demands for accessibility and authenticity. The term "archiving" was to be closely identified with records management storage. "Archive" is generally a repository with no inherent responsibility for long-term preservation (Hodge, 2004). Another issue considering the term archiving is the fact that archiving institutions rely heavily on archival description, adding a historical and scientific aspect to the storage of material. On the other hand, preservation's main goal is to "preserve and keep accessible and retrievable".

The advantages of ICT are not used only by usual everyday work with digital data. ICT brings many advantages in the field of digital preservation. Among the positive impacts, we can mention the possibility of higher quality and transparency of preservation operations, higher accessibility (24x7, remote access, various clients) and faster and better search possibilities by using adequate search tools. Among the negative points there is a need for sophisticated ICT, experts with adequate ICT and preservation knowledge and higher costs of preservation in general, since preservation of digital data is added to the preservation of classical forms of data. The main problem of digital preservation is low durability of digital form. The process of archiving paper records includes eliminating paper acid, putting paper in boxes, and putting these in dry, water- and fire-proof vaults or rooms for decades or centuries. A similar process with electronic data on some media is a "sure death" for the data. No one will be able to read and represent the data after 100 years, sometimes not even after 10 years. The problem of media, hardware and software obsolescence is serious. So the "once-and-for-all" archiving principle for paper documents no longer holds for electronic data. We now talk about the "non-stop-job" principle. Digital archiving is therefore not an easy process of keeping bits sequence of an object but of preserving the possibilities of searching, accessing, interpreting, using and copying an object. Along with those issues, problems of security, authenticity and accessibility arise. Because of the "non-stop-job" principle, economic failure is also much more threatening than with paper archives. There are ongoing costs of system administration, communication bandwidth, IT upgrading, human resources, etc. The National Archives of Sweden calculated that preservation of around 300 pages of paper record costs 20 times less than preservation of the same record in digitised digital form (Palm, 2006).

Besides the never-ending increase of digital data and the problem of long-term digital preservation, there is a question of experiences and principles that humankind has developed over the centuries. Throughout history, preservation and archiving demanded the assurance of an unchanged form of different artefacts. This principle is very different in the digital world, and practically demands that systematic preservation concepts be used from the beginning of solution development (Garrett & Waters, 2004). If we keep the digital data in the unchanged original form, the access and readability will become harder and harder over time or even impos-

sible in contrast to classical forms like paper, stone, parchment, etc. The statement of one of the beginners of digital preservation says a great deal on this issue: "Digital records last forever, or five years, whichever comes first". (Rothenberg, 1998). Just think of the data, stored years ago, on the first, 8-inch floppy disks. Not only most of these media are probably unreadable today, but there are also no drives in today's computers to read them. The famous project "The Doomsday Project" from the year 1986 ended with exactly this kind of tragic end (The Digital Preservation Coalition, 2006). Even if mankind were able to invent digital media, capable of keeping the data readable for hundreds or thousands of years, there would still be one problem left. And that is that the form of data keeps changing all the time with ever advancing software. And although we can define digital preservation as the last phase of the record's lifecycle, we can claim that it is one of the more important parts of this lifecycle.

When we talk about long-term digital preservation, the complexity of the problem does not hold only for records that need to be archived forever. Records that have to be preserved for 5 or 10 years need almost equally good, demanding and expensive preservation solutions as the archival records. Digital preservation must therefore be an aspect that is present all the time and that has to be considered with the creation of the record since the elements and properties that a record gains at its creation have to be kept throughout the whole record's lifecycle. These findings were also stressed in the results of the Mind the Gap research, performed in 2007 in the UK (The Digital Preservation Coalition, 2006).

Through the course of digital preservation development, a question of changing archival principles appeared. Archival principles were developed over the centuries, such as the principle of funds, provenance, hierarchical order and others. According to some researchers, a redefinition for the field of digital preservation is needed (Delmas, 2001; Garrett & Waters, 2004) while others think that minor changes would be enough (Hofman, 1996). Digital preservation and digital repositories are not only limited to long-term preservation, but also include methods for ingestion, management, preservation and mechanisms for access and retrieval. Among the most important functions of the digital repository are the assurance of authenticity and integrity that guarantee the trust of users and trustworthiness of preserved records. In terms of digital preservation, authentic records are what they purport to be, while integrity focuses on non-repudiation of a record and its completeness. This is important since the digital form itself does not guarantee any protection from changes of the content in contrast to paper records, where the medium and the content are inseparably connected.

Case of Slovenia

The Slovenian population of about two million citizens is well on its way to an information society. According to the measurements and research made at the end of 2007, 63 % of the population between the ages of 10 and 75 used Internet (Eurostat, 2007). The same report also mentions 58 % internet access availability for Slovenian households (44 % with broadband access). According to the latest report by the Statistical office of the Republic of Slovenia in 2007, 96 % of businesses in Slovenia had internet access, 79 % had broadband access and 83 % used eGovernment services. Focusing on e-government, according to the eEurope benchmarking system results from 2007, Slovenia achieved second place among 27 countries (Capgemini and European Commission Directorate General for Information Society and Media, 2007). This means that electronic services in public administration are amongst the most developed in Europe.

Legal view of digital preservation

The legislation of the developed world is adapting to the new situation by taking into account the universal presence of ICT. The same goes for the legislation covering document management and digital preservation and archiving where laws try to take these technologies into consideration. On the other hand, they try to be as technology neutral as possible, not limiting legal acts to the use of any existing technologies and allowing new technologies to develop and be used.

The area of digital preservation in Slovenia is covered by three legal acts: the main act Protection of Documents and Archives and Archival Institutions Act (PDAAIA, 2006), Decree on documentary and archival material custody (DDAMC, 2006) and Uniform technological requirements (UTR, 2006) that were supplemented by a Control checklist for reconciliation of internal rules with Protection of Documents and Archives and Archival Institutions Act in 2007. The main acts replaced the old one from 1997 which covered the area of archiving, but did not consider the area of digital preservation. This act filled the gap made in the year 2000 when the Electronic Commerce and Electronic Signature Act was passed, making paper and electronic forms legally equal. At the same time, equality of paper and electronic signature were defined, but considering digital preservation, only the preservation of digitally born documents was covered. The PDAAIA act defined the preservation of classical and electronic documents that can be preserved in the classical or electronic form. Therefore, documents can be transformed from paper to a digital form, from one digital form to another (there is a special long-term-preservation form defined by the law for preservation of more than 5 years) and preserved that way. The main act includes and stresses the "principle of document preservation and usefulness of its content", which means that preservation of documents should assure preservation of the original document or usefulness of its content. Preservation of the captured documents (reproduction) is therefore equal to the preservation of the

original documents if it guarantees all the effects of the original document for the captured document. Preservation of the original is therefore no longer needed, and media refreshment or document migration, for example, is therefore allowed. The acts stress the importance of durability of the record or its reproduction, completeness (integrity and non-repudiation), arrangement, proof of source (provenance) and accessibility through the entire time of preservation. The act and the decree do not specify any technical details, which are separately defined by Uniform technical requirements, planned to be updated as needed. The Uniform technical requirements define detailed procedures for ingestion, transformation and preservation of records and are based on MoReq standard, defined as a result of the EU project (Cornwell Management Consultants plc, 2001). The novelty of these acts in Slovenia was the so-called Internal rules that have to be defined by every organisation, implementing digital preservation. According to the attestation status of these rules by the Archives of the Republic of Slovenia, the electronic records that might be legally tested would be treated in different ways. Another novelty in the field of digital preservation introduced by this act is that the owners of digital records can outsource the service of ingestion and preservation of digital records, software and hardware equipment for digital preservation and other additional services. The providers must be registered (compulsory registration for every provider), but there is also an option of accreditation. Accreditation demands severe requirements of operation, defined and controlled by the Archives of the Republic of Slovenia. The accreditation is compulsory for all providers who wish to offer services or equipment for digital preservation to the public administration bodies. The compensation that providers have to pay for one year of accreditation is:

- 2000 € for accreditation of digital preservation service or application software for the complete digital preservation process;

- 500 € for accreditation of accompanying service or hardware equipment unit or application software that only partly covers the digital preservation process;

- 1000 € for accreditation of infrastructural (relational database) or standard software equipment used during digital preservation process.

Practical view of digital preservation

There are only a few empirical researches being done in the field of digital preservation at the moment, since the practical widespreading of digital preservation has not yet been achieved. Most research has been carried out from theoretical and technical points of view. In the field of application developments, where results from theoretical researches, different standards and experiences with classical preservation were used, a few solutions of long-term preservation are offered on the market today. Among the most well-known and published empirical researches we can mention is Mind the Gap from the United Kingdom from 2005 (The Digital Preservation Coalition, 2006) that analyses the state of digital preservation

in the UK. Another good research carried out by Cohasset Associates Inc., AIIM International organisation and ARMA International organisation was focused on document management from the long-term preservation point of view (Cohasset associates Inc., 2005). Research for the United States was also carried out by the University of Maryland, analysing the state of electronic document management and their long-term preservation in the USA (Centre for Information Policy, University of Maryland, 2005).

The research in Slovenia was performed in 2007. The research population included the following groups: municipalities (N=193), administrative districts (N=58), ministries and their bodies (N=55), universities and faculties (N=43) and other public administration bodies (N=112) including the highest governmental bodies (N=5), government services (N=16), other institutions, agencies, commissions and institutes (N=21), Health Insurance Institute of Slovenia and its units (N=7) and Centres for Social Work and their units (N=63). Altogether, from 461 questionnaires sent, 206 were returned, so the response rate was 44.7 %. The confidence level of the results is 95 % with a 4–7 % margin of error (Universities and faculties group excluded).

E-business for Slovenian public administration is well-defined and organised by many modern legal acts. The results show that besides that, around 50 % of the organisations questioned have additional internal rules and regulations for document and record management. They defined retention schedules for the majority of documents (85 % of organisations questioned) and use classification schemes (90 % of organisations questioned). More than 70 % of organisations questioned keep an electronic record and 80 % of these even have electronic record management systems where records are managed in electronic form. This shows that processes and adequate records must be and are, in fact, managed correctly and according to laws and regulations.

While 50 % of the organisations questioned use additional internal regulations for record management in addition to the valid legal acts that cover this topic, only 46 % of these organisations specifically describe management of digital records in them. While classic or electronic records can be created when performing the same processes, 70 % of the organisations questioned admitted that the regulation of paper and electronic records management was not equal (Figure 1, left). The results show that the organisations questioned do not treat digital and paper records equally, thereby giving precedence to paper management and forgetting about digital. In addition to that, only 38 % of the organisations questioned have e-mail management policies.

Figure 1

Equality of paper and digital record management (left) and use of scanning (right)
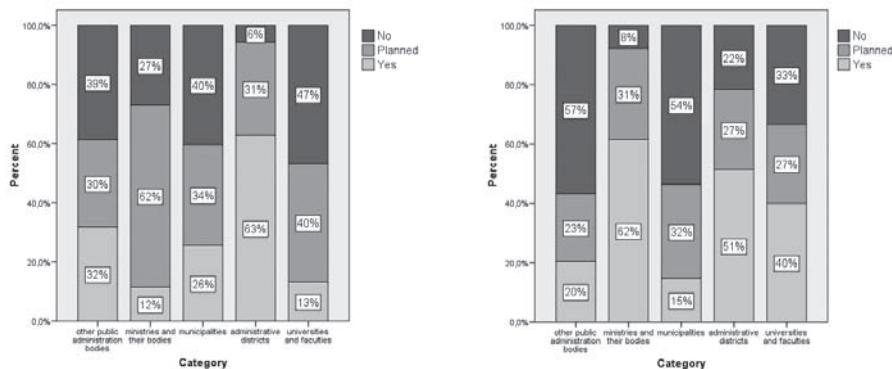
Around 27 % of organisations questioned receive and send more than a quarter of all records in electronic form and 70 % of organisations questioned manage an electronic record management system. If we add to this that 30 % of organisations questioned use scanning of paper documents (Figure 1, right), we end up with a huge amount of digital records. We should not forget that many data of Slovenian public organisations also have to be published on their web site according to the Access to Public Information Act from 2005 as well and that, for example, the government ordinance from the end of 2007 demands that all communication between governmental organisations be conducted through e-mail. It is true though that all of these data do not have to be kept for a very long time according to the retention schedules defined by legal acts or organisations. But we can see that the amount of data in digital form is large and increases every day. If we focus on the aspects of e-governance where citizens' need for trust, transparency and government accountability are demanded, many of these records have to be managed properly, preserved and kept available to the clients.

Considering this fact and the result that 85 % of organisations questioned admit that there is a need for digital preservation (Figure 2, left), the situation is far from perfect. Around 43 % of organisations questioned do not have a preservation strategy (Figure 2, right), 22 % of them do not deal with digital preservation in any internal act, nor do they use international standards that cover digital preservation area (27 %).

Figure 2
The existence of need for digital preservation (left)
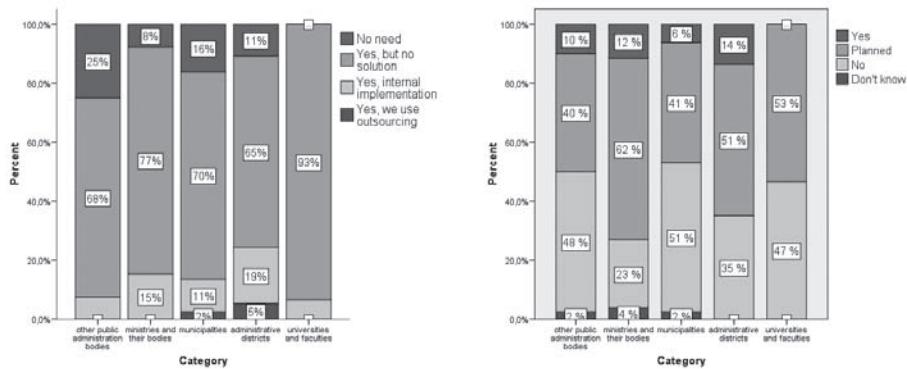
The organisations questioned also described their current situation in the following way (we might even interpret these results as very optimistic since no-one wants to admit his own mistakes):

- 15 % admit that they hold digital media that are unreadable or the data format is unknown;

- 37 % admit that they have already been faced with a situation where digital data were lost forever;

- 31 % admit that they hold data in digital form that will become unreadable if not treated properly;

- 23 % admit that they would find it very hard to search and retrieve a digitally preserved record in case of the litigation as a proof for the court of justice.

These results show that although unwanted events happened in the past with the digital form of data and despite the existence of the same danger at the moment, there is still not sufficient action, will and other resources to start taking measures.

Benefits of digital preservation in e-governance

Since governance is "of the people, by the people and for the people", and their money, it is responsible to the public and replaceable by the public as well. Therefore the processes and actions should be transparent and well-documented, and publicly accessible. And since governance is a long-term process (with changing actors in it), the documentation should be kept for a long time. In the world of ICT, the importance of digital preservation has therefore never been bigger.

Preservation is just the last step of a record's lifecycle therefore the whole lifecycle influences it. If we manage records well through well-managed processes, this

will have a positive effect on good digital preservation. When focusing on digital preservation, this statement is even more important, since bad digital record management can lower or even ruin the possibilities of good digital preservation.

But since digital preservation is a new field in the public administration, there is a lack of experience. More threats arise from the digital form itself, causing new obstacles to be surmounted that were not present in the paper world.

If we focus on e-governmemnt, digital preservation does not have an immediate effect on the delivery of e-services. But, on the other hand, many services are bonded to the processes that might take time or the processes that rely on the data that once had already existed. In this case, good digital preservation comes to power. Using a good digital preservation repository, with adequate search capabilities and fast retrieval of information, can speed up the processes and improve the services.

Last but not least, nowadays we talk a lot about ecology, global warming, disappearance of the rain forests, etc. And there again are other issues where digital preservation can be of some benefit.

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Turkey's E-government Strategy: Is there any Chance for a Transformation of the Traditional State Model?

Gülgün Tosun

Introduction

State-society relations is one of the significant fields where transformative influence of the developments in information communication technologies can be observed. Depending on the level of their availability for implementation, these new technologies have been employed in the public services sectors, as well as in others, to effect improvements in public services since the end of the 1990s. The pioneering work in this respect by local governments has, in time, been promoted to a national level where some national governments initiated e-government practices. Encouraged and pressurised by these tentative steps, most states have begun to reconsider the content and form of their public service provision and took steps towards preparing their e-state strategies. Such is the present situation that e-government practices have fast become not only a widespread trend in the world, but also a new field of competition among countries.

The new governing techniques that state — as institutions existing to deliver public service — willingly implement or are pushed to adapt, brings along its very own culture. Just as has been the case with the new technological innovations such as mobile phones or the *msn* which inserted their iconographic culture into the daily lives of hundreds of millions of people, there is no escape from the cultural connotations of this digitalised form of state-society relationships embedded in e-government practices. While the e-government strategy involves on the one hand a restructuration of the notion of "public service deliverance' in the state-citizen relationship, it speeds up the transformation of the traditional state model by opening up a new channel for the public to participate in some important decision-making processes. The emergence of "new" policy actors/processes in the public policymaking process, and especially the heightened status of civil society organisations and private sector establishments as partners in public service provision, are the primary indicators of this transformation. The notion of governance assumes a new

content within the e-government strategy. However, e-government strategists often ignore the nature and direction of transformative effects over the traditonal state model of the practices that constitutes the backbone of e-government strategy. To do justice to this aspect of the question, more social scientists should be involved in the formulation of e-government strategies.

1. E-government strategy and governance

The degree to which demands of citizens in a society are taken into consideration by governments shows the level of democracy in a country. The dissemination of ICTs in the public service delivery system provides opportunities for states to extend and consolidate democratic practices in their constituencies and thus can be effectively implemented to gain the status of a more democratic country. Democratic govern-ance is the final end result of digitalisation of the public service delivery system. Studies on the relationship between ICS and the public service have suggested that there are three levels pertinent to the digitalisation process: e-administration, e-government, and e-governance[1]. According to Michel, citizens are considered as "customers" in the first level and the primary motive of governments at this stage is to increase citizen satisfaction by increasing efficiency in public service delivery. In the second level, governments utilise such techniques as electronic voting to receive citizen feedback on government policies to improve acceptance levels of their poli-cies. As a needs-based approach, this reflects a relatively inert citizenship notion. At the third e-governance level, however, citizens are an active agent of democracy, and are considered as individuals who own such qualities necessary to assess and make judgements on controversial issues or problems. Citizens in this latter approach are neither only customers for public services, nor just inert actors voluntarily submit-ting to the political will, but also active agents taking part in the decision-making process. These three levels can, in fact, be considered as the three dimensions of contemporary e-government practices.

The implementation of new ICTs in a state-society relationship takes place in a multidimensional framework. The e-government and e-governance practices, which can also be described as virtualisation of the state, are implemented in three dimensions: between government and citizen (G2C), between government and the business world (G2B), and finally between government and the different levels of administration (national, local, regional and the like) (G2G). The use of new ICTs between the parties in each of these domains naturally necessitates a restructuring of public service deliverance and functions of state[2].

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1   Council of Europe Committee of Ministers. Recommendation Rec(2004). p. 11.

2   Helene Michel; "E-Administration, E-Government, E-Governance and the Learning City: A Typology of Citizenship Management Using ICTs", *The Electronic Journal of e-Government*, Volume 3, Issue 4, pp 213–218, available online at www.ejeg.com.

Strategies which enable as many citizens as possible to participate in the decision-making process as a means to consolidate state legitimacy, gain significance in this new model that allows individuals to join as individuals in the political process. E-government practices open up channels for the state to become easily accessible by enabling governments to communicate and exchange information with citizens[3]. This accessability of governments through ICTs and transparency in governments will help to transform the traditonal one-way communication nature of state-citizen relationship, except for the time of elections into a new model that enables a two-way communication process. In this new form of relationship, citizens as receivers of public services will have an effective role to play in the provision of these services.

"Citizen" is the focal point of all e-government strategies. These strategies, in the basic sense, envisage realising a new model for state acountability by providing a faster and better public service that can be more attuned to individual tastes and by making it possible for citizens to choose from alternatives. Citizens can purchase public services, apply for permits or submit forms, create personal accounts, communicate their demands, raise concerns, and even receive replies online. For example, citizens in Singapore are able to voice their concerns on local problems through My e-Citizen server. They are able to communicate their views on issues such as national strategy concerning global warming, policies promoting a smoke-ban, or the ways to effect a better system of government[4]. The transformation from an approach which considers citizens as "customers" to the one which enables them to become "partners" represents a substantial breakthrough from the traditional state-citizen relationship.

2. E-government strategy in Turkey

The European Union, to which Turkey is a candidate country, expecting to become a full member, put forward in its "Lisbon Strategy" in March 2000 the task to become the most competitive and dynamic information-based economy by 2010. Turkey became a party to the eEurope initiation when it was extended to eEurope+. Turkey thus began the E-Turkey Enterprise project between 2001–2002, and the project was renamed the E-Transformation Turkey Project in 2003. The State Planning Organisation of Turkey is directing the implementation of the project.

E-Transformation Turkey Project aims for the alignment of ICT policies, adaptation of the EU acquis and eEurope+, and developing information technology mechanisms through which citizens can participate in the decision-making

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3   Antje Stobbe; "E-Government in Germany: Much Achieved – Still Much To Do", Digital Economy Economics, Deutsche Bank Research, No:51, 8 June 2005, available online at: www.dbresearch.com.

4   N. Hüseyin Kuran; *Türkiye İçin E-Devlet Modeli: Analiz ve Model Önerisi (E-Government Model for Turkey: Analysis and Model Proposal)*, İstanbul Bilgi Üniversitesi Yayınları, İstanbul, 2005, pp. 13..

processes. To this end, it was decided to increase the use of ICTs, to effect coordination between government organisations and to prepare the grounds for the private sector[5].

Since the start of the E-Transformation Turkey Project, there have been two action plans. The first article in both plans set out the preparation of a "Strategic Plan for Information Society" to identify national priorities and intended outcomes from implementation, and to chart the potential already available[6]. E-Transformation Turkey Project Action Plan was prepared in a participatory method (allowing large-scale participation from concerned sections of society). Professional research firms have been employed to gather field data during the initial stages of the preparations for the Action Plan. Some 249 institutions were identified as partners in this process and a questionnaire consisting of 59 questions was prepared for public institutions. There have been 16 focused group meetings, 273 interviews conducted with representatives from public institutions, the private sector, civil society, universities and foreign states, a public survey of 1678 citizens residing in 18 different cities in all the seven regions in the country, 312 business surveys, and organised workshops[7]. From all of this, a strategy for the years between 2006–2010, an action plan, an estimation document and a communication strategy was formed. The main components of Turkey's e-government strategy are: to realise social transformation, dissemination of ICTs in business enterprises, citizen-centred service provision, modernisation in public administration, instituting a information technology sector capable of global competition, dissemination of a competitive, widespread and cheap infrastructural base, development of RTD and innovation.

As a result of the work carried out in the context of the E-Transformation Turkey plan, the number of web sites with gov.tr domain rose from 1647 in 2003 to 6775 in 2007. Similarly, the number of other public web sites rose to 1138 in 2003 to 11.725 in 2007. The objective of the e-government strategy of Turkey is to finalise the infrastructure and operationalise the main E-government portal through which all public services could be accessed by 2010.

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5   *UN E-Government Survey 2008 From E-Government To Connected E-Governance*, United Nations, New York, 2008, pp. 34. Available online at: http://unpan1.un.org/intradoc/groups/public/documents/UN/UN-PAN028607.pdf.

6   Türkiye'nin E-government stratejisi ile ilgili olarak bkz. State Planning Organisation (SPO);, *eEurope+ Interim Report*, 2003, available online at www.bilgitoplumu.gov.tr/yayin/eEurope2003_Interim_Report_TURKEY.pdf, SPO; **OECD ICT Policy Questionnaire for Turkey**, 2003, www.bilgitoplumu.gov.tr/yayin/OECD_IT_policy_questionnnaire_Turkey.pdf, SPO; *eEurope+ Progress Report*, 2004, www.bilgitoplumu.gov.tr/yayin/eEurope2003_Progress_Report_TURKEY_20040212pdf, SPO; *E-Transformation Turkey Project: Turkish Case for E-Government*, 2004, www.bilgitoplumu.gov.tr/eng/docs/OECD%20Room%20Document-TURKEY.pdf, SPO; *E-Transformation Turkey Project*, 2005, www.bilgitoplumu.gov.tr/duyuru/bicer_ws/20050317_eTranformation_SPO.ppt.

7   *E-Dönüşüm Türkiye Projesi Çerçevesinde Yürütülen Faaliyetler*, Performans Denetimi Raporu, T. C. Sayıştay Başkanlığı, Ankara, 2006, available online at http://www.e-imza.gen.tr/templates/resimler/File/ arastirma_dosyalari/eDonusum_Turkiye_Projesi_Faaliyetler_2006.pdf.

3. The place of Turkey among other countries with respect to e-government practices

Turkey has clearly made significant progress in both the demand and supply side of e-government implementation since 2001. According to the data for 2001, only 3 % of Turkish citizens utilised e-government portals to access governmental institutions, and 2 % of them did so to search for information, while 1 % did so to download or upload forms. Turkey was comparatively far behind other states in e-government usage. According to the findings of a study, the average use of e-government facilities in the 27 countries that the study covered was 26 %, whereas Turkey shared the bottom place in the list, together with Indonesia and Russia (with only 3 %)[8]. In only two years' time, however, the use of internet for e-government facilities in Turkey tripled, rising to 9 % and the personal use of internet rose to 13 %, according to the findings of ESOMAR research in 2003[9]. Similarly, in a United Nations report published in the same year, 2003, Turkey ranked 24th on a list of the leading 25 countries employing its telecommunications and human resources to develop its e-government potential in the world (Web Measure Index)[10]. All these show a high increase in the case of internet access on a household scale, a significant increase in the rate of people using internet to receive public services, and that infrastructural investments have been accelerated in Turkey.

Turkey is described as one of the fastest developing countries in terms of its e-government performances, according to a recent report published in 2007 analysing 1687 e-government web sites in 198 countries. The report placed Turkey in the same league as South Korea, Singapore, Taiwan, the United States, Great Britain, Canada, Portuga, Australia and Germany[11].

On the other hand, however, according to an E-State Progress Report published by the European Union Commission, Turkey is at the initial stages of public service provision over the internet, according to criteria measuring the process from the supply of e-government services to their final procurement..

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8   E-Dönüşüm Türkiye Projesi: 2003–2007 Arası Gelişmeler, DPT Bilgi Toplumu Dairesi, Ankara, 2007, available online at http://www.bilgitoplumu.gov.tr/duyuru/IcraKurulu/e-D%F6n%FC%FE%FCm%20 T%FCrkiye_Ekim%202007.pdf pp. 17.

9   W. Mellor, V. Parr, M. Hood; **Online Government 2001**, TNS (Taylor Nelson Sofres), USA, 2001.

10 Douglas Dalziel; **Government Online: A Multi-country Study of E-government Usage**, ESOMAR The World Association of Research Professionals, 2004. Available online at: www.tns-global.com/corporate/ Doc/0/MJHPECQDDJ94195OMMQKECDBC0/GovernmentOnline-ESOMAR_Paper2004.pdf.

11 *World Public Sector Report 2003: E-Government at the Crossroads*, Department of Economic and Social Affairs, UN, 2005.

Conclusion

However fast and significant the steps taken in Turkey since 2001 towards the realisation of e-government facilities may have been, the progress made so far has been less than satisfactory. The structural transformations in the state apparatus have lagged behind the transformation taking place within society itself. However, despite the ongoing heavy presence of such traditional modes of governing in the state-society relationship, it is hardly possible to blind ourselves to the clear signals for imminent change. It seems that states have no alternative but to establish new mechanisms and modernise the existing ones that enable citizen particiapation in decision-making processes so as to be able to meet the increasing demands for public services and public participation in government. The steps taken for the modernisation of the decision-making processes will, at the same time, make government more transparent and accountable. There is a need for a more encompassing e-governance strategy that widens the current work on the level of e-administration by extending its reach to the business world, civil society and citizens. The Turkish experience in digital government has clearly shown that there is no possibility of a transformation from the traditional state model towards a participatory state model if e-government is only understood to be no more than a digitalisation of public service provision. It is suggested here that digital modernisation can only open the doors for participatory processess to take root if it is only inspired by a sense of politico-cultural civilisation. The success of E-government practices is not dependent singularly on the strength of ICT infrastructure. A vision of democracy based upon a reformulation of the notion of public administration/public service provision and upon the principle of participation/openness is necessary, as much as a strong ICT infrastructure to effect a successful E-government.

"Strong state – weak society" duality has been increasingly, though slowly, undermined by the requirements necessitated by Turkey's bid to join the European Union. With a successful enactment of such proposals as the new civil constitution and the removal of obstacles barricading the freedom of consciousness and speech, the move from e-government towards e-governance will become easier. There is a **real** chance that the traditonal state model in Turkey will evolve in significant ways into a participatory model with the implementation of the eEurope+ 2003 Turkey plan. It is important to emphasise the fact that there is a high degree of correlation between a successful implementation and consolidation of better government and governance practices through the internet and Turkey's bid to join the European Union. The encouragement and support that will be afforded to Turkey in her attempt to become a EU member state will speed up the process towards participatory governance, accountability

and transparency in Turkey and, as a corollary to this process, Turkey will have more solid ground under its feet in its negotiations with the EU for full membership.

Section IV

Civil
Service
Training

Human Resource Development in the Public Financial Sector of Central and Eastern Europe

Eugenijus Chlivickas

Public sector development closely associated with new quality emergence as the aim of public sector development is to create an integrated and well-managed system of human resources of central and local governments and, simultaneously, to ensure proper further development of the system and relevant programmes.

One of the areas covered by the public administration reform in central and eastern European countries is human resource development and the enhancement of this process. Although new member states of the EU have many well-educated and qualified specialists, they also have an inadequate legal basis and deep-rooted traditions of training which not only hamper the progress of training, but also halt the advance of the entire public management sector.

According to the research, in many new member states of the EU, there is now a clash between long-term priorities in the area of public administration development and the means and ways of their implementation in the area of human resource development. In order to create an effective civil service and successfully carry out public administration reform, it is essential that the human resource system is improved systematically as that ensures the successful achievement of State government goals and priorities.

Aim of research: to assess the tendencies of human resource system development in the public sectors of central and eastern European countries and to provide methodologically grounded suggestions for system enhancement by creating proper preconditions for the improvement of civil service efficiency and implementation of public sector reform.

Methodology of research: abundance of methodologies for development and analysis of the human resource system shows that there is no single opinion and approach to this matter in the public sector of Central and Eastern Europe. Finding the most rational variant is not easy, however Lithuania's experience suggests that it is always possible to choose and apply the most suitable method for every area of research.

The research revealed that a public administration development strategy is to be pursued through five blocks of goals and objectives. The first block envisages **improvement of the public administration system,** i.e. rationalisation of the structure of State government institutions and modernising their organisational structure. For that purpose, a model system of public administration institutions is to be created, the main areas for institutions structure improvement are to be outlined, and principles of more rational task and function distribution among state and private sectors are to be laid down.

Another aim of the strategy is to improve the result-oriented management process. Therefore, it is suggested to improve the existing methodology of strategic planning of public sector institutions and regulation of public sector employees' duties, to streamline decision-taking procedures in public sector institutions, envisage ways for easing business administration and at the same time lay down clear business control procedures.

In order to increase the administrative capacities of public sector employees and effectively develop public relations, to ensure that decisions are transparent and well grounded and to create democratic and co-operative environment for relations with civil public, special programmes are to be designed for public sector employee training.

Seeking to improve the quality of public relations services provided by public sector employees, new quality management methods in public administration have to be devised and employed and this should help improve the efficiency of public sector institutions. Special attention should be paid to studies of best practice in other countries and institutions that should result in creating databases of best practices, Internet websites and establishing procedures for selection of best practice samples.

The second block of goals and objectives is aimed at **improving the framework and functioning of regional government bodies**. That has to be achieved through deconcentration and decentralisation. That means that proper organisational, economic, legal and other conditions will have to be created, central government bodies will have to decentralise some of their functions and responsibilities will have to be divided between State (central) government bodies and local government bodies (municipalities). Also, territorial government has to be improved: a model of regional government is to be created that will allow democratising regional government in line with the European Union requirements.

The third group of goals and objectives is targeted at the **development of local self-government**, which is beneficial both for the citizens and the State. The aim is to ensure an effective government that will create preconditions for greater independence of municipalities in terms of actions and finances and more efficient management of activities and finances. Municipalities will be expected to plan their activities in accordance with the long-term strategy that will incorporate financial

and other indicators of all sectors. Also, it aims to enhance administrative capacities of internal auditors.

Public sector employee training and their qualifications improvement according to new programmes would ensure transparent and efficient process of distance public services not only on the regional, but also on the State level.

Implementation of a public administration strategy should create preconditions for an increase in the accessibility and quality of public services delivered by municipalities and encourage local community representatives to take a more active part in the decision-making process in municipalities. At the same time, municipalities should start decentralising their functions through implementation of the principle of subsidiarity that would facilitate development of public services.

The fourth group of goals and objectives of public administration strategy deals with the **increase of civil service administrative capacity** and improvement of public sector employees' image. This part of the strategy is designed to ensure systematic training of public sector employees, to lay down guidelines for public sector employee training and methods for enhancing public sector employee capacities in the area of public administration, as well as ways for training quality improvement. Until quite recently, public employee training, admittedly, lacked systematic character – there was neither a national, nor adopted (based on the best practice of other countries) quality training system.

The initial stage of a training system design is supposed to lay down public sector employee training guidelines which will show ways and methods for enhancement of public sector employee capacities and improvement of training quality. Later, training priorities will be formulated and priority groups of public employees will be defined for the following 5 years.

Also, this part of the strategy aims to improve legal acts, renew organisation of public sector employee training and review requirements for the content of training programmes. It also seeks coordination between public sector employee annual planning and State/Municipality budget setting, improvement of quality control in the area of public sector employee training, improvement of public sector employee training quality and rationalising training objectives. Furthermore, it aims to develop public sector employee capacities in the areas of the EU law, strategic planning and management, team work, negotiating, prevention of and fighting corruption, foreign languages and e-management.

Yet another group of strategic goals and objectives is aimed at ensuring cross-institutional collaboration and enhancement of public sector employee capacities in this area. For that purpose it is envisaged to tighten the selection procedure for positions in the public sector, also to define competences of personnel department employees in public sector institutions as well as requirements to their qualifica-

tions. Moreover, a totally new system of public service personnel management and civil servants career planning is to be introduced.

In order to achieve goals and objectives in the area of cross-institutional collaboration it is intended to increase the range of e-services for civil servants and to improve interaction with other information systems. Also, it is intended to introduce regulations regarding volume of information submitted by municipalities to central government bodies as well as ways and forms of doing that.

In order to streamline procedures administered by the civil service and introduce a public service control system, it is intended to improve procedures of personnel selection, their work assessment and job description in the public sector.

Also, the public sector employee image is to be improved. For that purpose, the legal basis that regulates actions and ethics of public sector employees is to be reviewed. Furthermore, a blueprint for public relations of public service is to be developed that will define relations inside the public service as well as with the general public.

The fifth group of strategic goals and objectives deals with the **improvement of accessibility and quality of services delivered by public administration institutions** through better exploitation of possibilities provided by IT. It aims to increase the efficiency and transparency of public administration decisions. Also, it provides for the use of safe IT while delivering public services.

This part of the strategy is designed to coordinate information systems of state institutions and establishments and ensure data security, and to achieve that by the end of the next year, all services delivered by state and municipality bodies are available on the Internet or delivered over distance. New information systems of individual state government bodies, e.g. in the areas of health, agriculture, Customs and tax administration, are to be designed and introduced.

Analysis of the present public administration development strategy suggests that its goals and objectives are very similar to those in many countries of Central and Eastern Europe. From the perspective of the human resource system, the goals and objectives are more oriented to the development of separate components rather than the creation of a whole system: there is no interaction between elements of the system and no systematic approach to human resource development in the public sector.

All the above-described blocks of goals and objectives are very significant and cover a very wide range of aspects; however they do not form a cohesive multi-stage system of goals. Each of them pays attention to separate human resource system elements, but there is no horizontal coordination of them. Neither is there vertical coordination – there is no practice of assigning tasks to institutions and other executive bodies, i.e. there are no preconditions for the achievement of the formulated tasks and goals. That shows how high-ranking civil servants understand and

interpret both the reformers' regulations and the consequences expected and unexpected of the reforms on public sector employees.

On the other hand, the goals are not ranked according to their importance and are not set on a timescale. For all of these reasons it may be assumed that some of them are of a declarative character, and the human resource elements are dispersed. Civil servant training and initiation of training programmes is included in every block of goals and objectives, but they do not deal with other components of human resource system and, therefore, this strategy fails to create proper preconditions for successful functioning of the system.

Findings of the research suggest that the human resource system is subject to further improvements in line with general goals of public administration reform and conception of the state institution image and human resource management. International research experience in the area of human resource system development shows that countries of Central and Eastern Europe face similar problems in this area. It is, therefore, believed that the proposed methodologically grounded and practically approved proposals can be successfully applied in the whole region of Central and Eastern Europe.

First of all, it is essential to ensure monitoring of the current state of the human resource system and to define human resource system development in the context of public administration reform, to point out problems related to human resource system improvement and to rate them according to management hierarchy levels, to set goals and priorities for human resource system strategy.

At the next stage, a model of a human resource system strategy development and how to implement it is proposed. For a successful implementation of the strategy, assignments for state institutions and their personnel departments are given, also ways of personnel selection specialist training and their qualification assessment are set and new organisational forms and structures are developed and improved.

The main condition for the human resource system improvement should be the **creation of a system of continuous public sector employee qualification improvement**. It should consist of the subsystems of specialist selection and recruitment, introductory training and qualification improvement, assessment of public sector employee qualifications, work remuneration and incentives, career planning and specialist re-qualifying. Such a system of continuous training would create conditions for the implementation of the State policy regarding human resource management, and public sector employee training would be the key success factor in public administration reform.

The system of continuous training of public sector employees and its further development would create preconditions for ensuring the impeccable quality of

public sector employee's work and for developing and implementing state polity on human resource management in the new space of the European Union.

Implementation of human resource improvement conception requires using the experience of all participants and good coordination of their activities. It is important that all countries share their experience and that old-timers' experience both in the area of public sector reform and human resource system improvement finds a proper application in new member states. Lithuania's experience in this field could also be useful to other countries of Central and Eastern Europe as its evolution was guided by the practical experience of the EU countries and world's scientific developments.

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Experiences of Civil Servants Training in Serbia

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1. Importance of Professional Development of Civil Servants

Integration into the European Union, the positioning in the "European Administrative Space", the adjustment to changes in the environment and orientation to citizens are just some of the demands facing the state administration in Serbia. The successful implementation of state administration reform is reflected above all in the improvement of efficiency and effectiveness of its work. The key element of implementing this globally set request requires the creation of a professional development system, which will ensure the continuous improvement of professional knowledge and skills of civil servants. Only in this way will employees be able to keep pace with the increasing professional requirements in terms of knowledge, with the demand of applying new technologies and working methods, with the request for developing new standards and providing services for citizens. The development of employees has a role in the creation of new values and implementation of required organisational changes and the training of civil servants becomes more important in all member states of the EU and in the European institutions.

The state administration reform depends on the professionalism, motivation and readiness for change of the people in charge and responsible for its successful implementation. The main stakeholders of the state administration reform are civil servants; thus, the efficiency of changes in state administration depends on their expertise and professionalism. The State Administration Reform Strategy and the Civil Servants Law emphasise the importance that must be given to the professional development of civil servants in order to establish a complete, modern and non-political civil servants system. The Strategy defines certain directions that represent guidelines for the professional development policy.

The Strategy also recognises the need for and importance of developing the long-term policy of civil servants' professional development, as well as the existence of the institution in charge of the general professional development programme.

Professional development accordingly becomes a key instrument of the modern state administration.

It should be borne in mind that the development and training of civil servants is one of the links in the chain of human resource planning and development besides HR planning, that is their selection and recruitment in state administration, as well as their assessment and promotion. The connection of all elements of this system secures the preconditions for the efficient and effective performance of the civil servants system.

The professional development of employees in state administration is a continuous, systematically organised and planned process in which, through learning and practical work, knowledge is improved, and skills and abilities developed. Today in the "knowledge society", the continuous improvement of knowledge and skills in professional life is required; thus, the civil servants have to constantly improve their knowledge and skills.

The main reason that determines the importance and need for continuous professional development is the fact that in transition countries, such as Serbia, we encounter changes in the legal system. Namely, every year, a great number of legislation is passed which represents new challenges for civil servants and requires, besides adequate understanding, their proper implementation.

Transition countries encountering a complete change of their legal systems and adoption of a significant amount of legislation require civil servants who adequately understand and apply this legislation. Systematically organised and planned forms of professional development contribute to understanding the aforementioned contents in a better way, to master the required knowledge, skills and procedures, and in this way contribute to the better implementation of legislation in the daily work of civil servants. Besides, the key contribution of professional development is the improvement of the efficiency of state administration achieved by the adjustment and modernisation of civil servants' knowledge of IT and communication technologies. The possibility and the need for reassigning from one job position to another within the administration, in the horizontal and vertical scale in the sense of re-assignment or promotion, also contributes to the importance of professional development in state administration. Namely, the process of civil servants' professional development is closely linked to the process of monitoring work and civil servants' appraisal. The aim of appraisal, defined by the Civil Servants Law partly refers to the creation of conditions for proper decision-making on promotion and professional development.

Good managerial skills entail the manager's assistance to his or her employee during the entire appraisal period to implement working objectives. The principal officer achieves this by monitoring his or her work and by referring him or her for professional development in the field necessary for the successful achievement of defined working objectives.

Proposed professional development should be based on practical perception during the appraisal period. It may assist the person that is evaluated to overcome his or her weaknesses in work or to focus his or her attention on career development. The consequences of the appraisal procedure may be connected to the professional development process in different ways. For example, a civil servant who has been assigned an "unsatisfactory" mark may be referred to additional professional training in order to have more chances to be successful during the special appraisal. A civil servant may be included in the regular professional development programmes made for all civil servants or he or she may be offered special programmes intended for civil servants marked "unsatisfactory". The HR unit, on the proposal of the evaluator, adopts the decision on the professional development. Those civil servants who are graded with a high mark (5) at the end of the appraisal period represent a valuable potential for state administration and special attention should be given to their professional development needs.

At the same time, regardless of how much we are persuaded in favour of the power of education and development, one should bear in mind that all problems and difficulties in the functioning of state administration cannot be regulated exclusively by the professional development of civil servants.

Professional development of civil servants may not be reduced to individual seminars and other forms of professional gathering of civil servants. This is a long-term process in which knowledge is improved and skills and abilities are developed.

2. Legislative Framework of the General Professional Training

The Civil Servants Law regulates the field of the professional development and training. This Law stipulates that civil servants shall have the right and obligation to improve professionally in conformity with the needs of the state authorities. The Republic of Serbia shall secure the funds for training in its budget. The Law also defines that professional development is based on programmes that determine forms and content of the development as well as the amount of required funds for development.

The legislator prescribed two types of professional development programmes – general, whose preparation and implementation rests with the Human Resources Management Service (hereafter: the Service) and special, which is in the competence of each individual authority. The Government adopts, for each year, the general programme of professional development for civil servants in state administration authorities and services of the Government (hereafter: the GPPD), at the proposal of the Service, while the principal prepares the programme of special professional development of civil servants in the state authority in conformity with particular needs thereof.

In accordance with the Civil Servants Law, the Regulation on the Establishment of the Service prescribes that the Service (Article 2, paragraph 8) "prepares for the Government the proposal of the general programme of professional development of civil servants and organises the professional training in accordance with the adopted programme".

A civil servant may be offered additional education, relevant to a state authority, after the completion of the internal competition within the state authority and preference shall be given to civil servants who have achieved higher performance marks during the last three years. The state authority bears the costs of the additional education. Following the additional education, the civil servant must remain with the state authority for at least double the time of the duration of the education. Otherwise, he/she must reimburse the costs of the additional education in a single payment.

GPPD has been drafted in accordance with the horizontal needs for professional development of civil servants from state administration authorities and services of the Government and should represent the aggregate of general, joint knowledge and skills necessary for a civil servant independently of state administration authority in which they work. Namely, it reflects the joint needs of all state authorities in accordance with the joint horizontal tasks or those tasks that appear in all or in the majority of state administration authorities (for example, HR tasks, financial management, legal drafting, etc). Horizontal tasks are those administrative and expert tasks which are, to a lesser or greater extent, present in the work of all state administration authorities, namely typical tasks and which the majority of civil servants at the same hierarchical level or of the same profession must perform in the fulfilment of daily working duties in state administration authorities.

On the other hand, the special programme is directed to the needs of each individual state authority in accordance with the scope of work of the authority in question and types of tasks performed by civil servants in the relevant authority. Unlike the general professional development programme of professional development which is the same for all civil servants from state administration authorities and services of the Government, there should be as many special programmes as there are state administration authorities and services of the Government.

The annual programmes of special professional development adopted by the state administration authorities should derive from the GPPD. Only by the unity of general and special professional development programmes one may meet in their entirety the diverse needs of civil servants for knowledge that is lacking or to skills necessary for efficient and effective performance of daily work.

3. System of Professional Development – Key Points

3.1 Objectives and Principles of the General Programme of Professional Development (GPPD)

The annual GPPD has great importance, primarily for the implementation and co-ordination of the professional development of civil servants from state administration authorities and services of the Serbian Government. The GPPD is also important for planning the professional development of civil servants at the level of each individual authority. This document represents a first step in regulating the process of professional development of civil servants in the Republic of Serbia and lays foundations for the establishment of the civil servants professional development system. At the same time, a document of this type should represent, in future, one of the basic documents by which the state administration authorities plan certain activities from the field of professional development. It enables the determination of staff development required for the successful implementation of objectives and tasks of authorities.

3.2 General Objective of the GPPD

The GPPD has the aim of ensuring a systematic approach to planning, implementation and coordination of professional development of civil servants in fields where there is a need for professional development and where those programmes ensure conditions for the inclusion of all civil servants in the training programme.

3.3 Special Objectives of the GPPD

The other (special) objectives of the GPPD are defined as:

- contribution to the professional development planning at the level of each state administration authority, especially in preparing the special professional development programme;
- contribution to the implementation of the annual working programmes of the authorities;
- contribution to the annual budget of the authority.

3.4 GPPD Principles

The professional development of civil servants shall be based on the following principles:

- according to the Civil Servants Law, a civil servant shall have the right and obligation to improve professionally in conformity with the needs of the state authorities;

- professional development must be based on previously determined civil servants' needs;
- professional development planning for each civil servant must be in accordance with the career development plan of each civil servant;
- professional development planning is carried out in accordance with planned and implemented working results of the civil servant and, inter alia, annual appraisal report;
- strengthening of capacities contributes to reinforcement of motivation for continuous
- professional development;
- professional development must take into account a working experience of the participant;
- the programme content must ensure the adequate relationship between the theoretical and practical, knowledge and skills;
- professional development must respect differences in individual capacities, styles, manners of learning as well as in the previous experience;
- programme implementation entails the inclusion of different forms as well as modern interactive methods and at the end
- it is necessary to ensure the systematic monitoring and evaluation both of the achieved results of the GPPD and of the implementation process.

3.5 Training needs analysis

The training needs analysis is the process of identifying differences between the existing knowledge and skills of civil servants and knowledge and skills necessary for the efficient performance of a certain task and realisation of an organisation's objectives. The used methodology is a combination of top-down and bottom-up approach. That means that we used different models and instruments in identifying civil servants' training needs.

The analysis of national and international strategic documents has enabled the recognition of priority reform processes. Another type of analysis – legal analysis – involved 39 rules of law altogether (11 laws, 19 regulations, 5 rulebooks, 3 rules of evidence and 2 directives) which specify the most important areas of state administration functioning and also the most important tasks carried out by civil servants, independently of the state administration authority in which they are employed. The horizontal tasks analysis of state administration has enabled determining the course of examining civil servants' needs when it comes to their continuous professional development. The basic methodological approach in the valid regulations analysis with the goal to determine "horizontal" tasks (tasks common to all state administration authorities) is determined by the question if the observed function i.e.

task appears in all or at least most authorities. For instance, the function of human resources management, the function of financial management or drafting legal acts are functions that inevitably appear in all state administration authorities. The next step was to collect data from civil servants themselves in order to determine their interests and priorities regarding professional development. Also, meetings with relevant institutions within public administration helped us concretise the contents of training courses.
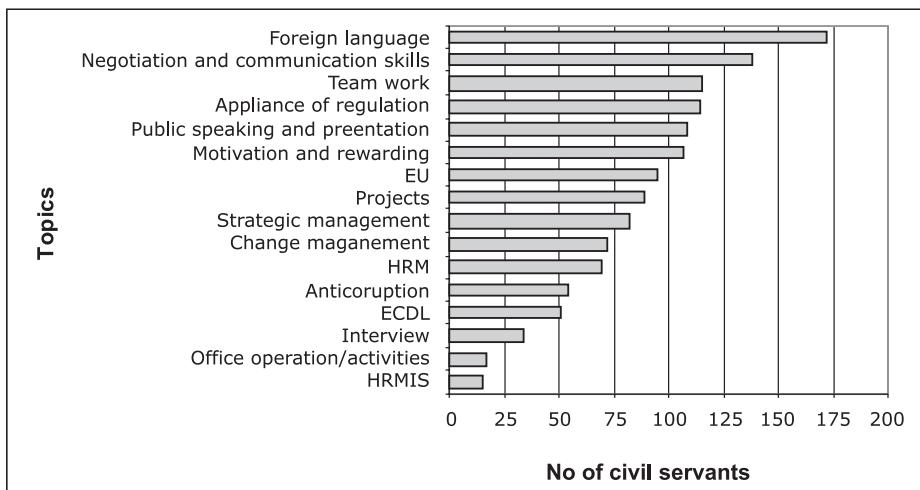
3.6 Target Groups

Results obtained through the training needs analysis enabled the categorisation of civil servants' target groups for whom the training was intended. Thus, general professional training of civil servants serves to satisfy the needs of professional training and development of different categories of civil servants in accordance with the hierarchy of job positions:

- civil servants in appointed positions;
- principal officers of smaller organisational units in state administration authorities;
- newly employed civil servants in state administration;
- as well as all other civil servants.

The Programme GPPD is, at the same time, designed to satisfy professional training needs of other target groups, bearing in mind the type of performed work:

- civil servants in human resource units as well as individuals dealing with HR in their state administration authorities and special organisations;

- civil servants conducting the administrative proceedings;
- civil servants in charge of EU integration;
- civil servants responsible for giving information of public importance;
- civil servants in charge of public relations;
- civil servants dealing with finance matters;
- project coordinators and project assistants.

3.7 Contents of thematic areas

The General Programme of Professional Development for the last year was composed of nine thematic areas. Each thematic area included several modules within which the implementation of a different form of professional development is planned. The main thematic areas were: Governmental System and State Administration Affairs, Civil Service System, Modern Administration and Management in State Administration, Transparency, Project Management in the EU, Towards the European Union, General and Common Affairs in State Administration, and Training of Trainers.

Professional development of civil servants in 2008 shall be undertaken within the following thematic fields:

1. CONSTITUTIONAL ORDER

1.1 Governance organisation in the Republic of Serbia

1.2 Human and Minority Rights and Freedoms

2. GOVERNMENTAL SYSTEM AND THE STATE ADMINISTRATION AFFAIRS

2.1 Regulatory Framework in the Area of the State Administration

2.1.1 The State Administration System

2.1.2 Internal Organisation of the State Administration Authorities

2.2 Administrative Procedure and Administrative Dispute

2.3 Preparation of Regulation

2.3.1 Regulation Drafting Methodology

2.3.2 Regulatory Reform and Application of Methods for Simplifying Regulatory Environment and Elimination of Unnecessary Regulations

2.3.3 Regulatory Impact Analysis

3. CIVIL SERVICE SYSTEM

3.1 HR Planning

8.1 Public Relations

8.1.1 Public Presentation and Presentation Skills

8.2 Publicity in Work and Corruption

8.2.1 Free access to the Information of Public Significance

8.2.2 Openly about Corruption

9. GENERAL AFFAIRS

9.1 Use of Language in Administration

9.1.1 Application of Grammatical, Stylistic and Syntax Rules

9.2 Computer Literacy

9.2.1 Basic Course in WINDOWS XP Bases of Computer Literacy and Windows Operating System (Windows XP)

9.2.2 MS WORD – Elementary Course

9.2.3 MS WORD – Advanced Course

9.2.4 MS EXCEL – Elementary Course

9.2.5 MS EXCEL – Advanced Course

9.2.6 MS Power Point – Advanced Course

9.2.7 Internet and Email

9.2.8 MS Access – Elementary Course

9.3 General Affairs

9.3.1 Role of IT Systems in the State Administration and E-government

9.3.2 Safety and Protection at Work

9.3.3 Importance of Gender Equality in the State Administration

9.3.4 Office Management

10. TRAINING OF TRAINERS IN THE STATE ADMINISTRATION

10.1 Basic Training

10.2 Specialised Training

11. FOREIGN LANGUAGE

11.1 French Language

11.1.1 General Course

3.8 Lecturers and trainers

For the purpose of training and other forms of professional training, we hired domestic and foreign experts, professors and associates of the Serbian universities,

as well as civil servants. At the same time, employees in the Service in charge of different areas (civil servants' assessment, staff selection and recruitment, the job analysis and the maintaining the Central Personnel Registry) shall be included in the implementation of certain training programmes.

In accordance with this, it is planned to form a group of lecturers amongst civil servants who will be trained to implement the programme. The intention is to use the internal capacities of the state administration and hire civil servants as lecturers who, after selection and additional training, prove to be able to implement the training. This may be achieved by the gradual involvement and increase of civil servants who would provide support to the training with the simultaneous reduction of lecturers from the circle of consultants. Thus, the aim is to establish a situation whereby in future, the civil servants from state administration authorities will have the main role in the implementation of the GPPD. This refers to civil servants who, following selection and additional training, will have the capacity to do the training and will have, besides expert knowledge, developed lecturing skills.

Different modalities of hiring lecturers/instructors for the realisation of training within the GDPD are possible and they will depend not only on the requests, goals and content of individual programme, but also on the individual lecturers, their knowledge, skills and experiences.

In this year, and 2009, we will try to establish a pool of trainers for most of the topics and/or thematic areas.

3.9 Implementation Forms and Methods

The realisation of a general professional development programme presupposes the application of different forms and working methods that enable the exchange of experiences, knowledge, approaches and needs of all participants. The organisational forms, as forms within which the knowledge and skills are acquired or educational tasks are achieved, presuppose the diversity of activities and application of different interactive methods by which the planned objectives are reached. Besides lectures as the main forms of professional development, the objectives of the GPPD shall be achieved through other organisational forms such as seminars (informative, pre-seminars, instructive seminars and cycle seminars), workshops, conferences, instructive courses, courses, roundtables and others.

Some of the forms shall be used in the development process and are the following: oral presentation, interview, discussions, demonstrations, projects, problem solving, roles, case studies and others. The selection of methods shall depend on the defined training tasks, organisational and technical capabilities; lecturer's working style and abilities. The programme implementation requires the use of adequate equipment. All audio/visual equipment is used in the training (lap tops, projector, white board, camera, video camera, flip chart). Better training quality and more efficient work of the lecturer is achieved by using equipment.

3.10 Monitoring and Evaluation of Professional Development Implementation

Each individual training within the general programme of professional training requires monitoring and evaluation. We use a simple form of evaluation sheet to obtain information about the satisfaction of participants of the training: content of the educational process, activity of the participants in the educational process, self-assessment of knowledge level before and after training, organisation of time, space, working methods of lecturers, adequacy of applied methods in achieving planned results, material and technical conditions for the realisation of the process etc. After some training, a knowledge test with a diversity of questions (open, ended, open-ended, multiple-choices etc) is used with the aim to test the participant's level of knowledge. However, the real and essential value of the programme is reflected in the achieved results of the individual and wider organisational plan. That's why, after the first year, we conduct an evaluation research about the outcomes of GPPD.

One of the priority tasks of the Service refers to the establishment and the development of a system for monitoring and evaluating the professional training programme.

4. Facts; One Year Behind

Employees from 94 state administration authorities (out of 110 altogether), services of the Government and support services of administrative districts participated in professional development programmes organised by the Service.

According to the General Professional Development Programme for 2007, **133 training courses altogether** were delivered (no courses were organised during August due to holidays).

The total number of participants in 133 training courses was 2394 (127 additional participants from the authorities for whose development the Service is not in charge of, participated in the courses).

The number of civil servants who participated in the training courses was 1700 (19 is the average number of participants per training course), out of which 1248 civil servants attended only one training course.

A total of 452 civil servants attended 2 and more courses:

- 293 civil servants attended 2 courses,
- 107 civil servants attended 3 courses,
- 29 civil servants attended 4 courses,
- 17 civil servants attended 5 courses,
- 4 civil servants attended 6 courses.
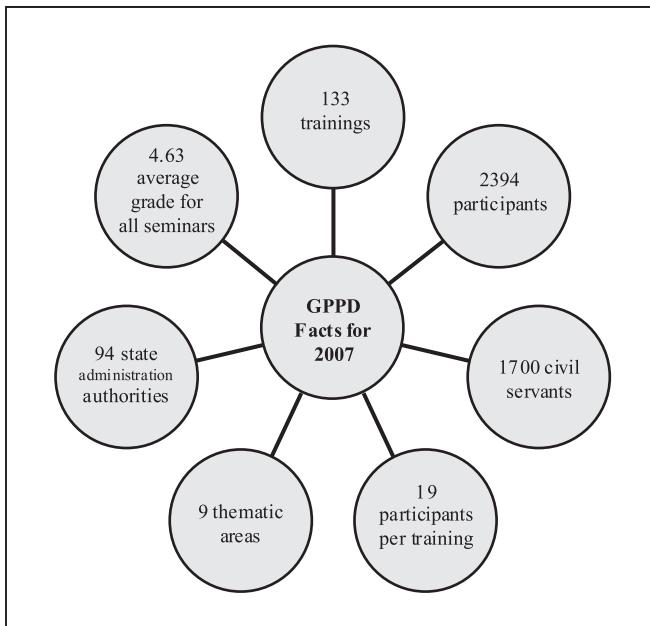
Month	Number of participants	Number of trainings
January	182	4
February	236	7
March	31	2
April	107	5
May	214	12
June	118	8
July	86	4
August	0	0
September	211	14
October	439	29
November	453	27
December	317	21
Total	2394	133
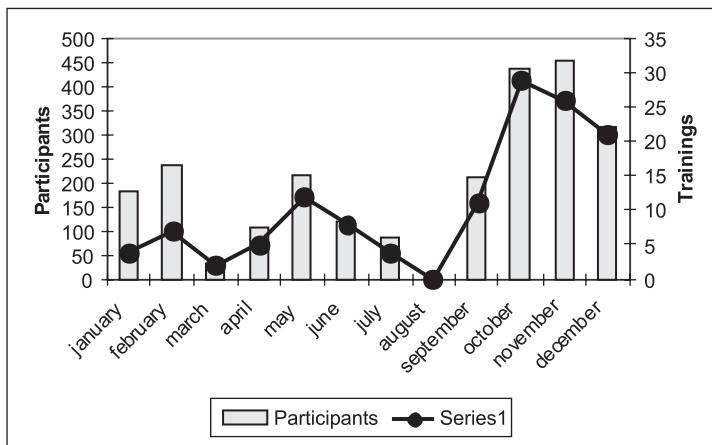
Realisation of GPPD according Thematic Areas

Thematic Area	Number of trainings	Number of participants
1 TA	7	117
2 TA	36	821
3 TA	27	503
4 TA	4	79
5 TA	2	57
6 TA	41	643
8 TA	13	130
9 TA	1	11
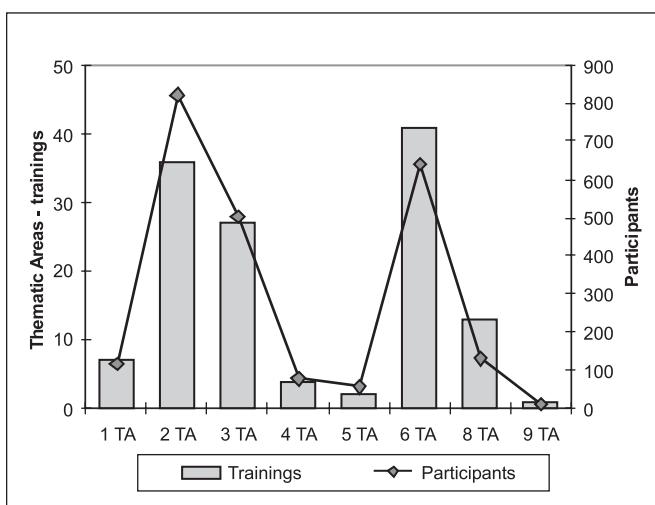
Thematic area 1

Governmental System and State Administration Affairs
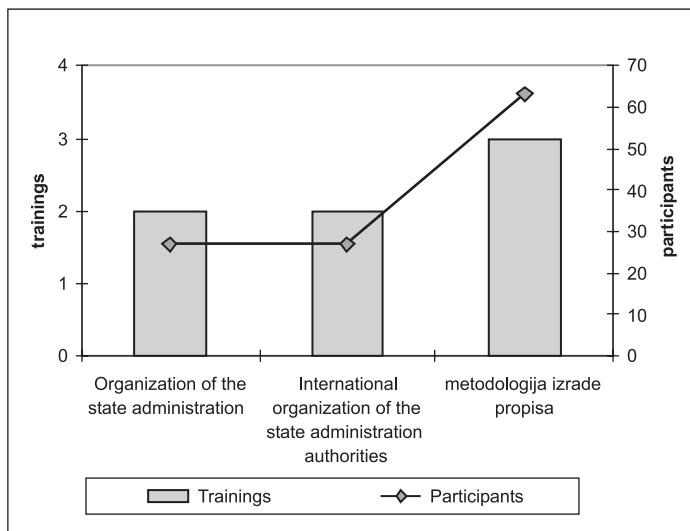
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Civil Service System
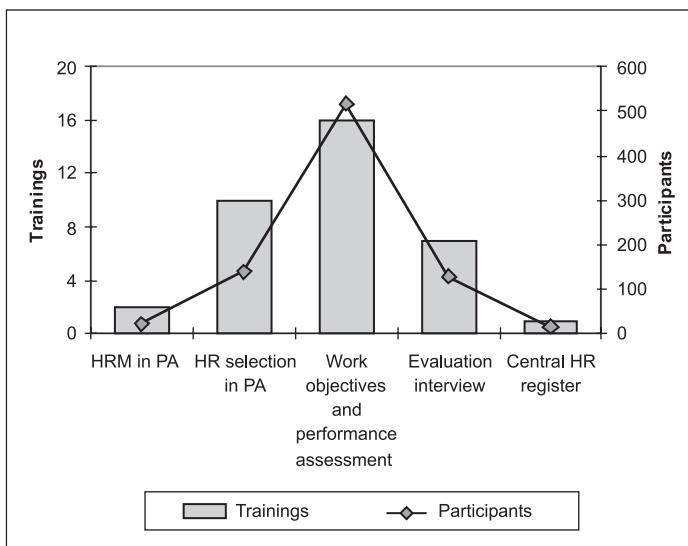
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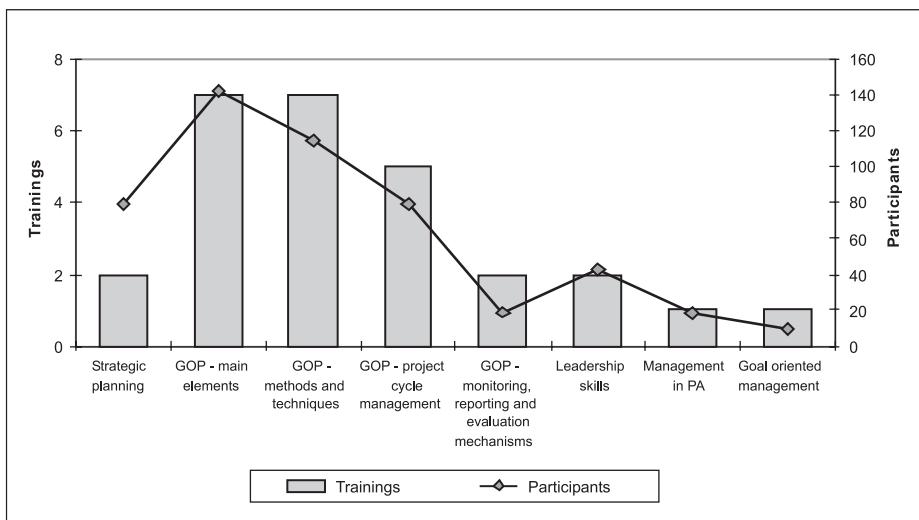
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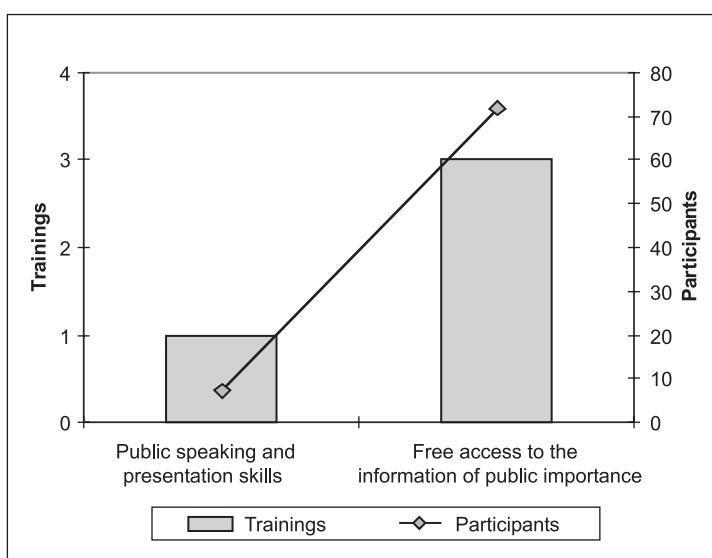
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Projects in the State Administration
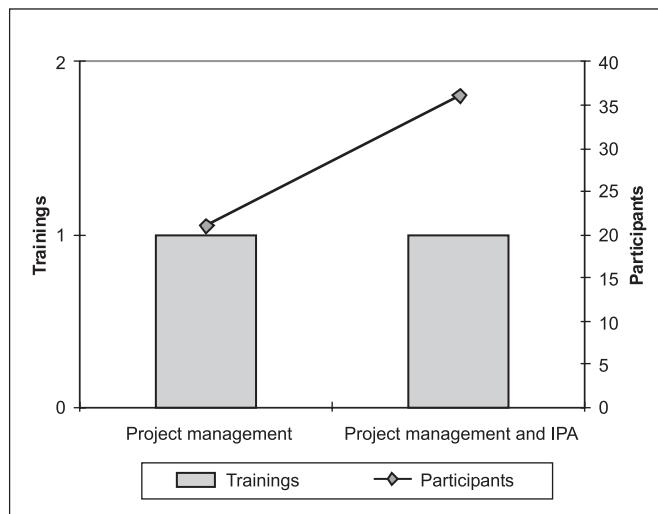
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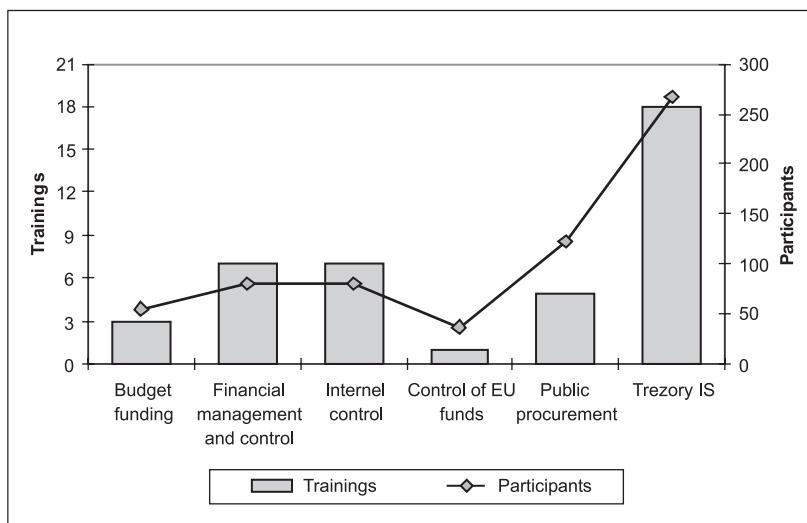
Thematic area 7

Towards the European Union

Data are not available.

Thematic area 8

General and Common Affairs in the State Administration
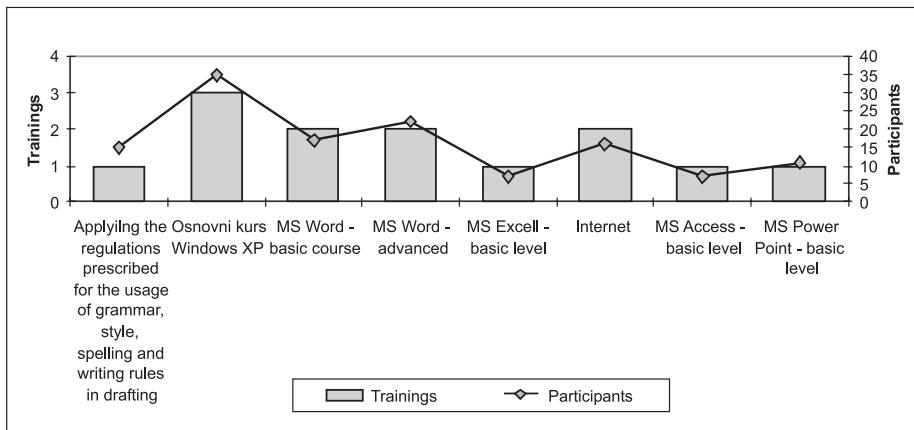
Thematic area 9

Training of Trainers in the State Administration
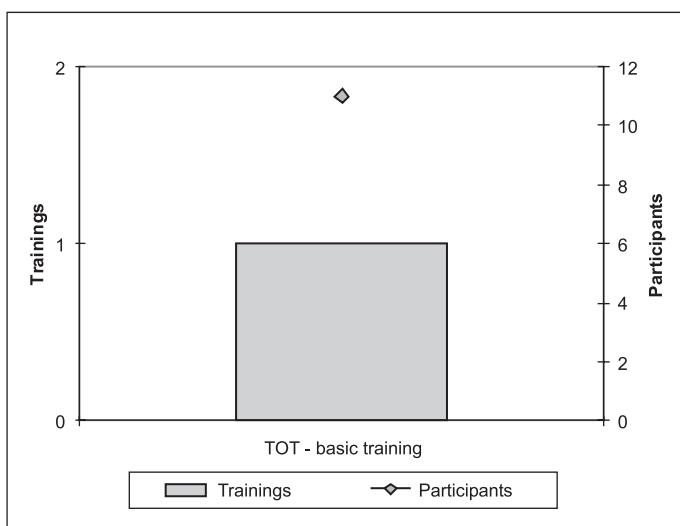
From the time when the Service was established (in December 2005) till now, more than 200 training courses for civil servants have been organised. In relation to the ranks, these are the statistical data: the following ranks attended training: 8 per cent of civil servants in appointed positions, 24 per cent of senior counsellors, 24 per cent of independent counsellors, 28 per cent of counsellors, 6 per cent of junior counsellors, 5 per cent of associates and 2 per cent of clerks, while 4 per cent of participants do not fall into any category. Bearing in mind the gender breakdown, a higher percentage of women, namely 73 per cent of participants in the training were women in comparison to 27 per cent who were men.

The participants graded highly the quality of the organised seminars (the average grade for all seminars was 4.63).

5. Future Challenges

In order to have a quality proposal of the annual programme of professional development and to respond to the needs of the direct beneficiaries – civil servants, the Service is facing the following tasks in 2008 and onwards:

- development of a methodology for determining civil servants' needs for professional development;
- development of an evaluation system for the assessment of the quality of the general programme of professional development; (both of the implementation process and of the achieved results, which is the most important). They are reflected in the achieved changes of the individual plan of improving professional knowledge and skills of civil servants and changes in the functioning of individual state authorities;
- establishment of a system for financing the general programme of professional development;
- regulation of the legal framework for hiring lecturers needed for the implementation of the general programme of professional development;
- certifications of trainers;
- database about trainers, trainings and trainees;
- and many others.

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Human Resource Management Service – Sector for Professional Development, 2008. *General Programme of Professional Development for Civil Servants in the State Administration Authorities and Services of the Government for 2008,* Belgrade: DIAL

Modern PA Education in Postmodern Conditions: Risks of Cultural Iatrogenesis[1]

Inesa Vorontchuk, Aivars Kalnins

Introduction

Most of us strive to wholeheartedly "progress" in our fields. Nevertheless, the outcomes may differ from what we seek to achieve. Being anxious about the leading trends at home and abroad leads us to ask – why do we so often meet "frustration with conventional thinking in public administration"[2]? Isn't it strange that this happens more often in "developed countries", as we used to call them, than in the "less developed countries", in the "developing world", and even in "transition countries", which were treated through "shock therapy" (both the occupied and the occupants)? Was justice considered at all? There may be many explanations, but the simplest one is a lack of reflection on what we know and what our world views are.

In the first part we will outline some considerations, how we cope with everyday teaching tasks in our busy schedules – who we teach, what has been included in our study programme and how the changes came about. Considering the future of our curricula, we need to look back to the past. Because we've been taught to rely on method, the only problem is making the right choice. The structure of the exercise may be borrowed from TWC[3] from *The Foresight Principle* Part 1: to take the first easy (?) step – *establishing the context: looking beyond the industrial worldview*, we have to follow by *looking back – looking around – looking forward*; then, according to Part 2, *applying and extending the foresight principle*, start *cultural recovery by creating positive views of the future with young people* through *cultural reconstruc-*

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1 Iatrogenic – caused by medical treatment [Oxford Dictionary. Thesaurus & Wordpower Guide, 2001].

2 Kenneth P. Ruscio Review: Giving Reason and Politics Their Due: A Response to O. C. McSwite's "Legitimacy in Public Administration: A Discourse Analysis" *Public Productivity & Management Review*, Vol. 22, No. 2 (Dec., 1998), pp. 268–271.

3 Towards a Wise Culture CD-ROM. by Richard A. Slaughter: Recovering the Future. The Foresight Principle. Futures for the Third Millennium. Futures Beyond Dystopia. WEB: http://www.foresightinternational.com.au/.

tion in the post-modern world and move *towards a wise culture*. What has been done so far? Not much. But that is the wording of Slaughter – a ripe ear, full of grains. For instance, in the expression, *critical futures study,* 'critical' in his glossary means 'looking deeper'.

Coping with future challenges – environmental and social issues – appears to be a much harder task as we, with our modern educational background, seek solutions. Our obsession with innovative technologies leaves no time for meaningful life. Mechanism is a ubiquitous metaphor which is a tremendous obstacle to envision the world as becoming, in the process of transformations and changes, intended and unwanted. Social and environmental costs often exceed economic gains and short-term private interests often neglect future generations and the community. The problem cannot be solved by relying solely on utilitarian values. Even if nothing more than sustainability is considered seriously, the Public Administration (PA) curriculum should be enriched by the results from a broad area of research – including innumerable ethics directions, anthropology and cultural studies.

How about us? We are not the first for whom modern development pills have been prescribed. Attitudes and values – the core of our character – are the target of ideological manipulations. As researchers, we have to consider this.

2. Public Administration Education in the University of Latvia

We propose to discuss the problem concerning middle and superior level public officials, occupying administrative and managerial positions in public administration requiring higher education.

In the west, as well as in central and eastern European countries, there are different traditions and approaches concerning the ways to ensure the professionalism of public administration and public policy. We can distinguish two main approaches:

- The first considers that the candidates for a public service career should be professionally prepared in the public service before entering it. The privileged way to entry in this case is preparation achieved through special education, ensured by specialised professional schools or specialised education higher education programmes of graduate and/or postgraduate level. The competitive recruitment in this type of school is considered at the same time as recruitment for public service.

- The second approach consists of recruiting for the public service those candidates with diplomas of a higher education degree, who are not necessarily preparing for a career in the public service. In this case, the level of diploma, which the candidates have obtained, is more important than its specialisation and the recruitment announcement refers generally to several different educational pro-

files. Even if the recruitment is merit-based and open and competitive (which is not always the case), the selection process is based on a general level of knowledge and intellectual skills and capacities, rather than on specific professional competences required for effective public service in the particular field.

Both approaches can be applied in those countries with a statutory, career-based civil service. Only the second example fits with an open, position-based civil service. Both can be, and often are, applied in the same country which is practising a mixture of both a career and position-based civil service.

The University of Latvia offers a programme entitled Master of Public Administration with an academic degree, MPA. The theoretical part of the master's study programme envisaged fundamental research into Public Administration, as well as acquiring recent conclusions and discussions. The Public Administration Department offers work programmes for all theoretical courses in this master's study programme. A division of the total number of hours and assigned codes in the course catalogue of the University of Latvia are shown in each work programme. The master's work must be a type of research work with an original trend in the chosen branch of science.

To obtain a master's degree, it is necessary:

- To fulfil the master's study programme;
- To defend the master's work.

The names of the study courses in the Master Programme of Public Administration at the University of Latvia are:

- Principles of Public Administration;
- Macroeconomics;
- Organisation of State Administration and Local Government;
- Administration and Ethics (*);
- Human Development (*);
- Methods of research and organisation;
- Project management;
- Public law;
- World Economics and European integration (*);
- Baltic region development (*);
- Comparative politics and government;
- Social economics prediction;
- Theory of Management;
- Public policy analysis;
- State and Self-government Information systems (*);
- Institutions of the European Union (*);
- Personnel management.

*the student can choose any one of these subjects.

There is and there must be a diversity of PA programmes across countries. PA programmes should differ in their content, mission, disciplinary orientation, pedagogy and relation to practice, as PA is a very specific discipline, and should converge, to some extent (also because of the Bologna requirements).

The principles and procedures of PA programme accreditation has been a traditional topic discussed at NISPAcee conferences. As more or less agreed, the following may be considered:

- Multi-disciplinary approach in PA curricula;

- Core components of PA;

- Developing a mission statement and/or educational philosophy of a programme;

- PA programme and the practice of public administration – their relationship, gaining individual competencies to working for public organisations through PA education;

- Ways of assessing the performance of the students as a response to changes in the larger environment;

- The position and the role of practical placement and internship of students in the curricula;

- The position and role of doing empirical and theoretical research in a PA department;

- Composition of the faculty of PA programme;

- The position and role of innovation and quality improvement in a PA programme.

Is accreditation an effective tool? The accreditation includes:

- Self-accreditation;
- Evaluation of experts;
- Decision of Ministry Committee.

The tendencies of accreditation are movement from formal specific criteria to the capacity of the institution. This is more effective. The effectiveness of the existing PA programme will be analysed, including the curriculum evolution, faculty backgrounds and alumni placement.

We should reflect upon what are we doing, why we do what we do and are there other options? And, for a pragmatic reason – we have to know what is going on in other universities around the world and if we'd like to be responsible, not only competitive.

How did it come about that in some seemingly simple choices which were proposed early on, did we find ourselves in a weak moment, not producing iatrogenic effects on such a scale? This could be due to choosing the option of "steering and not rowing" (Osborne, the only Bible for teaching PA in our part of world) instead of "serving, not steering"[4] As we can see from a review by *Steven A. Peterson*, NPM forgets who owns the boat. That is, government belongs to the people, not the "steerers"; if PA cares, then how can democracy thrive i.e. "we are there to serve citizens, not create satisfied customers. In a democracy, citizenship means something, and the people should be engaged in the New Public Service."

A no less devastating effect produces vices, (instead of virtues), as driving forces for economic development, related to MBV vs. MBO. For more than a decade, the Wise Use Movement was "taking care" of sustainability and producing "innovative" compounds such as sustainable economic growth, sustainable banking and so on. The argument at present is that politics and profound responsible research are very often in conflict.

3. Reasoning on the Future Tasks of Education for Governance and Public Administration

Both theoreticians and policymakers are revising earlier theories
about the market-state relationship[5]

Why didn't we consider the risks of market fundamentalism? How did it reach our curricula design? We are accustomed to listening to WB and not, for example, to Karl Polanyi[6] with his Great Transformation. Thanks to *Amazon*, one can look at the main thesis of this book which enjoys a rich variety of readers' reviews. His main thesis asserts: "the idea of a self-adjusting market implied a stark utopia" (p. 3). Further explanations might make us even more cautious, with foresight. "Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transform his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took, impaired the self-regulation of the market, disorganised industrial life, and thus endangered society in yet another way. It was this dilemma which forced the development of the market system into a definite groove." (p. 3–4) Polanyi says that such an explanation "must appear all too simple" …because "Civilisation, like life itself, springs from the interaction of

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4   **Janet Vinzant Denhardt** and **Robert B. Denhardt** The New Public Service: Serving, Not Steering M. E. Sharpe; Expanded edition, 2007.

5   **"Economic Neoliberalism Became Almost Irrelevant…" Poland's Grzegorz W. Kolodko on New Trends in Development Strategies** Beyond Transition The Newsletter About Reforming Economies www.worldbank.org/html/prddr/trans/june1998/kolodko.htm.

6   Karl Polanyi *The Great Transformation* Beacon Press; 2 edition, 2001.

a great number of interdependent factors which are not, as a rule, reducible to circumscribed institutions" (p. 4). In readers' reviews we find:

- Polanyi deftly uses his extensive knowledge of economic history, anthropology, and political theory to demonstrate the failure of "market society" and the myopia of those who believe that the "free" market is the answer to all social ills;
- Explains how devastating it is when every aspect of human life is left up to the market, with its cold logic of efficiency; usually, economic relations were a result of social relations and under the market, it is the latter;
- Polanyi endeavours to answer the question as to how the market came about; he argues that a free land and labour market can only come about through government intervention, and must be sustained through further intervention;
- Society should regain control over markets and not let them dominate us.

It is recommended that this "should be required reading for anyone interested in economics, social theory, political history, or international relations." Students of public administration – even more in need, because of the measures society has to take to protect itself, should be the crux of the dilemma, supporting tension from political dialogue.

3.1 What sort of PA theory, if any?

From the beginning – the most striking, critical statements found – to set the boundaries for reflection are:

"PA theory has had the weakest couple of decades in its recent history. I stand by my opinion, but of course it is only that – my opinion.'" Some more of Lanham's harsh points are:

- The PA theory has never been further from the practitioner;
- The PA theory has been laconic or even silent on the reality of a field that is rapidly disintegrating;
- I esteem my field, but I reject its recent academic practice for the most part.

So, let us have a look at this – or at least part of – a really large and rich example. The portfolio of bright, undoubtedly useful ideas for improvements in the PA field is not empty. Theory – research – teaching – learning – practising discussions are intensive and meaningful. It is a pity that most of them take place outside our part of the world.

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7   Forum — Ongoing Intergenerational Dialogue on Public Administration Theory. Ryan Lanham's Rejoinder *Administrative Theory & Praxis* Vol. 29, No. 2, 2007: 326–327 **R.**

Camilla Stivers[8] presents a very truthful reasoning of "*what the enterprise of public administration theory is about*" with some striking insights:

- Public administration is fundamentally a theory of politics (Dwight Waldo's position), not a fruitless search for scientific truth;

- The quest for a science of management should not be permitted to occlude the political side;

- To the extent that the field achieves unequivocal status as a science, then to that extent the 'publicness' of public administration and the intellectual enterprise will wither and die[9];

- The insistence that the public administration theory is a body of law-like generalisations that holds across all eras and types of situation seems doomed to failure;

- Because … any particular situation is simultaneously similar to and different from any other situation;

- A statement that came from *one* other situation … may turn out to be as useful as a statement derived from a study of a random sample of organisations;

- It seems that a generalisation's usefulness does not depend on whether it "fits" the situation at hand;

- The normative theory points us in the direction of usable knowledge, a form that is neither pure science nor conventional wisdom;

- The search for a science of administration began with those in the municipal research bureaus;

- Those people saw facts as truths … and even more important, having the facts was the same as knowing what ought to be done;

- As the training of public administrators evolved into university education and the establishment of a field, if not a discipline, this infatuation with scientific fact persisted;

- Stivers is suggesting that public administration's quest for a science of administration has had more to do with the desire for legitimisation than with the intellectual results it has achieved;

- As a field, public administration has struggled with a largely unacknowledged structural problem, striving towards the goal of academic respectability but fated by the nature of its subject matter, never to reach it;

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8   Stivers, C. Public Administration Theory As A Discourse *Administrative Theory & Praxis* Vol. 22, No. 1, 2000: 132–139.

9   Stivers, C. Resisting The Ascendancy of Public Management: Normative Theory and Public Administration *Administrative Theory & Praxis* Vol. 22, No. 1, 2000: 10–23.

- Theory, as interpretation, is particularly appropriate in a field such as public administration;

- In public administration as elsewhere, a great many unasked questions, unconsciously held values, and unacknowledged consequences shape administrative practice;

- *Public* administration entails the exercise of power that affects the lives of ordinary people and the need to bring to the surface these hidden dimensions seems particularly acute;

- The administrative state needs active citizens because it needs viable democratic politics if it is to remain a state, rather than to continue to become a mere management mechanism[10];

- Politics is a never-ending process of self-definition with others – Arendt quoted by Stivers.

Stivers explains not only the logic of history, but also reminds us whose insights matter today:

Dwight Waldo (1948) said that although public administration tried to present itself to the world as a science, it was actually a political philosophy, one that dealt with age-old questions such as the nature of the good life and who should rule.

David Rosenbloom (1993) pointed out: "mainstream public administrative theory has been the *product* of dominant political moods, movements and coalitions," and that is why 'orthodox' public administrative theory has been the political ideology of dominant political groups.

Self-contentment may become a dangerous obstacle, making us obsolete mainstreamers, insensitive to the tsunami of changes in the world and how we know the world, thus making the concept of learning organisation irrelevant. Participative action research would seem to be not sufficiently scientific; we will remain persuasive and instructive, as if there is no difference between teaching hard technology and facilitating, coaching, and mediating the position of our students as colleagues in soft social trans-disciplinary issues.

As Vaclav Havel stated, two paths lie ahead of us. On one hand, we can feel satisfied about what has already been completed. We can applaud our achievements and lapse into a state of lethargy whilst awaiting the results of all the changes. At most, we could engage in minor repairs to the state or make sure that it functions with no major complications. In other words, we could sprinkle water only when we think that something is beginning to smoulder. There is also the other path, the better option, which I myself support and recommend… Its underlying principle

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10 Stivers, C. (1996). Refusing to get it right: Citizenship, difference, and the refounding project. In G. Wamsley & J. F. Wolf (Eds.), *Refounding democratic public administration* (pp. 260–278). Thousand Oaks, CA: Sage.

is to reflect on the meaning of all the changes that we have introduced, on the goals we seek to achieve, and on the future steps that need to be taken. We should do this, not by hurrying at a revolutionary pace, but through peaceful contemplation, with insight and depth[11].

For public administration professionals it is hard to agree that technicist, and market-based policymaking fails to properly and independently consider political and economic problems[12].

Nevertheless, *"what we need is models of democratic engagement that can help us think outside the prison of the market and can attend to issues of justice and inclusion in public participation in sustainability decisions.*[13]*"* A process approach, overcoming a hard system style in a mechanistic perception of an organisation's structure, allows us to see connectedness, even synonymy of learning, planning, organising as change and emerging: "…wider, deliberative, and a transforming type of change must be adopted by leaders[14]", says Geczi.

3.2 PA course design

The future tasks of Education for public administration have been discussed in a Forum – Ongoing Inter-generational Dialogue on Public Administration Theory. This calls for a benevolent, patriotic, and facilitative public service, consistent with the sustainability focus of maintaining a civil society of benefit to all.

Let us look at an emotionally advanced course design:

"There are the two overarching goals of the PA course" – asserts Prof. Howe. "Becoming self-aware is central to doing public sector work. Why is this so? First, the idea of self-awareness acknowledges that there is humility to public service work. For most of us, public service is more than a job. It is a vocation." He adds that the technical aspects of one's job, public sector work "is accomplished in service of others".

He also states that what is most important about each of us is our singularity. That makes it possible to see personality with identity, produced by "the unique set of circumstances that makes each of us who we are", and goes on: "In our view, this capacity to understand the uniqueness of others is the single most important safeguard against abuse of administrative power. Whether it is developing policy, designing a programme, mediating a dispute, deciding on the level of a citizen's

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11 Vaclav Havel, Vaclav Klaus, and Petr Pithart – Rival Visions – Journal of Democracy 7.1 (1996) 12–23.

12 *Sustainability And Public Participation: Toward An Inclusive Model Of Democracy.* By: Geczi, Emilian ***Administrative Theory & Praxis***, Sep2007, Vol. 29 Issue 3, p375–393.

13 ibid, p. 375.

14 ibid, p. 378.

benefits – to name just a few public administrative activities – you, as a public administrator, make decisions on behalf of others.[15]"

Reinventing Government efforts took place in the US; nevertheless sarcastic critics said: "It's not the first time, so, it is not dangerous…" – retrospectively a reasonable remark, isn't it? Pressing global and local problems have been ignored for the sake of "business as usual"; the *wise use movement* thrived.

Instead of a proposed New Public Service (R. Denhardt, then ASPA President) New Public Management has been promoted, with politics as a business – legitimised by default (electorate: citizens or clients?). Additional argumentation comes through a feministic analysis of Management (masculine domination, surveillance, control) and Administration (feministic caring).

4. The idea of sustainable development in Public Administration

Three pillars of public administration have been identified: efficiency, effectiveness, and social equity. The complex problems of public administration require simultaneous consideration of a variety of values.

Should sustainability be added as a fourth pillar of public administration?

Some opinions: "climate change and sustainability present profound challenges to all levels of practice, from international governance institutions to domestic day-to-day habits"[16].

"Sustainability, concern for the 'long run,' will likely need a constant advocate in all discussions: The challenging circumstances that we may face in responding to climate change will draw on all of public administration's expertise, and all of its potential for inclusiveness.[17]" Burke's argumentation in conclusion is impressive and rich, and raises hope to overcome dystopian future prospects as follows:

- Economic thinking cannot indefinitely prevail over the natural order;

- The leadership challenges of converting such entrenched lines of thinking are not simple; but if in the past it was true, why can't we also do it in the future? – "Something happened and all of a sudden it was wrong" (child labour, slavery) "and we didn't do it any more";

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15 Political Science 6201 Theory of Public Administration — Responsibility Professor Howe.

16 Kersty Hobson Reasons to Be Cheerful: Thinking Sustainably in a (Climate) Changing World *Geography Compass* 2/1 (2008): 199–214.

17 Burke, Brendan F *Adaptive Leadership As A Facilitator Of Public Engagement On Environmental Sustainability Issues. Administrative Theory & Praxis*, Sep2007, Vol. 29 Issue 3, p412–431.

- Addressing climate change, dialogues will include difficulties with contrasting values;

- While economic rationalism prevails over environmental stewardship and professionals lack confidence in the ability of citizens to engage in issues responsibly, but for PA professionals the maintenance of a stable polity competes with support to needed changes – a fully adaptive challenge, when it is possible for a leader to state, "I do not hold the answer";

- This way the leader moves into a facilitative role, opening the arena for the input of others; he must protect all voices in the dialogue and ensure that the affected parties bear the brunt of the work;

- He must ensure that the working group maintains a focus on the problem, rather than on distractions.

Competing values within early leaders of the environmental movement of separate strands are systematised:

- Gifford Pinchot as advocate of utilitarian gain – public policies should create as much present and future value in nature as possible;

- John Muir as his opposite; *sacred* nature should be preserved for its intrinsic benefit;

- Aldo Leopold as an intermediary, with an apt definition of sustainability: We should create no negative impacts on natural systems in the long run;

- Norton goes further — in order for mankind and nature to be sustainable, we must analyse and treat the opportunities and constraints that we face at present in such a way that we will not reduce opportunities or increase constraints on future generations.

There are many other definitions of sustainability and sustainable development. As an authority for economists, Sachs presents three types:

- The first understanding of sustainability is shaped by the global imperative for economic competitiveness with a strong utilitarian ethos;

- A second understanding of sustainability conceives the earth as a complex biophysical system that needs to be scientifically monitored and managed. The role of science is as central to this perspective as efficiency in the free market was to the previous one. Scientists around the globe frame 'sustainable development' through an "astronaut's perspective";

- The third approach to sustainability sees the avid concern with development as the principal cause of our problems. This approach is explicitly concerned with issues of justice and equity. It threatens the very existence of indigenous

and rural populations; the very basis of rural people's livelihood is undermined, pushing them onto the market.

The proposed solutions to the twin crises of nature and justice involve major changes, not only in how we use the earth's resources, but also in how we think about living the "good life." According to this perspective, decentralisation and democratic control over public decisions are among the key components of a sustainable society.

Sustainability may be perceived as a concept of meta-ethics – diversity in unity as a core value of life, and that makes sustainable development an important new perspective on public policy and administration. This concept attempts to explicitly consider the future consequences of current behaviour. The symptoms of unsustainability are manifested everywhere. The character of tasks to be solved asks for profound changes in our worldviews and lifestyles. But:

- Major lifestyle changes cannot be forced on the citizenry in a top-down manner, if at all;
- The future of public administration must move from a dominant expert basis towards a wider, deliberative form of effort, so too must policies to address climate change gain a broader public contribution and commitment;
- Dialogue will be crucial, and dialogue around the values of sustainability will be central to any effort to effectively slow or reduce carbon production;
- Environmental sustainability requires a locally determined dialogue.

Sustainability may also afford administrators an opportunity to integrate social equity and efficiency as complementary values rather than competing values. Are the themes of sustainability and sustainable development appropriately matched to these major normative themes of public administration? What is their utility in practice?

5. Democracy, Public Administration and Future Generations

Mentioning early warnings about "the prospect of dystopian, overshoot and collapse futures", which were mostly ignored, Slaughter explains *turning a deaf ear* has caused a "clash of worldviews (not civilisations)." He appreciates that "it is 'depth in the practitioner that determines how productive future work will be, regardless of the method'[18]." For the field of public service – no less than for integral foresight – "the practitioner's own interior development is crucial – not merely their cognitive capacity."

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18 Slaughter, Richard. 2005. Foresight in action and future generations Opening Plenary – World Futures Studies Federation 19th World Conference "Futures Generation for Future Generations" 21–24 August 2005.

Success in moral education may justify reasoning about the ideal Public Administrator[19], with a serious tone, stating that "public administration is a fundamentally moral enterprise that exists to serve the values that society considers significant, and that this moral nature makes public administration a prototype for other professions to emulate – a model of moral governance in American society." If this splendid intention comes true, hardships are awaiting those in the business of gravy training[20] "Organisations tend not to be very good at introspection. Their reasons for existing and their ways of doing things tend to go on unquestioned from year to year" (p. XII). Another consideration is: "Today's supremacy is tomorrow's failing. Arrogance precedes a fall" (p. XIII). An escape from strategic instability[21] can serve as a "balance between aspiration (to help create a better world) and modesty (knowing that we can only do so much)".

6. Conclusion

Narrow interpretations of economic development can produce serious social and environmental harm. Public administration cannot escape responsibility for these issues; effective solutions of multilevel governance have not yet been found. The problematique should be on the agenda of PA research, PA education, and practice at all levels; personalities, virtue and character ethics matter; local self-governance bodies and any organised forms of coordinated and loosely coordinated activities. Causal layered analysis as a new future research methodology can be helpful. Tools of strategy implementation, such as BSC (Kaplan and Norton, 1996) or dynamic normatives (Syrojezhin) are necessary prerequisites for the assessment of strategic effectiveness for different governance levels and other branches of human activities.

Deeper CLA levels – myths and values – are hot topics of late modernity, post-structuralism, and post modernity (reconstructive, not only deconstructive). If the foresight, future studies, prospective or forward studies approaches are used, "Futures beyond Dystopia" becomes realistic and a strong possibility. It should become a crucial part of PA theory and practice. There are really committed Universities, taking care of sustainability, strategic foresight and other trans-disciplinary efforts, whole systems (Sterling, Bath Universities), holistic (Vilber, UN Lincoln) and meta-economic approaches (Lynne, UN Lincoln). Ecotheology, humanistic geography, postmodern organisation theory with metaphor management, human development with a capabilities approach – all are emerging fields of recent research, waiting

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19 Charles Garofalo, Dean Geuras Common Ground, Common Future: Moral Agency in Public Administration, Professions, and Citizenship (Public Administration and Public Policy) CRC; 1 edition, 2005.

20 Crainer, Stuart and Des Dearlove Gravy Training: Inside the Real World of Business Schools, Capstone, 2000.

21 *Панарин, А. С.* Стратегическая нестабильность в XXI веке. М., Алгоритм, 2003.

for integration into PA curricula design. Overarching fields of post normal science (Ravetz) are Integral foresight, Ethics of Sustainability, Participative Action Research.

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Index

The 16th Annual Conference of NISPAcee on the topic of Public Policy and Administration: Challenges and Synergies was a display of ideas, projects, presentations, new publications and the launching and first issue of a journal. ...While the call for papers had a long list of paper topics, in the end, most submissions in one way or another, revolved around issues of accession. How to learn from policy reforms targeting accession, how learning could be transferred; the impact of administrative reforms, especially when they fail and the role of civil society occupied participants and presenters. The lively and animated dialogue following paper presentations and the panel discussions led me to raise three issues, which in my view, catch the essence of the 2008 conference.

1. How to understand, explain and learn from the success and more importantly, the failure of our policies and our efforts to improve governance, especially in the CEE region.

2. How should EU-accession be factored into our work?

3. What is the space where politicians and civil servants can iron out their 'modus operandi'?

They are questions that have been with us, in one way or another since NISPAcee's existence, since the momentous changes of the post 89–90 period. They are not going away because they are central to the concern of this Network, which is improving public administration in the CEE region of the world.

Jak Jabes, Rapporteur of the Annual Conference

Selected Papers from the Sixteenth Annual Conference Bratislava 2008