

Lessons and Recommendations for Improvement

Central and Eastern European
Public Administration
and Public Policy

Edited by
Juraj Nemec



NISPAcee

THE NETWORK OF INSTITUTES AND
SCHOOLS OF PUBLIC ADMINISTRATION
IN CENTRAL AND EASTERN EUROPE

Lessons and Recommendations for Improvement:
Central and Eastern European Public Administration and Public Policy

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Selected Papers 2006

Edited by:

Juraj Nemec

Matej Bel University, Slovakia

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The Network of Institutes and Schools of Public Administration
in Central and Eastern Europe

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Central and Eastern European Public Administration
and Public Policy**

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Foreword

*Mzia Mikeladze*¹

In 1945, much of Europe and the Soviet Union lay in ruins. Sixteen years later Western Europe was rapidly recovering, as was the Soviet Union, albeit at a somewhat slower pace. In the early 1990s, Communism collapsed in Eastern Europe and the Soviet Union. Relative to the Second World War, the attendant violence and destruction was insignificant and isolated. Yet, in many respects, sixteen years later the economic and cultural recovery of the affected societies is lackluster compared with the post-World War II experience. Apparently changing the underlying rules and institutions that govern a society can be more difficult than clearing rubble and putting brick upon brick.

Governance is the central problem of transition nations. In all of these countries there have been determination to build democracy, a free market economy, achieve transparency and accountability of the government, promote economic and social justice, protect human rights, reduce poverty, enhance the rule of law and quality of services delivered to the public, foster development of civil society, and improve citizen participation in political, economic, and social decision making. Each country has tried to find the best way to recover from the communist past and to build new values, governance systems, and administrative institutions that are conducive to long-term development. In virtually every country there has been progress. Indicative of this, some of the most advanced have already become members of the EU or are along the road to accession. But many, very many, of the transition nations continue to rank poorly in terms of transparency, corruption, provision of social services and infrastructure, and the adequacies of commercial, tax, and judicial codes and their administration.

Encompassing over a sixth of the world's land mass, the region is geographically vast and diverse both culturally and economically. But all of these societies share the fundamental task of transitioning from a philosophy based on central control and minimization of individual initiatives to one in which the core task of governance is to facilitate such initiatives. In each of these countries people strug-

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gle to define the vision of their country's development; the correct structures and methods of governance; requirements and roles of politicians and civil servants; and the goals, pace and sequencing, and benchmarks for public sector reforms. Development and implementation of decentralization policies and procedures and creation of effective local governments constitute another aspect which is becoming more and more important for the well-being of these societies. Again, all of the transitional countries struggle with these questions and, as such, they can learn from one another.

To address and overcome these challenges, the importance of public administration/public policy education and training cannot be underestimated. Over the past decade public administration and public policy emerged as new academic disciplines across the region and has already played an essential role in training of an emerging cadre of civil servants, researchers and consultants. There is no doubt that the Network of Institutes and Schools of Public Administration in Central and Eastern Europe (NISPAcee) plays a key role in this process.

The mission of NISPAcee is to promote development and dissemination of courses in public administration, public policy and related disciplines and training programs for Central and Eastern Europe, and the former Soviet Union. This involves, first of all, increasing of the quality of instruction of schools/institutes of public administration and public policy. Another focus of NISPAcee activities is to facilitate research and consultancy programs and dialogues among instructors, civil servants, trainers, public sector managers and politicians. This promotes capacity building and institutional development of national and local governments, promotes political and economic transition through effective public service, and helps to improve service delivery to citizens. NISPAcee is well-positioned to disseminate the best practices of modern public management, public policy and governance across the region. Through such dissemination, scientists and decision makers in each country can learn from the accumulated experiences, including failures and best practices, of other countries that are passing through similar attempts to build strong central and local government institutions which are open, transparent, accountable to the public.

Sharing the best practices and lessons learned by the CEE countries while advancing along the path leading to the European Union is the major purpose of publishing a NISPAcee Yearbook. This is the first pilot of a series of annual volumes. In each article, the authors explore the unique experience of a particular country, identify the approaches that were used by these countries, and assess the success and sustainability of these approaches. Several articles are devoted to the local government policies and procedures, trends in delivery of local public services. All papers are grounded in the imperative for realistic, demand-driven solutions.

My fervent hope is that each of the succeeding yearbooks will continue to offer serious and insightful contributions to the advance of public administration

throughout the region. My gratitude and a special recognition goes to the editor for his willingness to read the articles and select the best ones. I also want to acknowledge our debt to the NISPAcee Secretariat and Juraj Sklenar, who was responsible for project administration and book preparation.

Mzia Mikeladze
NISPAcee President

Part I



Technical Assistance for Building Professional Public Administration in CEE and the CIS: What's Gone Wrong?

David Coombes^{1 2}

1. Introduction: some paradoxes of public administration reform in post-communist transition.

Following many conversations, in which I was able to compare my own experience with other consultants providing technical advice to policy-makers, I came to the realisation that nearly every case of institutional reform in which I have been actively engaged in Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS), is riddled with paradox.³ Usually, there is a mismatch between, on the one hand, what the terms of reference of any given project enjoin the expert consultant to tell the 'beneficiaries', and on the other hand what is normal practice in the country or countries that donate the necessary funding. At the same time, the 'best practice' recommended officially by the international agencies, and based on tried and trusted 'benchmarks', often bears little resemblance to what is actually achieved in the advanced, developed countries themselves, which are nev-

- 1 Professor Emeritus (European Studies), University of Limerick, Ireland; Visiting Fellow, Governance Research Centre, Department of Politics, University of Bristol, UK.
- 2 **Acknowledgement:** This paper has been prepared thanks to the Institute of Advanced Studies at the University of Bristol, which has provided me with a Benjamin Meaker fellowship as visiting professor in the Governance Research Centre in the University's Department of Politics for period January – June 2006. I am grateful to colleagues in the Department of Politics and School of Policy Studies at the University of Bristol for their comments and criticism of some of the arguments broached in this paper, especially at an open research seminar held in the Department of Politics on 8 March 2006, and at a symposium in the IAS itself on 'EU Integration: the Baltics and the Balkans Compared' on 5 May 2006 (in which other visiting scholars and practitioners also participated).
- 3 My experience as consultant to governments engaged in transitional reforms to public administration and political institutions includes a number of different international agencies (UNDP, World Bank, DFID, EU Phare, EU Tacis, Open Society Institute) and countries: Bulgaria, Hungary, Slovakia, Estonia, Kyrgyzstan, Tajikistan, and Serbia and Montenegro. None of those with whom I have thus worked is responsible for the views expressed in this paper, for which along with any remaining errors I take full personal responsibility.

ertheless assumed to be the effective models. Indeed, in so far as it does conform to a longer-term programme to re-build viable political institutions, the real purpose of technical assistance usually seems to be ideological. A major purpose of what follows in this paper is to elaborate that suggestion, and so invite more conversations with a wider range of participants.

Paradoxically, in the field the ideological objectives of technical assistance seem to get transformed into a kind of ‘crisis management’, with the priority to shore up a fragile, often new, regime, which is trying to manage latent or actual threats to state security, civil order and the people’s economic subsistence, sometimes in the aftermath of full-scale civil or international warfare. Nevertheless, the main beneficiaries invariably turn out in practice to be a typical kind of entrepreneur in political and academic life, rather than those directly suffering from the breakdown in efficient, and sufficient, delivery of public goods and services.

The following examples are chosen at random, mainly from personal experience to serve as illustrations of an endemic condition that most consultants in the field must have already experienced at some time or another:

Conventional wisdom	Uncomfortable truth
Civil service reform should be pursued in order to produce a classical form of established career service, with clear separation of political from administrative appointments.	Governments of different political alignment in many Anglo-Saxon countries have lately, and deliberately, fudged the politics/administration distinction, and questioned the value of a permanent, career service, which has never been fully pervasive in the USA, for example. ⁴
De-centralisation to self-governing local communities is a way for CEE/CIS states to increase both efficiency, and public choice and participation, in delivery of public goods and services.	Delivery by local branches of central state administration in CEE/CIS countries is invariably even more prone to corruption and incompetence than central state agencies, which continue to be the best instruments for reliable and adequate supply of public goods and services.
Executive systems in many CEE/CIS countries – especially in the former USSR – are ‘top-heavy’, with too much power concentrated personally in the chief executive and his entourage of politically-appointed ‘advisers’ and cronies. More power should be devolved to ministries and agencies, especially with respect to the making of public policy.	‘Personalisation’ of power is a long-term trend in Europe and the USA. Under the influence of doctrines of ‘new public management’, it is usually accompanied by the proliferation of central agencies that specialise in policy analysis, monitoring, evaluation, and financial control. These invariably have the effect of undermining the authority of heads of line ministries and distorting the normal rules of public accountability.
An increasingly tried means of supplying the central government with skilled manpower, while avoiding defects of the established post-communist administration, is to make use of a multi-donor/government partnership for ‘capacity-building’. This funds contractual employment of specialists not available in the established civil service, and pays them at rates more competitive with the private sector than typically deflated rates in the public service.	Personnel appointed to assist state ministries and agencies on donor-funded contracts are in practice selected by the current politically-appointed ministers and executives (or at least subject to their approval). They are consequently restricted by the same limited and insecure tenure as their political patrons, quite apart from the terms of their contracts. Therefore, supplying technical – or simply administrative – staff under contract with international organisations substitutes, rather than builds, genuine professional capacity in the public service, and is unsustainable.

4 For a fuller discussion of the contemporary issue of professionalism in the civil service and its implications for political appointments, see Peters and Pierre 2004, and Shepherd 2003.

Many more examples could doubtless be added to these, covering countries with different experiences of communist rule, and of constitutional and political arrangements since its demise⁵

This type of paradox is linked to the ambivalent and shifting motives of the donor agencies themselves, and the national interests they invariably represent. However, an even more general paradox is that the assistance provided by those donors to help states overcome the difficulties of transition has come mainly through international bodies of which the recipients themselves enjoy full rights and obligations of membership (such as the United Nations and its agencies). So we need to look more closely also at the role of the beneficiaries, and ask whether they for their part are taking sufficient responsibility as independent, self-governing, sovereign states.

To follow this line of thinking, we shall not only have to bring states and their institutions 'back in', but at the same time recognise their limitations and complexities, in terms of both endogenous and exogenous conditions.

2. How did it all begin? Why and how public administration became a target of foreign assistance to countries in transition from communism

Since it bears on the very identity of the state, and goes to the root of the power exercised by those who currently form the government of a state, public administration is not the most promising target of external assistance for countries engaged in re-building their institutions in the aftermath of the USSR's demise. The rulers of any state must be assumed to be especially reluctant to accept advice from foreigners in such a sensitive domain of the public sphere. On the other hand, reform of the public administration was bound at some point to be crucial to post-communist re-construction. Bureaucracy had been present in all aspects of life – economic and social, cultural as well as political – in the heyday of the previous regimes. It had also been a main target of opprobrium and revolt at their fall.

My hypothesis is that much of the shortcoming, or at least paradox, of technical assistance for public administration reform in transitional conditions stems from the ambivalent and shifting motives of those providing it. The type of assistance provided to help states in transition from communism seems often to have been determined, less by a genuine commitment to build professionalism in the public service, than by policies being pursued at that time by the dominant economic world powers. In particular, support for institution-building seems to be driven primarily by the desire to see significant political changes occurring in states emerging from previous dependence on the USSR. Thus, wherever feasible, accession to the EU or NATO or both is a priority. Elsewhere, every encouragement is given to movement away from previous political and economic arrangements.

⁵ See the examples offered by Huddleston 1999 and Stubbs 2002.

When the reasons invoked to justify aid for reform of political institutions are analysed, three distinct approaches appear, two predominantly ideological and a third which is best described as pragmatic.

2.1 Liberal Economics, or reform as a by-product of economic development.

It is especially significant that the ruling *motif* of both financial and technical assistance mobilised by 'western' interests to help guide and encourage public administration reform in transition is mainly economic.⁶ This bias can be seen even in the language of UN agencies, including the major financial institutions, World Bank and IMF, which have continued to denote the object of such assistance as the 'Public Sector'. This is, of course, the term favoured by economists to describe that part of an economy controlled by the state. Where CEE and CIS countries are concerned, the term is itself innovatory, since in those countries previously *everything* in the economy belonged to the public sphere, so any residual category of 'private' was empty, at least in an economic sense. If it is now decided to differentiate a partial sector as *public*, then a change of radical proportions must be indicated.

The basic tenet of the new orthodoxy, in which post-communist public administrators were thus painstakingly indoctrinated, is that worthwhile economic development is possible, only if substantial private ownership of the means of production and exchange is introduced, along with maximum freedom of choice for consumers. For meeting these requirements, state intervention should be seen as not only unnecessary, but positively harmful

It was then commonly assumed that the transition from a wholly state-trading, to a predominantly market-based, economic system would lead to a significant diminution of the public sector. This was supposed to reduce not only the latter's contribution to economic activity in general, but also its overall size and scope, along with the resources and personnel required to run public-sector institutions. In countries where virtually all officially-registered employment had previously been public, the transition must be expected, therefore, to bring massive disruption to the labour market, unless the reductions of staff in the public sector were very carefully managed, especially over time.

With that requirement in mind, most agencies managing foreign assistance to countries in transition found it necessary to give priority to systematic re-structuring both of the public sector as a whole, and of individual units within it, such as ministries. The technique most usually recommended for that purpose was that

⁶ We use 'western' or 'west' as convenient short-hand to refer in effect to member states of OECD, and 'eastern' and 'east' for countries in CEE and the CIS formerly belonging to CMEA and the Warsaw Pact, plus former Yugoslavia, though there is little geographical sense in this distinction. The 'western' states are in fact distinguishable not only by their membership of the OECD, but also by their paramount financial and technical contribution to the agencies of the United Nations, including World Bank and IMF.

of *functional review*. This is a technique most commonly practised by consultants hired by private firms in developed market economies as a means of improving the performance of management, and the refinement of strategic decisions, in response to market fluctuations.

Another key requirement was to differentiate public employment from other kinds. A particular aim of technical assistance has thus been to re-formulate the law concerning the status, privileges, competences and duties of those functionaries charged advising central government in the making and implementation of public policy. Thus international credits are provided usually on the condition that legislation would be made to provide for a 'civil service', distinguished from the wider scope of 'public service' (most of which would now be 'privatised').

Most advocates of economic freedom prefer the adoption of such a new 'Civil Service Law' to await the re-structuring, and subsequent contraction, of the public administration. Early introduction of a Civil Service Law increases the risk that undesirable practices will be entrenched, and redundant jobs protected (Verheijen 1999, Shepherd 2003). However, the new political conditions following termination of the communist party's monopoly, made a new legal basis for civil servants a matter of urgency. One key issue was to differentiate strictly-speaking 'administrative' posts from those legitimately subject to political influence and personal favour. Moreover, the process of re-structuring could not be adequately managed without a legally-established professional civil service to execute it. In practice, therefore, the new laws tended either to precede functional reviews, or be formulated more or less regardless of them.

Possibly the fear of protectionism in public sectors in transition is one reason why economic liberals condoned the drastic reduction in purchasing power that has affected those still employed in public administration throughout the CEE/CIS region progressively over the past 15 years. If real incomes in the public sector fall relatively to private employment, this may be a good mechanism for restoring true equilibrium in the labour market. This typical conjecture of classical economics has in practice usually overridden fears that the state authorities concerned might be unable to provide necessary administrative support for the intended reforms, on account of the lack of human resources.

Although the doctrines of liberal economists have clearly gained overwhelming influence in both the academic and political realms in the countries that normally provide funding for assistance to development, there is no absolute consensus. Dissident voices, albeit nowadays usually in a minority, certainly do persist (Clarke 2000, Leys 2001, Marquand 2004), while the new doctrines have yet to claim the same hold on the mainland of Europe as they have attained in the English-speaking world. Reforms that have been attempted as a mere by-product of economic liberalisation will be judged quite differently, on the one hand, by those who persist in believing that public administration is a professional domain with its own rules of

entry, standards of conduct, qualified skills, ethical principles, and special relationship to political, or state, authority, and, on the other hand, by those whose overriding priority for transition is to maximise the freedom to buy and sell the outputs and the factors of production.⁷

Moreover, liberalism's current ascendancy must owe a great deal to the corresponding grasp on power since the 1980s of particular political and economic interests, as well as to American military supremacy. There is some justification, therefore, to describe the neo-liberalism that has become orthodox in the British Commonwealth and USA as ideology rather than applied science. If so, it would explain why the 'eastern' intelligentsia and *nomenklatura*, surviving from the period before 1990, found it relatively easy to espouse, and in their own turn, expound, free-market liberalism. The new ideology offered a convenient replacement for the previous Marxist-Leninist orthodoxy as a necessary means of legitimating the rule of a 'technocratic' elite, as well as of coming to terms with a new reality of international hegemony, submission to which became the only option for the elite if it were to retain its domestic privileges.⁸

Nevertheless, because the preponderance of neo-liberal economic doctrines in the technical assistance given to CEE/CIS states over the past 15 years was thus *coincidental*, as well as *contingent* on the fortunes of power in some western states, it has to be impermanent. Sooner or later, the tide must turn, and the wave of neo-liberal economic doctrines subside.

2.2 Liberal Institutionalism, or reform as a condition of economic development.

There are two different perspectives from which economic liberalisation came to be judged inadequate as a methodology for development and transition:

- Economists themselves came to realise that appropriate institutions need to be constructed, or repaired, if economic development is to be enabled. Theories of economic growth have, therefore, increasingly taken account of 'institutions' as a possible source of resistance to the smooth operation of market forces in accordance with the liberal theory of equilibrium. The expertise of 'institutional economics' has been lately much used in application by The World Bank, while

7 Indeed, some economic liberals are dogmatic enough to see no difference between the criteria for economic reform and those for political and administrative reform. For them, the latter make no sense without the former, indeed, would be simply impracticable on their own. For such an extreme case, see Aslund 2002.

8 For a fuller treatment of this argument, see my contribution to Verheijen 2001. Indeed, the relationship between converter and converted in the process of externally-aided post-communist transition may well be compared to that between Christian missionaries and their "heathen" clients in the nineteenth century, the latter being, as often as not, willing to exchange one set of superstitious rituals for another, especially in return for improved economic and social status.

programmes to strengthen and promote 'good governance' have proliferated generally (Williamson 1985, North 1990, Hoen 2001, Kaufman 2003).

- On the other hand, 'governance' has also been emphasised as a target of assistance in response to a growing consensus among political scientists and practitioners that post-communist transition should be understood primarily as a process of '*democratisation*'. Thus international agencies have responded to pressure to include human rights, and democracy, in their conditionality for grants and loans, while the nurturing of 'civil society', as a source of economic improvement, alternative to both the state and private capital, is a major pre-occupation of UNDP and most American and European bilateral aid agencies.⁹

Either way, the designers of aid programmes have had to come to terms with the evidence that economic growth, at least in the crude sense of a rise in gross domestic product per head of population, does not in practice seem automatically to enhance other values, such as the relief of poverty, improved social conditions for disadvantaged groups, or more democratic institutions. Although there may be clear evidence that these values are much more likely to be secured in comparatively rich countries, improvement does not occur simply because a country gets richer. The lack of any such clear correlation between economic growth and 'good governance' seems to have deeply worried international organisations such as UNDP and the World Bank (Kaufman and Kraay 2002, Moses 2002, Przeworski et.al. 2000). Their attention has thus been shifted very much to efforts to cultivate 'good governance' in its own right, especially since threats to sustained economic development, such as corruption and mismanagement, seem to be greater in authoritarian rather than democratic systems.

Nevertheless, the two perspectives of liberal institutionalism that we have just distinguished, both, on closer analysis, reveal bias and Quixotic delusion:

1. **The institutional economists** not only use a very broad definition of 'institution', to include all kinds of informal as well as formal rules, practices, and customs, but concentrate almost entirely on the consequences of 'institutions', in this multifarious sense, *as possible impediments to economic growth*. Starting as a critique of neo-liberal economics, the approach quickly develops into an attempt to build more viable models of economic performance. As a consequence economic theories of institutions fail to account for the tendency for institutions to be valued for their own sake, regardless of any negative or positive consequences they may have for productive economic activity.¹⁰

9 There is now an entire academic journal devoted to the theme with *Democratisation* as its title. See also Caruthers 2001, Przeworski et al 2000, Pridham 2005.

10 Recent attempts to elaborate the theory by distinguishing between 'fast-moving' institutions (such as public administration itself) and 'slow-moving' institutions (such as cultural beliefs and customs), which may be considered much more difficult to change by strategic application of appropriate techniques, are less than convincing (Roland 2004).

2. While **exponents of ‘democratisation’** do at least recognise politics as an independent variable, their particular bias is to adopt a highly simplified version of democracy, derived primarily from constitutional forms prevalent in economically-developed, ‘western’ states. In fact, while constitutional forms may influence practice, they hardly ever in a modern nation-state describe a real outcome of genuine participation by the people in their own government. In other words, the models proposed as guides to ‘best practice’ are idealised and lack empirical foundation. They also rely too much on what some political scientists call a ‘minimalist’ position, which emphasises voting as the defining procedure of democracy (Dryzek 1990). The criteria may be so minimal, indeed, as to conceal what is in reality an illiberal, anti-democratic tendency in government (Dryzek 2000, pp. 31-46).

Both institutional economists and ‘democratisation’ specialists over-simplify the role of institutions in the determination of outcomes of collective choice. In fact, other students of comparative politics have counselled more humility about the capacity of external or internal actors to manufacture institutions capable of producing one set of desired outcomes rather than another, undesired one. There are other grounds for much greater scepticism about the feasibility of transplanting institutions from one social context to another.¹¹ The problematic relationship between democracy and efficiency in government has always been central to political theory. Finding institutions that are capable of guaranteeing genuine participation by citizens in the use of public power, while safeguarding the interest of minorities, and meeting the requirements of economic development (which allow democratic government to be feasible on a long-term basis) is certainly a far more complex task than general statements in donor programmes have usually acknowledged.

In practice the minimalist version of democracy in technical assistance to transition countries has made it much easier for the new nomenklatura, as the self-appointed political elite, to manipulate constitutional provisions, and electoral conventions to bolster their own power.¹² National and local elites in transition countries have proved very skilful at the manipulation and diversion of the agenda of liberal institutionalists, across its whole range from taking measures to ensure free and fair elections, through promoting freedoms of speech and association, to campaigns against corruption.

11 The basic limitations of institutional liberalism in its various forms (though not called by that name) have been very well described by Adam Przeworski in a recent article, which addresses in particular the problem that the impact of institutions in a given context cannot be known, since we do not know how to distinguish that impact from the impact of the conditions under which we observe the institutions in question (Przeworski 2000. See also Hoen 2001, Pridham 2005, Roland 2004).

12 See Wilson 2005 for a comprehensive account of the wide range of legitimate and illegitimate means deployed for this purpose by the authorities in Russia and Ukraine.

This naivety of self-styled institutionalists extends to the very assumption that what is at stake is best described as a process of transition. It is difficult from personal experience to improve Stephen White's following summary of the typical outcome of what we have described here as 'liberal institutionalism':

Many of the postcommunist regimes are not (any longer) *going* anywhere, they have reached the point they wished to reach – at least as far as their governing elites are concerned. A different language becomes appropriate: one that no longer defines these regimes on the assumption that they are in transition to Western-style democracy, but places them within the context of regimes in much of the developing world in which it is not unusual to find competitive elections coexisting with a dominant elite that exercises its control through *de facto* control of the economy, the media and the agencies of law enforcement. (White 2003, see also De Cordier 2005).

If certain post-communist regimes are thus identified as 'semi-authoritarian' by nature, then it becomes much easier to explain the typical problems encountered by technical consultants in their common daily experience of trying to advocate and assist reform of public administration. Such realism would probably make the consultants' own task much easier.

2.3 Pragmatic realism: making the best of a bad job

There is another, altogether different, approach, which gives local actors in the beneficiary country much more opportunity to influence how funds are spent and technical advice employed. In this approach foreign consultants collude with local experts, and in some cases state officials, to pursue goals and apply methods they consider realistic in the local context, even if this necessitates some fudging of formal terms of reference. In practice this kind of behaviour is quite normal. Its virtue lies in its pragmatism.

However, such a degree of flexibility in response to real conditions is not always compatible with the donor agencies' managerialist demands for strict compliance with programmatic blueprints or grand designs devised in New York, Washington or Brussels, or even in country offices in a language imitated from regional bureaus and headquarters. Its efficacy is also limited by the tendency of most donors (like the EU) to restrict the time-scale of projects, thus inhibiting the building of alliances between foreign and local actors sharing a mission for reform. Indeed, it is probably fair to say that only a few of the many consultants deployed in the field have the endurance and perseverance to build the necessary connections and commitments over time.¹³

¹³ It is also increasingly necessary to contend with the restrictions of competitive tendering imposed as a consequence of liberal economics.

Public authorities in the beneficiary countries, however, have learned to exploit opportunities latent in all kinds of financial and technical assistance. Some value can be derived from external assistance, even though its rationale may be confused or non-existent, and even self-contradictory, or its formal aims of little or no apparent direct value to overcoming local problems. A certain amount of income, after all, is received in the countries targeted. Even if this does not always, or even often, find its way to the people initially intended, there must be nevertheless some “trickle-down” effect, and an indirect boost to real economic activity, since not all direct recipients can be capable of simply hoarding funds, or diverting them into private accounts abroad. In addition, there are usually some, more or less hidden, indirect benefits of knowledge transfer and learning – albeit in aspects not specifically projected by donors – which enhance the value of human capital in the recipient countries.

Such positive externalities presumably do not often show up in the official reports of project managers and foreign consultants, making it impossible to calculate net benefits with any certainty or accuracy. They cannot therefore work to counter-balance the generally negative view of technical assistance that has been building for some time amongst the donor community. Hence the current shift favoured by many donors to direct budget support, thus eliminating the transaction costs, and other wastages, arising from technical assistance, especially if it seems to be so much misunderstood and even misused by the beneficiaries. If such a withdrawal becomes widespread, the indirect benefits of technical assistance, when applied pragmatically, will be lost. The chances are also that direct budget support will make transitional states all the more dependent on international aid. It would surely be better to look again at the shortcomings of technical assistance, learn from past mistakes and keep what is truly beneficial.

3. What has gone wrong? Donors and beneficiaries at cross purposes

The main deficiencies of technical assistance are by now well documented and analysed, in relation to development aid in general, and to a large extent already recognised by the donor agencies themselves (see Caruthers 2001, Morgan 2002, as well as the other articles in the special issue of *Development Policy Journal* volume 2, December 2002, also Shepherd 2003). The more scandalous failures of the liberal economic approach to the specific problems of post-communist transition have been exposed in some trenchant and highly-revealing studies (Wedell 1998, Cohen 2000). Critiques of liberal institutionalism have followed (Caruthers 2001, Holmes 2006, Przeworski 2000, 2004, White 2003, Wilson 2005). Where the more specific issue of professionalism in the public service is concerned, there is as yet no such comprehensive review.

What follows is a summary of some of the most critical obstacles to building professional public administration in transition states, based on my own personal experience and that reported by others. These are the kind of hypotheses that should be examined by a more systematic and serious investigation than this one, preferably by a group including mainly younger professionals from the CEE/CIS.

- The content of aid programmes is typically fashioned by pre-occupations and prejudices of western governments, and their own expert advisers, most of whom are now committed unquestioningly to the doctrines of ‘New Public Management’. This has two main disadvantages from the point of view of useful transfer of knowledge and skills:
 - On the one hand, the impression is received of a colonialist, dominant culture that is being imposed, in order to replace ‘native’ and ‘barbaric’ practices. This impression encourages passivity and subservience on the part of beneficiaries, which in turn breeds resentment, and typically sparks covert resistance to new ideas.¹⁴
 - On the other hand, as we have already suggested, there is really no consensus between or within the donor countries themselves on what constitutes ideal public administration. Beneficiaries are at high risk of hearing only one side of the story at any given time, and the side they hear is usually that of NPM.
- The new dominant culture purveyed by donors tends to drive out established, or conventional practices in the beneficiary countries. This can lead to tragic wastage of valuable experience and knowledge among national experts and practitioners in beneficiary states.¹⁵
- The degree of disruption caused by the pressure to dismantle old systems of government and administration, and replace them with ‘modernised’ versions, has been seriously underestimated. One effect has been to place excessive strain on the capacities of experienced public managers and policy-makers in the beneficiary countries, that is, where talented personnel have not already been tempted away to join the donor agencies themselves, or go into an emerging private sec-

14 The fact that the USSR, in particular, was considered an enemy regime, and the events after 1989 leading to its ultimate demise as victory for the western powers has permitted the notion that domestic administrative systems have to be wholly uprooted to make way for new ones, acceptable to the ideology and the interests of the ‘victors’ (along with their allies, the former local opposition).

15 The enthusiasm of both American and European political leaders for self-determination in the aftermath of the USSR’s collapse greatly exacerbated the problem of lack of administrative capacity. However, even where completely new states emerged, a much bigger role could now be given in technical assistance to the formerly central authorities or to experts from countries with a similar background (Russians in the USSR or friendly neighbours in former Yugoslavia), rather than to ‘western’ experts from a different background altogether, and often trapped in a colonialist missionary frame of mind – which might be called the ‘Heart of Darkness’ syndrome, after Joseph Conrad’s famous literary critique of imperialism, based on experience in the Belgian Congo at the end of the nineteenth century, but of universal and everlasting significance.

tor.¹⁶ The relevant public authorities, therefore, often lack the capacity either to define their own real needs, or to implement programmes effectively.

- The selection of new political leaders by untried and incomplete ‘democratic’ methods of election has often transferred power to those who are only too willing both to under-estimate the needs of public administration and to ignore, or abandon altogether, the established means of meeting those needs. Those who come to power this way are often former dissidents, without experience of government, or have experience limited to what was previously a kind of provincial or local government. The risks, in these circumstances, that reforms will be mis-managed, or assistance simply diverted for political – or even personal – ends is greatly heightened by the tendency of both multilateral and bilateral donor agencies, and especially their local representatives, to want at all costs to cultivate favourable relations with the new rulers.
- At the same time, technical assistance for reform of public administration still tends to lack the degree of high-level political support that it needs. Political leaders in transition states are jealous of their power of appointment, at all levels of the administration. That power was of course an essential basis of the overall capacity of the communist party, through the system of *nomenklatura* (Av-torkhanov 1966, Voslensky 1984). In many respects the system survives in mutated form, possibly even intensified by the extension of ‘democracy’, and despite (or even because of) the multiplication of parties, where that has occurred, as in the West Balkans. The power of patronage is everywhere a vital determinant of the capacity to govern, and that remains true (and in some ways even more crucially) when democracy brings increased and more transparent competition for posts. Those who take too literally technical an approach to reform of public administration will, therefore, fail to be taken seriously.
- In fact, the receipt and disbursement of grants for technical assistance have become powerful instruments of patronage in their own right. The negotiation of projects, and the award of contracts for their implementation, are usually very political operations. Rivalry can be fierce on the sides of donors as much as beneficiaries. While economists may find gains in efficiency from this kind of competition, the duplication of similar projects, which is very common, can be very wasteful, and even counteractive, as the actions of one project undermine those of another, by cancelling them out, or simply diverting scarce resources. This defect of current practice partly accounts for the excessively ‘supply-driven’ nature of so much technical assistance for public administration reform.
- The reaction on the part of donors to this and other defects has been to increase the bureaucratic controls on assistance. For the expert consultants in the field themselves, the effect of this is seen as a vicious circle of counter-productiveness.

¹⁶ These have been problems with technical assistance in general, see Morgan 2002. Uncompetitive salaries in the civil service exacerbate the problem.

Moreover, the pressure to meet demands for strict accountability contradict the advice most consultants want to give beneficiaries to cut bureaucracy. It also discourages the experimentation, spontaneity and responsiveness to local needs that would provide a much better solution to the real problems encountered in the field (remember what was said about pragmatic realism above).

- The same reaction has emphasised centripetal mechanisms and procedures of management, like monitoring and evaluation. So – in another vicious circle – already harmful tendencies of hierarchical control, directly inherited from communism, may be exacerbated. Much technical assistance has in practice reinforced a tendency, typical of all authoritarian systems, for elites to claim exclusive functions of initiation, design, approval and control of policy, and evade responsibility for implementation. The same tendency deepens an existing dysfunctional divide between policy and administration.¹⁷
- The actual management of programmes on both sides becomes thus a routine process of ensuring conformity to results-based frameworks and matrices, sending detailed reports on time, and above all making sure that cash flows – and will continue to flow – without too much hindrance or blatant misappropriation. There is little opportunity or incentive to investigate what might be the real needs and aspirations of those who actually deliver and consume public goods and services. To achieve that, those delivering technical assistance face-to-face would need to spend far more time looking and listening to what is going on around them, and be far more ready to act spontaneously, when new leads seem worth following, than their terms of reference normally allow, and their project monitors in the funding agencies would permit.

In fact, no amount of ‘monitoring and evaluation’, whether or not based on quantitative indicators, or written to match the formalities of a typical ‘results-based framework’, will suffice, so long as there is no adequate understanding, on both sides, of what is truly distinctive about the profession of public service. The first issue is to clarify why the criteria of success in the public service cannot be replaced by those that prove sufficient to justify actions in the private sector. The missing link to building professionalism in the public service, in other words, is the same as that which is wanted to make free and fair elections a meaningful way of endorsing political executives, or to give real effect to legal sanctions, and enforcement agencies, against corruption. That missing link is a common philosophy, ethos or culture of

¹⁷ In many ex-Soviet regimes where the position of chief executive belongs to a directly-elected president, the office of the president has become a modified version of the old central committee or secretariat of the party. For nomenklatura increased reliance on formal systems of monitoring and evaluation can be a heaven-sent opportunity to enhance their power over lower levels (including even ministers) responsible for implementation. They meanwhile evade responsibility themselves for the real “street-level” action, which is much more exposed than intellectual policy-making to the grievances of ordinary consumers of public goods and services.

public service. Without that technical assistance for capacity-building in political institutions is seed cast on stony ground.

5. What is to be done? Re-visiting the profession of government

'Institutions can be at most imported, never exported' Attributed to Luiz Carlos Bresser Pereira in Przeworski (2004)

Except where the incentives and obligations associated with accession to membership of the EU are available, the provision of aid in the form of technical assistance for re-building states in need of repair or renovation, following the demise of Soviet communism, does not seem to have met with much success. In particular, it is difficult to find good examples, at least those free of equivocation or paradox, of the development of professionalism (along with related qualities of transparency and effectiveness) in the civil service or public administration, even in the post-communist states that have now recently become members of the EU.

I have suggested in this paper that technical assistance for reform of public administration has been frustrated above all by an uncertain perception, on the sides of both givers and receivers, of what is the real purpose of such aid. Often, the givers of aid are not entirely convinced themselves that making civil servants professional is a desirable or feasible objective; invariably they are also far from confident that they really know how to achieve that objective anyway. This ambivalence and self-doubt inevitably add to the confusion and reluctance on the part of the receivers, who tend to see themselves as beneficiaries under an obligation to accept technical advice even when they do not understand it, rather than as clients, with a right to question, and even to decline or amend, the service provided.

Although the root of the problem is therefore traced here to the providers of technical assistance, it cannot be resolved without right motivation and adequate capability on the part of those already employed in the public service in the recipient countries. Here the major predicament is that the demise of the communist party deprived the entire state apparatus of the leadership and accountability on which it previously depended, and by means of which its relations with citizens were maintained. The negative consequences for the professional ethics and capacity of the established civil service could be repaired only by a large-scale re-development of the whole public sphere. The dilemma is that those whose cooperation is most necessary for such a large project – the members of the state apparatus themselves – tend to lack sufficient will or understanding for it. Those who still have permanent careers as civil servants are drastically underpaid and demoralised, and stuck with skills and aptitudes ill-suited for modern public management; those who have gained control of top positions through political allegiance and influence (includ-

ing financial means) see nothing to gain, and much possibly to lose, from reserving posts with key managerial responsibilities for established, qualified professionals.

For their part, aid agencies have interpreted the need for local 'ownership' and management of the delivery of technical assistance as an obligation to follow the lead, and meet the priorities defined, by national political leadership. But this is insufficient guarantee that reform programmes will be at the same time both adequately rigorous, and realistic in terms of the capacity for implementation, and not only for the reasons just given. Even when they do see their role as to serve the public – as opposed to their own private – interest, the new political leaders are too often inexperienced in statehood, pre-occupied by their own precarious tenure of power, and beset by too many urgent economic and social problems, to address the needs of effective administration, which require attention, and long-term programmatic commitment, in their own right.

The resulting gap between conception and execution, already problematic enough, is worsened to the extent that foreign consultants come to depend on a special relationship with key advisers to the political leadership, who use that connection to enhance their own influence in the national system. Since many of the individuals concerned are themselves former nomenklatura, well used to the manipulation of language for political ends, they may claim a unique understanding of the terminology and methodology of the new 'science' of public management. Consequently, even the special advantages that we would normally associate with technical assistance coming from outside – such as impartiality, greater flexibility and openness, and less corruptibility – tend to get lost somewhere on the way to delivery. The very terminology of 'transparency', 'efficiency' 'democracy' and even 'professionalism', thus mean nothing real outside a particular context of strategic political interest (Cohen 2000, De Cordier 2005, Stubbs 2002, White 2003, Wedell 1998, Wilson 2005). Reform itself connotes a kind of rhetoric, purposeful only to advance particular opportunities for selected individuals to acquire additional income and resources.

On the other hand, those with direct experience of the problems of providing public goods and services in the field tend to be ignored by the donors of foreign assistance, when not regarded with contempt and suspicion. It is now typically assumed by donors' representatives in the field that most ordinary career civil servants are necessarily either redundant or corrupt, if not both at the same time. It is unimaginable that any individual with relevant qualifications and skills would want to remain in a civil service post at any level unless the rent-seeking opportunities were advantageous, including earnings derived – legally or otherwise – from donors' own subventions. In effect, the business of technical assistance has come to assume a reversal of normative roles. Typically, it is the managers of assistance in national, European and international agencies who determine the substantive aims and methodology of reform projects intended to help beneficiaries (as defined

in terms of reference), while the latter manage the resources of money and manpower thus provided by the donors. Although the role of national project managers is strictly subject to the highly bureaucratic rules of accountability now normally demanded by donor agencies, especially the EU, both they and the field officers of donor agencies know that projects would be completely unmanageable if the rules were applied as strictly as defined. Moreover, the EU Commission, for example, has openly recognised in practice for some time that no terms of reference should be expected to survive a lengthy inception period (often of six months or more) without extensive adaptation.

In other words, the cooperation (and often collusion) of local public managers is in practice always vital to the success of any project of technical assistance. The question is rather whether those who get themselves into the key positions for managing an externally-funded project are the people with the right qualifications and experience, and functional duties, in terms of the formal objectives of the project concerned.

The gap between expectations and capacity is ultimately traceable to donors, mainly for having so exaggerated expectations and neglected real capacities, but also for following procedures that too often put inadequately qualified and competent people in the field. The cynical, mercenary concerns of private consultancy firms, especially those of the kind typically hired by the EU Commission, usually after some spuriously 'competitive' tender process, are now well known. However, the gap in performance can probably be bridged only by attending also to the relative expectations and capacities of the local actors themselves. This is one way to apply Adam Przeworski's injunction that: 'Projects of institutional reform must take as their point of departure the actual conditions, not blueprints based on institutions that have been successful elsewhere.' (Przeworski 2004, p. 540).

In this vein one urgent task is to re-write general guidelines to donors on the real needs of public administration in so-called transitional countries, including above all indications of the practical limitations and resistances to change. Such a task must engage suitable academics and practitioners from the countries defined as beneficiaries. One of the aims should be to re-examine what should be expected in the name of professionalism, taking into account both the inheritance of trusted practice from the past, as well as economic, technological and cultural change in the present. The key element is to get a much clearer and more realistic picture of what is acceptable and feasible on the ground. This looks like an obvious task for a new working group of NISPA. But it is one that calls for the approach of the anthropologist or at least political analyst, rather than that of the lawyer or economist, even in the guise of 'public policy expert' (see Stubbs 2002 for some additional justification of this view and indications of how it might be applied in practice).

It will also be essential to allow for differences in the opportunities for development of the public sphere after communist rule, depending on varying contexts

of geography and history. It is no longer reasonable or acceptable to treat all states with a past experience of communist rule as uniform in their needs, real aspirations or capacity for absorption of aid (indeed, it never was). One obvious difference is that between Central and Eastern Europe, where communist rule was brought to an end as a result mainly of pressure from non-state actors, including both former dissidents and popular movements of various kinds, and the former USSR, where change – such as it is – has been induced primarily from above, by those already experienced in tenure of political or administrative posts in the state apparatus (White 2003). In other words, this key difference is not only a matter of qualification for EU membership. Indeed, in South-eastern Europe there are a number of countries, including Romania and Bulgaria, as well as new states emerging from the break-up of the Yugoslav federation, which might be supposed to qualify for the EU geographically and culturally, but where the initial transition was so highly problematic, and ambivalent in terms of popular rejection of the old regime, that the process of accession has been significantly, and in some cases indefinitely, postponed. Here too NISPA seems to be well-qualified to take up the challenge of comparative analysis. In particular it is ideally, and maybe uniquely, placed to apply the experience of states that have now acceded to EU for the benefit of those for whom accession is a longer-term prospect, or not a prospect at all.

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The Public Decision-making System in Hungary; Main Problems and Possible Measures for Its Improvement

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The study identifies both positive and negative factors that play a major role in the public decision-making system in Hungary, and identifies for its improvement. There is a great interest in improvements. In the past 15 years after the change of regime, the Hungarian economy could not develop on a path of growth and equilibrium that was sustainable in the long run. Not only are the consequences of this serious, but its roots also go deep into the past of Hungary – namely the political system formed due to the change of regime. The improvements are difficult to make because radical changes of the political decision system are necessary to implement them.

Introduction

In Hungary, as in any other country of Central and Eastern Europe (CEE), a historical transformation of the political and economic system has taken place in the last fifteen years. The authoritarian regime was replaced with a pluralist democracy; a legislative and institutional framework for parliamentary activity was laid down, and the country became a multiparty democracy. At the same time, Hungary's state economy gradually became a market economy with the dominance of private ownership. The economic system transformation had four major elements: 1. macroeconomic stabilization and control, (for example: fiscal tightening and tight money policy), 2. price and market reform, (for example: price, wage, trade liberalization), 3. private sector development, privatization, and enterprise restructuring, (for example: clarifying and allocating property rights), 4. redefining the role

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of the state in the economy, (for example legal reform – constitutional, property, contract, banking, competition –, new tax system, social insurance – unemployment, pension, health.) Due to these transformations *the Hungarian economic and political decision-making system has become similar to those of Western Europe*. This transformation was convincingly demonstrated when Hungary became a member of the European Union recognizing the fact that it was able to meet the Copenhagen criteria of an advanced market economy and a democracy.

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

1. The collusion of the economic and political rationality in the Hungarian economic policy

There are essential differences between political and economic rationalities. Economic rationality requires conflicts to exist in the first place. Economic rationality is therefore predominantly designed for conflict. In order to create balanced economic growth or profitability, the managers of the macro-economy or the enterprises have to stir up conflict all the time. (For example, they have to make unpopular restrictive measures to curb over-expansion of the expenditures of the state budget or they have to carry out “downsizing”, i.e. lay-offs in the given company.) Politics tries to avoid conflicts that would lead to unpopularity and thus jeopardize the results of election or reelection. Political rationality is therefore predominantly designed to avoid conflicts. *By the very nature of the two rationalities, political decisions very often are irrational in terms of economic rationality in every democracy.*

This is the case in Hungary too, and can be illustrated by many examples taken from the history of the transitional period. The most convincing examples are to be found in the field of the macroeconomic stabilization and in the economic policy.

The first freely elected government, the Antal government and its rightwing coalition parties led by the Hungarian Democratic Forum (MDF) created a huge economic imbalance by the time of the new election in 1994, although the economy emerged from the post socialist recession. This imbalance was due to the so called “election budget”. The government, to win votes, over-expanded the state budget resulting in huge deficits. (See Table 1 and Graph 1 and 2.) The available economic resources, the requirements of the budget equilibrium and the balance of payment

did not support such a scale of expenditures. The generous government spending policy in the last year of the government's term, however, was not enough for the Antal government to win the election, mainly because the voters held it accountable for the sharply decreasing living standard, mass unemployment, and unstable living conditions caused by the economic transformation. The real wages and income were much below 100 percent (See Table 1) in all three pre-election years, and approximately 10 percent of the population was unemployed. This hardship could not be made forgotten by the relatively high increase in wages and income in the election year of 1994. Nevertheless, the spending measures were implemented at the expense of the equilibrium of the state budget and the current account balance. (The budget deficit reached 9.4% and the current account 8.4% in 1994. This deficit appears even more noteworthy if we consider that in 1990 and 1992, the budget was almost in equilibrium.) The incoming government led by Prime Minister Gyula Horn had to announce a harsh new austerity program in March 1995, when faced with this situation in the balance of payments and the large deficit of the state budget. The Horn government was built on the coalition of two leftwing parties – the Hungarian Socialist Party (MSZP) and the Alliances for Free Democrats (SZDSZ). The austerity program they had to implement was just the opposite of what they had promised in their election programs. The austerity package, named after finance minister Lajos Bokros, featured, *inter alia*, cuts in public sector wages, import surcharge, and tuition fees for university students. This latter measure, just as the others, represented a drastic change in Hungary, where university studies had been free of charge the previous fifty years. For the first time, the Hungarian authorities moved aggressively to reshuffle the welfare system, proposed deep reductions in state expenditure on hospitals, maternity leave and child care benefits. The result of this program was a balanced budget, and the Hungarian economy was saved from bankruptcy, as required, we can add, by the economic rationality. However, these sacrifices have left deep marks in the political landscape. The Hungarian citizens paid a high price and the living standard sharply decreased again in 1995 and 1996. The Horn government lost its popularity, despite its success in the economic stabilization of the country. The Horn government, just like its predecessor, was unable to resist the temptation of creating an “election budget” during 1997 and 1998, before the new election in the spring of 1998. These pre-election years again were witnessing a substantial increase in the real wages and the real income at the expense of the equilibrium of the state budget. The gesture given by increased expenditures, however, was not enough to capture the favors of the voters. The austerity program, called the Bokros-package, created a large number of disillusioned voters who wanted to punish the government at the polls. The incumbent government, and with it the leftwing coalition parties, lost the election to the coalition led by the rightwing Alliance of Young Democrats (FIDESZ). The leader of the Alliance of Young Democrats, Viktor Orbán formed the new government. The Orbán government was lucky in its first two years, because it could build its economic poli-

cy on the favorable international economic prosperity and on the relatively good macroeconomic stability of the country, created by the previous government. That meant that in its first two and a half governing years, the Orbán government was able to carry out an economic policy, which was more or less rational in both economic and political terms. To please the voters, the government kept increasing the standard of living. At the same time, it decreased the state budget. However, in the second part of its governing term, the Orbán government started to give more and more priority to the political rationality at the expense of the economic rationality. It initiated an expansionary economic policy, and set the growth target at a level (6.7 % per year) that was unrealistic in view of the trends in the international economic environment, on which the Hungarian economy greatly depended. In 2000 and 2001, the world economy, including the European Union, which is the main export market for Hungary, went into recession. Because the Hungarian economic growth is export-led, it depends on the economic growth of the European Union. The Orbán government economic policy should have taken into consideration that the economic growth rate of the country, as in any other country of the European Union, slowed down in 2001 and 2002. Overlooking this objective relationship, the growth target was too ambitious, and the state expenditures were fixed according to the target in expectation of unrealistically high state revenues. The economically irrational growth and budget targets are supported by the political rationality, namely by the intention of getting political support of the lobbies having special interest in the government-financed projects and, of course, gaining more and more votes of the citizens in the approaching election held in 2002. All of this culminated in the 2002 state budget, which was also a typical “election budget”. In 2002, the forecast values of indicators of GDP growth and general government balance could not be achieved, the growth rate was much lower (only 3.5%), and the deficit of the budget was much larger (it set a record: -9.4 in percent of GDP). It meant that the economy produced much less resources, distributable income, than what was forecast. Instead, the real wage and the real income increased by a record rate (the indices were 113.6% and 105.5% respectively, taking the previous year=100).

The Orbán government was unable to use the politically favorable situation created by the “election budget”. Although by a very small margin, the ruling coalition parties lost the election. The left-wing Alliances for Free Democrats (SZDSZ) and the Socialist Party (MSZP) won again, the second time since Hungary became a democracy. The election program of these parties offered a political environment where political stability and social peace would be preserved and corruption would be eliminated. The voters selected this program because they felt that these parties had the potential to provide large advantages with a low probability of creating unfavorable conditions.

However, the program of the winner parties was also irrational in economic terms. Had it been rational, it probably would not have had any chance to win the

Table 1
Main economic indicators

	90	91	92	93	94	95	96	97	98	99	00	01	02	03
Real GDP growth	-3.5	-11.9	-3.1	-0.6	+2.9	+1.5	+1.3	+4.6	+4.9	4.2	5.2	3.8	3.5	3.0
General government balance (in percent of GDP)	0.4	-2.2	-7.2	-6.6	-8.4	-6.4	-6.4	-3.0	-4.8	-5.6	-3.0	-4.7	-9.4	-5.6
Current account balance (in percent of GDP)	+1.0	+1.2	+0.9	-9.0	-9.4	-5.6	-3.6	-2.5	-1.7	-4.7	-5.1	-6.2	-3.4	-4.0
Unemployment (percent of labour force)	1.9	7.5	9.8	11.9	10.7	10.2	9.9	8.7	7.8	7.0	6.4	5.7	5.8	5.9
Real wages and salaries per earner Previous year=100	96.3	93.0	98.6	96.1	107.2	87.8	95.0	104.9	103.6	102.5	101.5	106.4	113.6	109.2
Real income per capita Previous year=100	98.2	98.3	96.5	95.2	102.6	94.6	99.4	100.9	103.6	100.8	104.3	103.6	105.5	104.5

Source: Yearbooks of the Hungarian Statistical Office
election year

elections. This explanation for the defeat of the ruling parties seems to be confirmed by the very small margin by which the opposition parties won the election.

It is very interesting, however, what happened after the election: the government of the winners, the Medgyessy government, more or less fulfilled the election program's promises regarding to the living standard of the citizens in the years 2002 and 2003. The Medgyessy government and the ruling coalition parties keep governing along the line of political rationality and keep neglecting economic rationality. One of the reasons for that was the municipal election and referendum about the Hungarian membership in the European Union held in 2003. Adjustment of the economic policy to the economic reality would have been equal to giving up the election promises or implementing restriction measures in the state budget which would have been unpopular among the voters and would have decreased the chances of winning the municipal election and of getting sufficient support by the citizens for the membership of the European Union in the referendum. In fact, this policy contributed on a very large scale to an almost landslide victory of the Hungarian Socialist Party in the municipal election and it also created a political climate in which the referendum could be successful, although the participation rate was low. The lobby groups standing behind the governing parties also influenced the government to follow an expansionist fiscal policy. They can be found in almost every sector of the economy including agriculture, banking, different branches of industries, trade, the tourist business, and the success of their rent-seeking activities depends very much on the government-allocated incomes and budgets. Therefore, adjusting the government expenditures and different subsidies to the economic reality would have damaged the interests of these lobbies. The move toward the economic policy required by the economic rationality was delayed by an optimistic economic forecast of the government which also hoped for a quick end of the global economic recession and a return of the international prosperity, which could speed up the Hungarian economic growth and create sufficient additional resources for financing ambitious budget policy. This forecast, however, proved to be wrong; therefore, in 2002 and 2003, the new government economic policy became very similar to the one the previous, defeated government pursued. In 2004, it became clear that the adjustment of the economic policy to the economic reality was inevitable. As Table 1 shows, the macroeconomic indicators worsened, the economic growth slowed down, the equilibrium position of the budget and the current account deteriorated and their deficits were much higher than what the European Union expects as a requirement. Evaluating these data, the foreign investors lost their confidence in the Hungarian economic policy, and as a result of that, the Hungarian currency, the Forint, devalued by the international market, there even were many speculative attacks against the Forint. The most convincing sign of the unsustainability of this economic policy was that in early January of 2004, the 2004 state budget, which had been approved by the Hungarian parliament only a few weeks earlier in December 2003, turned out to be unrealistic, so that additional restrictive measures were to be

taken in order to keep the deficit on a manageable level and to win back the confidence of the market players in the Hungarian economic policy.²

The lesson learnt from the experiences of the last more than ten years, confirmed by the macroeconomic indicators of this period (see Table 1 and Graphs 1 and 2) is the following:

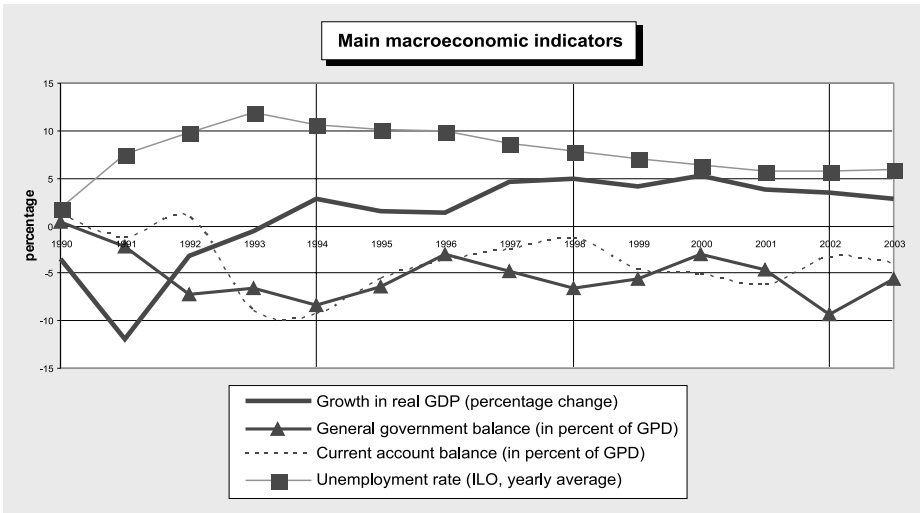
- *In the election years of 1994, 1998 and 2002, all incumbent governments proposed an “election budget”, which was adopted, because the ruling parties had the majority in the parliament. In these years (in the graphs, the vertical lines signal the election years), the budget deficit reached a record high. The high budget deficit was accompanied by a record increase in real wages and real income and by a large deficit in the current account balance. The rate of economic growth was low or slowing down, except in 1998, when the favorable international economic prosperity boosted exports, the main driver of economic growth. The living conditions of the citizens improved, but this improvement was mainly financed from the state budget at the expense of the equilibrium of the current account; it was therefore based not on productivity gains and the creation of additional resources and income, but on state borrowing and the increase in public debt.*
- *No matter what government and which parties were in charge of the economic policy, all of them basically followed the same economic policy directed at election interests, which contradicted economic rationality, and they took economic rationality into consideration when the worsening economic situation forced them to do so. The alternative economic policy came into existence as an economic necessity and not by the choice the voters made in the general election held every fourth year. This has two major consequences. One is that in Hungary, democracy could function on a restricted scale, and it is far less than perfect. The other is that the economic policy of the governments was less efficient than it could be due to its delayed and forced adjustment to the economic reality; for that reason it could not utilize the many available economy opportunities*

2 The situation got even worse before and after the 2006 general election. For 2006, a very typical election budget was approved by the ruling coalition parties (the Hungarian Socialist Party – HSP – and the Free Democrats Party – SDP). During the election campaign, they painted a rosy, but not valid picture about the economic situation and promised a very generous increase of the living standard of electors, although it had no sound economic basis or resources. After the election was won by the coalition of HSP and FDE, the triumphant prime minister of this coalition, Ferenc Gyurcsán, admitted he lied “morning, noon and night” to win elections and introduced his austerity program that aims to cut the budget deficit from a projected 10 percent in the year 2006 to 3.2 percent in 2009 measured in GDP. His austerity program is just the opposite of what they promised the electors. After his admission on 17 September 2006, days of protests and street violence broke out. One of the serious economic consequences of this election budget was that Hungary has become even more of a “carry trade country”. The financial investors, people or institutions, can borrow with a low interest rate (for example in EU money markets 3%) and lend high (to Hungary 8%). This large spread has caused a heavy extra burden on the Hungarian taxpayers, and it is one of the main reasons of the huge deficit of the Hungarian budget. In addition to this, the Hungarian currency, the Forint, has become one of the most vulnerable in the world due to an enormous budget deficit and a worryingly high current account gap.

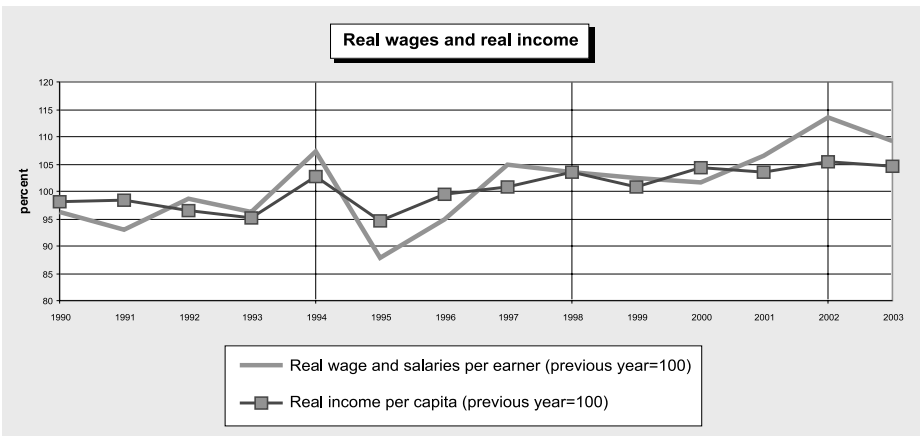
and could not correct the problems and failures of the governmental economic decision-making on time, therefore, the society and the economy missed many chances of development and suffered avoidable economic losses.

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

Graph 1



Graph 2



2. Roots of the failures of the Hungarian political decision-making process, their specificity and seriousness

The specificity and the gravity of the Hungarian political decision-making system failures are rooted in the way it was created. This system is the product of the Hungarian political transformation, which was, as mentioned before, a negotiated transition. This transition was driven by the political elites of that time, in the period of 1989 – 1991. These elites faced a situation which was common in the Eastern European democratic transition. Negotiation transition suited the twofold objectives of these elites best: a) to hedge in order to compensate for the uncertainty arising from weak voter loyalties and high electoral volatility, and b) to secure institutional arrangements maximizing their short-term political prospects. In addition, they had to take into account that the economy was about to undergo a wrenching, painful change creating serious social conflicts and tensions. To keep these conflicts under control, and to insulate the political leaders from short-term political exigencies created by the drastic economic changes, they needed an institutional setup which would provide high stability, low governmental turnover, long tenure and strong party discipline. “Bargaining over constitutional structures, party systems, and electoral rules took place amid exceptionally high uncertainty, which impinged on actor’s ability to make politically optimal choice. ... In Hungary, this negotiating dynamic yielded an institutional configuration – strong prime ministerial government, and electoral system dominated by a handful of parliamentary parties, and a state administration commanded by agencies of global regulation (mainly by IMF, World Bank) – that gave post-communist leaders a high capacity to implement austerity policies carrying heavy distribution costs.” (Bartlett, D.L.1997.) However, high stability, low governmental turnover and long tenure exist only for a four-year election period; the national election can change the power position dramatically, the ruling party or coalition can be easily replaced by the opposition. In case of a defeat in the elections, the ruling party loses both political influence and economic advantages. A lot, and perhaps all, is at stake for the party holding the power. The risk of losing the election explains why the governing parties take unpopular measures only under heavy pressure, in crisis situations and/or under strong foreign influence. In all other situation, and in order to increase their chance of reelection, governing parties not only avoid taking unpopular decisions, but they rather aspire to take popular ones.

This institutional set-up created the danger of *possible latent authoritarianism* that can result in the loss of some important advantages of democratic governance. A well-functioning democracy can develop a universalistic model of governance in which the state’s discretionary intervention in the economy is minimal and “all contestants in the game are subject to the same impersonal rules which ensure that winning and losing depend purely on competitive prowess and not political connection” (Bartlett, D.L 1997.) However, a particularistic model of governance can also develop in which state activities favor special industries and sectors, but in ways that

advance the broad goal of market development. In the particularistic model underpinned by strong authoritarianism, the main danger is that *it may progressively degenerate into rent-seeking*. The concentration of executive authority in the prime minister's office, which is the main characteristic of the Hungarian government, can undermine the universalistic elements of the Hungarian state by increasing its vulnerability to be captured by governing parties fighting for survival, and it can also create opportunities for exploitation of state resources from above.

The institutional choices taken in this negotiation had important consequences for the Hungarian government's (public) decision-making system that transcended the short-term electoral strategizing of the politicians participating in negotiations for system transformation.

2. 1 The failures and problems of Hungarian political decision-making

a. According to the constitution of Hungary, some of the legislative proposals required a two-thirds majority of the votes in the National Assembly. To avert a parliamentary stalemate that would imperil democratic consolidation, two of the major parties (the ruling MDF and the leading opposition party, SZDSZ) made a bargain: the MDF agreed to the election of a prominent member, Árpád Göncz, as Hungarian president, and in return, the SZDSZ agreed to reduce the number of constitutional subjects that required qualified majority voting. The SZDSZ also gave its consent to the introduction of the procedure of "constructive no confidence". This parliamentary device allowed for the presentation of a no-confidence motion against the prime minister but not against individual ministers. This practically resulted in a situation in which the calling into account of the incumbent government entails a new election for a new prime minister, a move that no opposition has ever attempted so far, due to its extremely high cost. The institution of "constructive no confidence" resulted in increased security for the government to keep its tenure and reinforced the prime minister's central position. In addition, the SZDSZ agreed to a number of constitutional provisions that circumscribed the authority of the president of the Republic, especially his rights to dissolve the government, to convene the Parliament, to make executive appointments, and to control the armed forces. The main real political instrument left to the Hungarian president was his capacity to refer acts of Parliament to the Constitutional Court.

This institutional configuration has several weaknesses and liabilities. A structure of power so dependent on a single person is in danger of breakdown if the personal authority of the prime minister faces a serious challenge – as was the case midway in the MDF's term of office, when Prime Minister József Antal became terminally ill. Political inexperience and low levels of technical expertise within the prime minister's staff can create the risk of an incompetent governance. Moreover, the centralization of executive authority leads to a tendency of pushing decisions upward, even if they could be made more appropriately at the lower levels of the

hierarchy. The prime-ministerial government that emerged after 1989 in Hungary favored authoritative decision-making methods at the expense of political accountability. *The president and parliamentary opposition have limited the possibility to challenge the ruling party's (coalition's) actions while it is in office.* The long-term institutional consequence of this was that it paved the way for *the establishment of a parliamentary form of government dominated by a powerful prime minister.*

b. *The parties existing and competing at the time of the first parliamentary election did not have a strong electoral (and organizational) basis.* By no means were they mass-based movements. (Altogether, only 1 percent of Hungary's adult population were members of a political party.) (Ágh 1994) The fragile constituent bases of the Hungarian parties magnified the importance of the rules of the election system in an environment characterized by exceptionally weak party loyalties and voter identities, and in which, therefore, small variations would be decisive. As a consequence, the drafting of Hungary's new electoral law became one of the most ardently contested issues in the negotiations held during the transition period. The various negotiating positions on election options taken by the parties (an electoral system based on party list versus single-member election districts, the definition of the territorial bases of the elections, the methods of screening eligible parties, the level of the parliamentary threshold, the number of ballots in the election, etc.) reflected these parties' determination to extract rules that were likely to advance their individual electoral prospects. But the different negotiating position also reflected the interlocutors' awareness of the pervasive uncertainty in this new Hungarian democracy, where high electoral volatility led the negotiators to seek ways of hedging in order to avoid potential losses. (Bartlett 1997)

c. This tension between institutional choice and political uncertainty resulted in a series of compromises that yielded *one of the world's most complicated election laws.* Some 46 percent of the parliamentary seats would be filled through elections in single-member districts, with a second vote taken if no candidate received a majority in the first ballot. The remaining members of Parliament would be elected via a combination of countrywide and national party lists, following the rules of proportional representation. To reduce party fragmentation, the negotiators agreed to establish a 4 percent parliamentary threshold (later it was changed to 5 percent) as well as a complex nominating system aimed at winnowing the number of candidates running in single-member districts and the number of parties able to formulate a list for the proportional representation district. (Drum and Durst 1994) There is an extraordinary imbalance in the Hungarian election system that allowed the winner of the first post-communist elections, the MDF, to translate its 24.7 percent plurality into 42.5 percent of the parliamentary seats. The victor of the second national election in 1994, the MSZP, transformed a 33 percent vote into a 54 percent legislative majority. These features weakened the representative dimension of the new democracy, but they also enhanced governance by giving political leaders the

security of tenure needed to implement programs of political and economic system transformation. (Bartlett 1997)

d. *The effect of these electoral rules was to fortify the central position of Hungary's largest parties at the expense of marginal ones.* While this bias towards a handful of major parties weakened the representative dimension of the electoral system, it facilitated the formation of durable coalitions. At the same time, the screening procedures and the emphasis on closed lists reinforced the elitist bent of the big parties by placing candidate recruitment under the control of a national-level organization.

Decisions related to the legal condition and financing of political parties further augmented the centralizing tendencies within the Hungarian party system. The parliament passed a law providing substantial financial assistance to all registered parties, with the amount of state subsidies depending on their number of members. The obvious effect of these measures was to give large organizations strong incentives to register as political rather than interest associations, undercutting Hungary's already weak and heavily fragmented intermediary institutions. (Ágh 1994, Bozóki 1994)

The institutional combination of *a highly centralized party system and weak intermediary organizations, NGOs* (to which we will return later), had the following consequences:

- *It narrowed the sphere of representative politics to the parliamentary parties.* With no strong intermediary institutions available to mediate relations between the Hungarian society and the national parties, political action was channeled into the Parliament, whose technical, organizational and human resources quickly became overloaded. With a legislature facing such a heavy workload and lacking the necessary staff and a well-developed committee system, the danger of incompetent decision-making was exceptionally high.
- *It broadened the already wide gap between the political parties and society at large.* Lacking intermediary organizations through which they could transmit their concerns to the Parliament, a growing number of Hungarian citizens lost a sense of efficacy in the political process. Their influence was concentrated in the national elections, which occurred infrequently owing to the constitutional setup and the rules of the electoral game. The chasm between the Hungarian parties and the rank and file was a major contributor to the alarming growth of voter apathy after 1990. (Ágh 1994)

These previously described features and characteristics of the Hungarian governmental (public) decision-making system produced by the negotiations in the transformation period have basically remained the same; the system remained intact since its inception up until today. All the systemic problems are still embedded

and carry the potential of failure, as they existed from the early formative days of this system.

We gave a detailed presentation of the macroeconomic stabilization policy exemplifying the shortsighted nature of the Hungarian political decision-making. We demonstrated that this system created a “government business cycle” and we also referred to the very complicated election law, which is biased towards a handful of major parties and weakens the representative dimension of the electoral system. As a large number of members of the Parliament is elected countrywide and nationally on party lists, the elected representatives have little direct contact with the electorate, and they become an elite, alien to their alleged constituency. The most telling example is that very few leading and influential party politicians who are members of the Parliament today with a mandate for 2002 – 2006 were elected in district elections; the great majority of them received their parliamentary seat on party lists. Poorly developed grass-roots organizations of the major parties widen the gap between national party offices and rank and file members and the prevailing popular perception that the political elites of Hungary are out of touch with the concerns of ordinary citizens. The elitist bent of the big parties widened the gap between the parliamentary parties of Hungary and the local constituencies as well.

e. To list yet another concrete problem, we should mention the workings of *the organized interests groups*. *Lobbying has a substantial influence on the governmental decision-making in Hungary as well*. Lobby activities can be necessary, lawful and efficiently representing justifiable interests, as every member and group of society has the right to express and defend his/her or its own interests. However, lobbying in Hungary often works at the expense of the whole society by gaining unjustifiable privileges, benefits, and income. Lobbying is characterized by rent-seeking behavior, directed at obtaining benefits from favorable government decisions. There is an important number of particular factors in Hungary that create a relatively favorable condition for such rent-seeking activities: the small number of parties, their elitist character, official financing and regulation of parties and their election campaigns, weak and underdeveloped autonomous civil associations, NGOs, and the fact that no law was passed by the Parliament for regulating lobby activities. In addition, the media are not able to efficiently monitor these rent-seeking activities. The lack of legal regulation and the inefficient media control make it possible to hide real transaction, to avoid transparency. The official party and state financing of the election system create a strong incentive to collect and to accept “unofficial” funds and contributions, also because officially available financial resources are by far insufficient for a successful election campaign. The number and character of the dominant parties can make such a rent-seeking activity relatively easy and “manageable”. Many cases could be mentioned to prove the wide-scale existence of such lobbying. In the following, some of the best-known cases are presented.

Hungarian highway building did not escape from being trapped by rent-seeking activities and lobbies either. A good case in point is the practice followed by the FIDESZ led coalition government in highway construction between 1999 and 2002. In this period, highways were built without competition bid, and the government did not bother to ask construction companies for tenders. One company owned by Hungarian entrepreneurs that has good relations with the government circles got the government contract to build the highways. The result was a substantial increase of the construction costs (about by 20 – 25% per km), and intensive criticism by experts about the quality of the highways on the one hand and exceptionally high profits for the construction company on the other hand. To win the contract, Hungarian entrepreneurs and also the government argued that it was in the Hungarian national interest to give the opportunity to a Hungarian-owned company because in this way, the building would be as efficient as it would have been if built by foreign companies, and at the very same time, the profits would go to a Hungarian company, which can create jobs and spread skills among Hungarian workers. These arguments were just partly justifiable, because the building costs were much larger than the costs of the highways built earlier by foreign-owned companies, which employed mostly Hungarian workers, too. Therefore, the real beneficiary of this government decision was that small group of the Hungarian entrepreneurs.

Multinational companies (MNC) operating in Hungary represent another influential lobby group. In order to lure foreign direct investment into the country, Hungary offers very generous tax incentives for foreign companies. Currently, a 50 – 100% corporate tax holiday for up to 10 years is granted for investments at or above the stipulated amounts. (The tax break will be phased out when Hungary becomes a member of the European Union.) This tax measure is especially favorable for big MNCs. Companies producing more than HFT 10 billion sales (business turnover) annually due to their investment enjoy 100% tax holiday. That is the reason why 92.6% of the total tax holidays go to less than 10 companies (8.8%), mostly to MNCs. In addition, there are 125 duty-free trading zones in Hungary facilitating export-import activities of big MNCs, and a lot of other preferences as well. Foreigners own most of the big companies in these zones producing 42% of Hungarian exports. Although giving preferences and incentives to these companies is rational because they can contribute in many ways to the modernization of the country economy, for example by providing technological, managerial and marketing expertise as well as access to the foreign export market, and by creating jobs; nevertheless this scale of preferences is not justifiable even from pure long-term economic efficiency points of view. This is so for at least two reasons. First, these measures are unnecessarily generous, in particular concerning the length of the tax holiday. 100% corporate tax break for up to 10 years is hardly justifiable even from an international point of view. Second, demand for public goods is increasing, and the government budget needs finances for positive externalities. These are essential services and enablers of profitable private economic activities, including those

conducted by MNCs. Education, R&D and infrastructure are on the list of required public goods. These cannot be financed without modifying the preferences granted for MNCs, which are the main beneficiaries of these publicly provided goods and services and therefore should contribute to the financing to a much greater extent than they do today. In the long run, this is the interest of these companies as well. (Hoós, J. and Malmström, L. 2001.)

These cases demonstrate the existence in Hungary of what Mancur Olson calls “distributional coalitions” seeking to maximize particularistic benefits and to minimize short-term costs of adjustment. (Olson, M.1987)

f. Corruption and bribery are the other plague of Hungarian political life. According to a leading global anti-corruption NGO, the Transparent International (TI), Hungary is ranking among the one hundred most corrupt countries. Its Corruption Perception Index (CPI) score was 4.8 (the CPI 2003 score relates to perceptions of the degree of corruption as seen by business people, academics and risk analysts, and ranges from 10 – highly clean – to 0 – highly corrupt). Corruption relates mainly to government procurement, political party financing, patronage networks and conflict of interests. (TI, Global Corruption Report 2004) Due to their special nature, it is generally very hard to prove corruption and bribery cases in a legally convincing way. However, the great number of cases suspicious of corruption created growing public concern in Hungary, and corruption has become one of the key political issues, especially in election times. After the last election in 2002, the winning coalition parties created a special government office under a secretary of state to deal with this problem, and a special law, called the “Glass-pocket law” was passed by the Parliament in the same year. (The name expresses the need for transparency in the use of public money. Business transactions should be as transparent as glass, and no money should change hands or pockets without the knowledge of the public.) It is important to note that corruption cases have surfaced under each governing party. Corruption is not specific to a given party, but is created by the political system. In the following paragraphs, we present some characteristic corruption cases.

One of the first major corruption scandals erupted when FIDESZ sold its headquarter building, situated in one of Budapest’s most highly valued districts. FIDESZ received the building from the state free of charge. After having used it for a short period, the party sold this building at market price. The proceedings of this transaction were used for financing the party and its officials, mainly during the election campaign.

The affair of Márta Tocsik, a lawyer, was another big corruption scandal. Márta Tocsik received an exceptionally high fee, about HFT one billion, for managing the bargaining process between the State Property Agency and the municipalities about the division of privatization revenues coming from the sale of municipal properties. Tocsik got the contract from the State Property Agency controlled by the MSZP-led coalition government at that time. The FIDESZ, which was in the opposition, ac-

cused Tocsik of having a secret deal with the MSZP to give a large part of her fee to the party to finance the election campaign, and suspected that that was the real reason that her fees were so extraordinarily high. (Her fee was about a thousand times the average Hungarian salary.) When the scandal broke, the privatization minister of the government had to resign. The case went to court and the contract of Tocsik was found illegal; the court also found one of the officers of the MSZP guilty on corruption charges. Tocsik and the MSZP officer appealed the verdict, and the case is still under way.

g. The existence of a strong and independent civil society is one of the preconditions of a well-functioning democratic government and an efficient economy. In Hungary, the civil society is not strong enough, and therefore cannot yet play a balancing and correcting role in the society and the economy. In comparison with most developed countries, in Hungary, the civil society and its organizations are working mostly in the cultural sector, while in the developed countries, most of them work in the fields of education, health and social services. Their revenues calculated on a per capita basis are US\$ 2155 in the USA, US\$ 1157 in Germany and US\$ 140 in Hungary. Civil society employs about 7.8% of the workforce in the USA; that figure is 4.9% in Germany and France, and only 1.3 % in Hungary. State financial supports provided for civil organizations constitute only 1.2% of the GDP, covering only 18% of their total revenues. This is two times less than what the developed countries provide for their civil society. In developed countries, the States assign financial resources for the accomplishment of the tasks performed by the civil society. This is not the case in Hungary. (Állami Számvevőszék. 2003.) In Hungary, the civil society is deeply divided by rivalry; its organizations are competing for scarcely allocated States resources instead of cooperating with each other.

The *Hungarian trade union movement is also rather weak.* The largest trade union, Magyar Szakszervezetek Országos Szövetsége (Hungarian National Federation of Trade Union, or MSZOSZ), which emerged as the largest trade union in the post-communist period represented about 45% of the Hungarian workers in 1990. But its effectiveness as an independent worker's association was marred by the preceding organization's historical connection with the former ruling communist party. Between 1990 and 1993, MSZOSZ's membership plummeted from 3.5 million to 1 million. The remainder of the organized labor was divided between six large confederations and a score of unaffiliated unions. A law passed by the Parliament requiring the division of the assets of the former unions among the successor organizations and the savage public clashes between the unions further undermined the labor movement's cohesion and political credibility. The loose connections between the unions and the political parties also underscored the subsidiary role of interest groups in post-communist Hungary. (Bartlett, D.L 1997)

The weak civil society circumscribes the opportunities for collective action via non-electoral representation. Robust, independent civil associations in the mature

Western democracies perform the vital functions of buffering social demands and meditating between grass roots and national parties. Because of the lack of efficient civil society organizations, the distributional politics have been channeled into the electoral arena, where those segments of the Hungarian society (for example, blue- and white-collar workers, pensioners, the gypsy ethnic minority of the population) that are the most vulnerable to economic changes are the least well represented.

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

In Hungary, the tax burden is substantially higher than what is characteristic of countries with a medium-sized income per capita. The budget's tax revenues are 40.8% of GDP. In comparison, this percentage is 34.8% in Portugal, 32.3% in Greece and 14.4% in Mexico. Employers pay about 50% of their wage expenses as social security tax, from which health care, pension and unemployment benefit are financed. This is much higher than what is paid in Western and Eastern European countries: this figure is 31% in Western Europe, 26% in the Czech Republic and 32% in Poland. For this reason, tax evasion is widespread, and employers have a strong incentive to take their business to the black economy. The high taxation is also an obstacle to the expansion of employment. (Magyarország. Szerkezetváltás és Tartós Növekedés. 1995)

The economic transformation polarized the society. The transition period provided a lot of opportunity for those who managed to obtain a significant amount of competitive property in the private sector, or engaged in the new structures of the private sector as direct suppliers. The size of this group does not exceed 8 – 10 percent of the society according to relevant studies. The number of the “winners” of the system change is larger, but not more than one third of the society. Many people on the loser side between 1989 and 1996 were later able to improve their financial situation when economic growth restarted. However, a broader bourgeoisie did not develop. In the meantime, part of the former middle classes went down. As a result, the larger part of the population can be regarded as “losers” of the system change, which caused around one third of the society to fall behind lastingly and hopelessly. The proportion of the population living on less than the subsistence minimum was around 15% in 1991, 22% in 1992, 25% in 1993, 32% in 1994, 30 – 35% in 1995 (of a downward-amended minimum level) and 35 – 40% in 1996 (Andorka., R. 1997.) A complete readjustment of income levels followed the political change. The difference between the lowest and the highest decimal class of per head income increased from 4 – 4.5 times before 1990 to 8 – 9 times in 1999. According to the latest available data, that multiplier was 8.4 in 2003. (Tarki) As in those years, the average real income first declined and afterwards has been slowly nearing the 1989 level; it is obvious that the steep growth of income in the highest 10 – 20 percent category was

accompanied by the, sometimes tragically steep, impoverishment of the low income strata of the population. (SAPRIN.2001)

In many ways, these reasons are interconnected. The heavy taxation is partly caused by the large costs of social security. These costs could be much lower if reforms had eliminated the costly inefficiencies of the systems and/or they had provided more efficient services for improving the human capital of Hungary (producing healthier and more skilled workforce, i.e. more competitive workforce). Such timely reforms would have increased employment and reduced unemployment and poverty. With higher employment and less poverty, the burden of social policy would have been eased and thus also the need for over-taxation.

i. The political transformation has liberalized the mass media, which, in principle, should give the opposition parties and different interest groups a possibility to express their opinion, and hold the governments accountable for their conducts and policies. However, here again, there are factors that create obstacles to effectively using the media for public scrutiny of government actions. *An important element is that Hungarian Radio and Television, the public television and radio broadcaster, is not fully independent from the ruling government and coalition parties.* Government provides financing, decides on employment policies and initiates the appointment of the senior management of these institutions. As a result, the government has huge leverage, and exercises a decisive influence on broadcasting policy and practice. For example, in early 1994, the government sacked over a hundred employees of the Hungarian Radio and Television for their alleged connections to the communist regime. The public television and radio are in a permanent financial crisis; special government subsidies granted from time to time play a major role in avoiding bankruptcy. This situation again gives leverage to the government. Therefore, there is no truly independent public broadcasting in Hungary. Broadcasting is biased in favor of the ruling coalition and the government of any given time.

The commercial media are very strong, but their main interest is to maximize their profit. Commercial advertisements, and those news and programs which sell these commercials well, dominate broadcasting. Commercial TV and Radio usually do not select programs dealing with serious policy issues. Moreover, the commercial media avoid conflicts with the government, because this could have negative repercussions on the business. The government and the ruling parties are among the biggest clients. In addition, political and business connections with the governments are important assets when it comes to business negotiations.

Commercial interests dominate newspapers and the written press as well, and these are sharply divided too. The majority of newspapers stand on the side of the leftist and liberal parties; newspapers supporting the conservative, rightwing parties are a minority. All newspapers are influenced by the special interests of the parties, because these and their supporters are the major customers. Parties have direct and indirect business and political connections with newspapers (co-ownership,

financial support.) This situation weakens the objectivity of these papers and creates an obstacle for independent fact-finding investigation.

“Engineering consent” has also become a necessary precondition for the exercise of power in Hungary. With the new democracy, PR specialists capable of swaying swing voters have arrived, too. All major parties employ them. As *The Economist* writes: “Lobbyists and consultants are a new development in central Europe’s youthful democracies. The brave but un-photogenic dissidents who led the revolutions in 1989 have been shunned aside by pushy, smooth-talking pollsters and consultant.” (*The Economist*, 2004.) This is the case in Hungary, too. An example is that the formal communication chief at Israel’s Labor Party, a public-relation *supremo* recently signed up for the Hungarian Socialist Party after steering Romania’s Socialists to victory in 2000. Hungary’s Socialists also won the 2002 election with him.

j. Bureaucrats in the government and state administration, operating under high uncertainty and unwilling to assume responsibility on policy issues, often refer to the authority of higher-ranking officials. Immediately after the system transformation, the bureaucrats associated with the communist regime were purged. Among them were very experienced and highly skilled civil servants as well. Many of the most talented bureaucrats left the civil service and got better-paid jobs in the business field. The first freely elected government, the Antal government already began staffing the key economic agencies with state secretaries, who acted as political commissioners for the prime minister’s office, rather than professional civil servants. This practice has been continued and extended since then. After every national and municipal election, the clients of the winning parties submit their claims for well-paid jobs, and usually they get them. Every government packed the state agencies with political loyalists. Due to this practice, there is a high and costly turnover in the ranks of public servants, which undermines the continuity of senior ministerial officials. Most of these became political appointees of the prime minister, and they found themselves making decisions on issues for which they have little or no professional competence. The result is that bureaucracy is working at a very low efficiency level and the public service is lagging behind in the application of modern public management methods and techniques. The public management reforms targeted to make more efficient and modern public service in Hungary are only in the planning stage, and they have a very long way to go before they produce any results.

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

3. How can the Hungarian public decision-making system be improved?

3.1 The spontaneous development

Regarding the first question, the improvement may well come from the spontaneous evolution of the Hungarian economy and the political mechanisms. No doubt, such positive spontaneous evolution is a realistic expectation. New political institutions usually need a “running-in” period to gain some experience, and in this period, they are in a situation of permanent adjustment and improvement. This can be true for Hungary as well.

Economic development may be an even more important factor in this respect. Increasing GDP, both in absolute terms and per capita, usually creates more resources for the financing of social policies, especially health care and education, and therefore may lead to the reduction in tax burden, as the high tax rate was partly caused by a disproportionately great need for social security in a transition economy. The higher income per capita can result in the strengthening of the middle class and the decreasing of income inequality. The general improvement of economic life can make it easier for the politicians to “retire” into the civil sphere without jeopardizing their subsistence and well-being. Currently, many politicians have no other proper professional skills or enough wealth to secure them living conditions comparable to what they enjoyed during their political careers. Their well-being depends very much on how long they can keep their political position and influence. This type of politicians is called “well-being or welfare politicians”, the term referring to the situation that these are not politicians out of political conviction, but out of the necessity to earn their life and secure their material well-being. The reduction in the number of such politicians would make it more probable for political decisions to be made in the interest of the public. A factor that can facilitate the elimination of “welfare politicians” from public life can come from closing off the privatisation process in Hungary. During the past decade, state ownership was drastically reduced. Today there is much less room for clinching off special privileges and the remaining positions providing rents for non-productive activities are not many. All of these elements strengthened the role of the market and weakened the role of the government in distributing income and allocating resources. As a consequence, the meeting of economic efficiency criteria becomes more and more of a priority both in the political and the economic decision-making process.

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

ity. A balanced economic growth is the basis for economic planning and forecasting without which no sound business decision can be taken. It is also a pre-condition for ensuring the profitability of business operations.

3. 2 Necessary political actions and reform measures

However, spontaneous development cannot alone provide the needed level of improvement in the Hungarian public decision-making system. The failures and deficiencies, serious as they were described above, will not be eliminated or even decreased by a purely spontaneous evolution of Hungary's social and economic life. To achieve real and lasting improvements, well-thought and well-prepared political actions are needed. *The time has come to rethink the political framework set up in 1988 – 1989 and 2000 by the political elites. Since those days, when the round table negotiations were conducted, this framework remained the same, although the country itself and its internal and external situation have changed.* Moreover, along the operation of this political decision-making system, its failures and inherent deficiencies became apparent. It also became obvious that this framework, if it remains in place, will in itself be an obstacle to improving economic efficiency and making public life genuinely democratic in Hungary.

There is no longer the need for an institutional set-up which is designed to provide low governmental turnover, long tenure in political positions, high stability, and strong party discipline. At the beginning of the political transformation, such a system may have been justifiable to make the necessary but painful economic and political decisions, and manage the ensuing grave social conflicts. High stability, low governmental turnover and long tenure shielded politicians from social tensions and enabled them to implement austerity policies in the most critical transitional period. It is likely that without such a system, the transformation could not have been carried out as successfully as it happened. *Today, the advantages of the system in those critical times of the transformation became disadvantages in a country which in many respects is drastically different.* Today, it weakens the democratic process if between two election periods, politicians cannot be held accountable for their actions and decisions, if they cannot be replaced even in case of serious misuse of powers or violation of the public interest, when, e.g., they exploit their positions for gaining special privileges to the detriment of the public good. In the current system, politicians are held responsible only exceptionally, in the case of blatant misconduct or violations of law that cannot be concealed. Due to the lack of efficient democratic mechanisms to successfully criticize the government, the widespread uproar in public opinion which usually ensues often forces these cases to end up in court in legal proceedings. If no sufficient evidence exists, the politician will walk away and pursue his/her political career without even being held politically or legally responsible. Even in cases when the government makes seriously wrong economic decisions causing enormous damage to the economy, this same government cannot be changed. This system, providing immunity from responsibility for

politicians during their term in government, intensifies the shortsighted nature of political behavior. For these politicians, shielded from any effective criticism while in power, losing an election often results in criminal proceedings brought against them in courts by the winning opposition and in the loss of all economic and political benefits. In order to win the election and to keep the power ensuring immunity, the politicians in the government are inclined to promise almost everything and to postpone the implementation of all the measures that could make them unpopular in the eye of the public. *These characteristics of the system make it serve the personal interest of the politicians more than the interest of society.*

At the dawn of the 21st century, Hungary faces formidable new challenges. One of these challenges is the membership in the European Union. Another formidable challenge is globalisation. The membership of the European Union requires the country to have a highly developed and efficient democracy. Globalisation makes it imperative for the Hungarian economy to become more efficient and competitive in the world market. Both a well-functioning democracy and an efficient, competitive economy require the elimination of the paralysing deficiencies in the current political decision-making system and an improved political life that makes the country capable of coping with its new situation in Europe and the world.

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

The area where reforms are most needed are: the voting system and election law, the powers of the prime minister, the organization of civil society institutions. In addition to these, other reform measures would be needed, too.

a. There is a need for *changes to the election and voting system and electoral laws.*

The problems and deficiencies of the Hungarian voting system can give the rationale for the following changes:

- decreasing the number of parliamentary seats;
- increasing the percentage of parliamentary seats which could be filled through elections in single-member districts;
- the remaining members of Parliament could only be elected via lists,

These changes would result in a more direct relationship between elected politicians, lawmakers and citizens. These would ameliorate the estrangement of the elected representatives from their electorate, and the representative dimension of the electoral system would strengthen.

Moreover, it would be rational to modify the voting rules on constitutional amendments. In the current system, any change to the constitution requires a two-thirds majority in the Parliament. The same qualified majority rule applies to the

“no-confidence motion” against the Prime Minister. On the other hand, the adoption of the budget and the basic tax law, in particular as regards corporate tax and personal income tax, should require a two-thirds majority vote in the Parliament. This would create more discipline for keeping the state budget in an economically acceptable position and would give a greater guarantee against the violation of the equilibrium requirements of the economy.

b. *The prime minister should become more accountable. One way to do this is to make it easier to present no-confidence motions against him or her.* The proposed changes of the voting system would give voters more control over the members of parliament (MP). The number of MPs elected in single-member districts would increase, and with this, their weight in the Parliament. MPs would become more sensitive to policy issues important for their constituency. If the parliamentary threshold was reduced, the political influence of the smaller parties would also increase. All these changes together would upgrade the no-confidence motion into a real political tool for exercising control over the executive, in particular, the policy of the prime minister, in case it puts in jeopardy the basic interests and values of the MPs and small parties. In such a situation, even those MPs who belong to the ruling party of the prime minister would support a no-confidence motion, because having been directly elected, they would be more accountable to their voters, and at the same time, have a greater freedom vis-à-vis their party. In that case, the numbers of votes of the opposition parties may eventually even be increased by votes coming from MPs of the governing party or parties, resulting in a sufficient majority for a successful no-confidence motion.

c. *National and municipal elections need better timing.* Currently, the municipal elections are held shortly after the national elections. As only a very short period of time passes between the two elections, the citizens do not have enough time to judge the effectiveness of the winning party or coalition. If the municipal election was held halfway between two national elections, the two years in between would be sufficient for the citizens to evaluate the performance of the government, and they would be able to give strong signals at the municipal election inducing the government to make corrections if the outcome shows a significant loss of support for the ruling party/parties.

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

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

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

f. *Civil service and public bureaucracy have to become more efficient and accountable.* This would require a more rigorous implementation of the existing law on Civil Service and the New Public Management reform.

As we noted earlier, in spite of the existence of a Civil Service Law in Hungary, which was originally introduced to ensure appropriate independence of the civil service from short-term political interests and to limit direct interference of the ruling political parties in the day-to-day operation of the public administration, and thus to create an environment where a professional body of civil servants can be created, the administrative process has been highly politicized. Civil servants and professional bureaucrats are often fired for political reasons, if, e.g., they resist

satisfying special political interests, or simply if their position is needed for the clientele of the ruling parties. The results of this are high turnover, instability and decreasing skill. The expertise of bureaucrats has steadily decreased since the practice of cleaning up ministries and government agencies after each election, even down to posts that are purely administrative, was established. The result is low efficiency and a general decline in the public service. Therefore, it is necessary to increase the compensation to those civil servants whose dismissal is not justified on the basis of unsatisfactory work performance. Likewise, a greater public and legal control over the conditions of dismissals should be strengthened and the Civil Service Law should be implemented.

New public management (NPM) methods and structures should be developed and implemented to improve public administration. Such NPM would introduce modern managerial techniques, performance measurement and control mechanism. Online budgets can be developed and introduced, linked with performance agreements. In New Zealand, the Netherlands and Switzerland, such systems were successfully introduced. Based on managerial control theory, the NPM is designed to eliminate the political elements of operational administration work. It defines administrative products and introduces performance agreements between the political bodies and the administration. (The Dutch "Tilburg Model") The concept of NPM requires designing and installing a managerial control mechanism and feedback loop which allows politicians to behave like political managers. (Schedler, K. 2003.) In Hungary, activities of political bodies should be subject to such control mechanisms, including mid-term planning and performance-related budgeting. The decision-making process in political bodies should be re-designed accordingly. The implementation of NPM would lead to changes in the organization of parliament committees and government agencies. They would foster closer and more direct communication between parliament committees and government agencies. At the level of government and ministries, ministries would take on the role of buyers, while government agencies would become providers of public services. Performance contracts should develop into an important managerial instrument. The NPM would establish accountability for performance and for process within public administration.

The implementation of NPM in Hungary should take into account that bureaucrats and even politicians may perceive the NPM as a threat. In Switzerland, e.g., it became obvious that managerial control did not necessarily fit the way politicians understand democratic accountability. This is due to the fact that the rationality driving politicians often differs and even colludes with the one driving economic managers, as we noted earlier. To overcome this problem, the reform introducing the NPM scheme should be implemented in the framework of a wider policy reform, together with the changes of the political decision-making system proposed earlier.

New Public Management reform could be an important instrument for *tackling corruption* of public officials. It would create better public procurement practices "... in which one goes beyond the technical rules for running tenders and allocating bids. Such an approach needs to include much more professional budget planning to ensure that needs are well defined; integrity training for procurement officers on specific codes of conduct; and wider participation in tender proceedings by external professional observers. Moreover, regulatory bodies must be better equipped – with sufficient powers and sanctions – to supervise not only the activities of public administration in procurement but also the thorny issue of private sector collusion." (Global Corruption Report. 2004.) A sound external and internal financial control and audit should also be developed. It would create a well-functioning redress system in public administration by both facilitating whistle-blowing and allowing citizens to appeal against administrative decisions and actions.

g. *Political party funding should be reformed* as well. It should be less exposed to corruption. It should give additional support to the smaller parties so they could effectively compete with the big parties. These small parties are needed in order to strengthen pluralism and to introduce more voices in democratic debates. Increased state funding to mitigate the reliance of parties on business sponsorship should be combined with maximum transparency and appropriate regulatory control by independent institutions such as the Audit Office or the election commission.

h. There is a clear need in Hungary *to increase the objectivity and independence of public broadcasting and the media*. Public service broadcasting should be liberated from state control. Media should be regulated to eliminate political influence on broadcasting and enforce transparency rules. Sufficient state financing is also required to strengthen the professionalism of the media and to ensure the necessary resources for investigative journalism guaranteeing adequate information for citizens.

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

4. Scenarios of reform implementation

The reform measures described earlier necessitate amendments to the Constitution or new legislation; thus, the support of the big parties is needed to attain the two-thirds majority threshold in Parliament. Big parties are the main beneficiaries of the present system; therefore, they will likely oppose such changes or at least be very reluctant to support them. This can be seen as the main obstacle to the reform. However, the great majority of the citizens are in favor of such changes. In the long run, big parties will not be able to successfully obstruct such reforms, but in the

short run, they can slow down the improvement process of the political decision-making system.

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

- The first factor is the *membership of Hungary* in the EU. It requires full structural adjustment to the institutional structure of EU, which is more efficient than the Hungarian one. The EU sets requirements for macroeconomic policy (the Maastricht requirements, the Stabilization Pact, for example). EU is in favor of the elimination of extreme income inequalities and the strengthening of the position of the middle class, the prerequisites for stable and efficient democracy. Therefore, in general policy-making and when coordinating economic with social policy, the EU mainstream position advocates the use of “governance” as an “empowerment” of the losers, to give vulnerable classes of the population proper representation and thus enable them to fight against impoverishment. (Ágh, A. 2002)
- The second factor is *globalization*. *The requirements set by globalization* were clearly formulated by the World Bank report giving a blueprint for “rethinking government” (World Development Report 1999/2000). This report emphasizes above all the developmental role of the state. It affirms that “governments play a vital role in development”. The main message of this Report is that “new institutional responses are needed in a globalizing and localizing world. Globalization requires national governments to seek agreements with partners – other national governments, international organizations, nongovernmental organizations (NGOs), and multinational corporations – through supranational institutions. Localization requires national governments to reach agreements with regions and cities through subnational institutions on issues such as sharing responsibility for raising revenues.” Thus, institutions matter in this new global philosophy, since “Outcomes of policies based on consensual, participatory, and transparent processes are more easily sustained. Institutions of good governance that embody such processes are critical for development and should encompass partnerships among all elements of civil society.” (Development Report 1999/2000). Due to globalization, we are witnessing a strengthening of democratic values. Demand for greater political participation (e.g. through referenda and a call for greater accountability of politicians to the constituents) is being made heard increasingly. The formation of new interest groups and social movements continues apace. Women’s movement, environment groups, ethno-cultural and older age groups are among the new and revitalized groups seeking to influence public policy. (Hoós, J. 2000) As a consequence, the present competitive globalization has to produce an “effective”, participatory and citizen-friendly service state.

Concerning the internal factors, the elements leading to a positive “spontaneous development” of the Hungarian society should be taken into account, as they were described earlier.

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

Conclusions

In Hungary, as in any other country of Central and Eastern Europe (CEE), a historic dual transformation of the political and economic system has taken place in the last fifteen years. Due to these transformations, the Hungarian economic and political decision-making system has become similar to those of Western Europe. The achievements of the Hungarian dual transformation are undeniable, and considering the enormous difficulties it had to overcome, deserve all appreciation. However, it is necessary to draw the attention to a number of serious deficiencies in the existing public decision-making system, especially the frequent collusion between the economic and political rationality. These deficiencies create obstacles to the full development of a democratic society and a market economy, and overall represent a serious setback for the social development of the country. It is therefore essential for the democratic and economic development of the country to seek remedies to eliminate the deficiencies and the malfunctioning of the decision-making system.

The deficiencies of the governmental decision-making system (i.e. public sector) are not specific to Hungary. They exist in every democracy, including the most advanced ones. Democracy and the public decision-making system are far from perfect and they often have serious failures. What is specific in Hungary is the seriousness of these failures and the urgent need for correcting them by improving the existing decision-making system.

The failures and problems of the Hungarian political decision-making system are rooted in its creation. Its framework was set up during the negotiations leading to the political transformation of the country. The institutional choices taken in these negotiations had important consequences for the Hungarian governmental (public) decision-making system and proved to be more lasting than the short-term electoral strategizing of the politicians participating in these negotiations.

The features and characteristics of the Hungarian governmental (public) decision-making system as produced by the transformation negotiations have remained intact until today. The system has embedded all the problems and deficiencies, which were created in the early formative days of the new democracy. These characteristics of the system serve the interests of the politicians as individuals rather than the interests of society.

The time has come to rethink the framework of the political decision-making system, agreed on in the roundtable negotiations of the political elites in 1988/1989 – 2000. A lot of things have changed since then, and a lot of failures and serious problems of this system have become evident and present obstacles for improving the economic efficiency of the Hungarian economy and for making Hungarian public life more democratic.

Many improvements may come from the spontaneous development of the Hungarian economy and political life. However, these alone cannot provide the sufficient and needed improvement of the Hungarian public decision-making system. The existing serious deficiencies cannot be eliminated or even decreased by relying on spontaneous development. Purposeful political actions are needed, and so are reform measures. The evaluation of the negative and positive factors suggests that successful improvement can be expected in the Hungarian public decision system, but it might take some time; in the short run, the very weighty interests of the most influential big parties could put great hurdles in front of quick and deep reform measures. The space and scale of the failures of public decision-making does matter; they can become overwhelming, which can undermine the healthy social economic development, and they can be minimized, which can create a significantly better environment for development. *This is what Hungary can and should do: minimizing the deficiencies of the public decision-making system in order to avoid that they asphyxiate the development of the society.*

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Patient Safety: a Policy Framework

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Abstract

Background Patient Safety is a global problem, since according to different studies, roughly 10% of patients are harmed by the care they receive in a hospital, and between 44,000 and 98,000 patients in the United States die from medical error alone. In 1999, the Institute of Medicine published its report *To Err is Human*, giving patient safety a priority in the United States, some European countries, and eventually the European Union. The widely ignored issue that hospital care has victims became important.

Objective: To give a short overview of the subject from the related health services and medical literature and to identify the relevant factors that have led to the policy outcomes of the different states, in terms of actors, systemic environmental differences both in the general legal framework, and in the healthcare system. In addition, the main element of patient safety will be discussed, the no-blame culture.

Method: The objective was attained by a qualitative analysis of the historical development of patient safety policy in the United States, Denmark and in Hungary. One country was selected from an Anglo-Saxon model, one from a Continental model welfare state and one from a Central-European region.

Results: The following main factors have been identified as potential relevant factors for initiating a patient safety policy: cost of malpractice, post-material values, public management, a tort system, insurance, media, professional studies, professional reaction, professional accountability, professional culture, international organisations, Europeanisation.

Conclusions: Patient Safety as an issue has generated very similar policy actions even though the environments are different. This points to the notion that the international factors have more effect than systemic factors. The reason for this similarity is to be investigated in detail in the future.

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Introduction

According to literature (Brennan et al. 1991, Wilson et al. 1995, Thomas et al. 2000, Vincent et al. 2000, Davis et al. 2001, Shioler et al. 2001, Baker et al. 2004, Michel et al. 2004), around every tenth patient is harmed through hospital care. The Institute of Medicine (IOM) report (Kohn 2000) states that between 44,000 and 98,000 Americans die each year because of adverse events (harm caused to patients by medical care and not by the underlying illness). The report also states that this is roughly the equivalent of two Jumbo passenger jets crashing every day. Since the Institute of Medicine's report, patient safety policies have been introduced worldwide, the European Union has issued a declaration of patient safety (Luxembourg declaration on patient safety), and the WHO has established an office dealing with the subject, claiming that healthcare-related adverse events have reached an epidemic proportion worldwide.

Patient safety has acquired a myriad of definitions, but the most widely shared element of these different definitions of patient safety is freedom of adverse events in healthcare setting (based on Kohn 2000). An adverse event is any event in a hospital where a patient is harmed. Examples include any type of medication error, administrative error (operation on wrong patient for example) or hospital-acquired infections.

In order to reduce these events, practices from aviation and nuclear engineering have been borrowed. These include a systemic thinking about the nature of the incidents, risk management (a specialty for identifying risks, investigating incidents, and determining the frequency and effect of adverse events), and a reporting system. A change of culture is also considered necessary to reduce the negative effects of professional and organisational culture in order to achieve a culture of safety. The emphasised element of this culture of safety is a no-blame culture where individual errors are not punished, but the errors are shared, and lessons are drawn.

Patient safety was an acceptable goal to both the medical professionals and to the patients. The existence of medical error is denied by some professionals (Rosenthal 1995), and as a result, the term is not acceptable. Besides this fact, no one seriously cares about errors, when they do not reach the patient. The whole process is judged by outcomes; therefore, the emphasis was moved to adverse events that deal with the actual outcomes.

Since the 1970s, well-publicised studies have described the widespread nature of medical error (see Millerson 2003), articles have emerged in the professional medical journals, but none have been able to trigger such a phenomenon. This brings us to the question – why has the medical profession not done anything against adverse events? For years, journalists (Millerson 2002) have accused the medical profession of doing nothing to reduce adverse events. This was not necessarily true, because quality systems, risk management, and even adverse drug event

reduction programs have been developed and even used in a variety of hospitals. However, the fact is that none of those studies had anything near in effect to the report of the IOM.

An explanation may be sought in the rising cost of malpractice, which has become a factor to be reckoned with, and harmed patients cause an unnecessary financial burden on health insurance, especially if the event happens at this magnitude. Besides the economic problems, medical error causes a continuous conflict between the hospitals, medical professionals and every tenth patient that can be fought out in different political and non-political arenas.

The subject has received the most visible scholarly attention in the United States and other Anglo-Saxon countries, mainly by healthcare research scholars (medical professionals, lawyers, organisation psychologists, medical anthropologists and sociologists, health management scholars). Far less can be read in the international literature about other countries. Although the public perception of healthcare in Hungary is awful, this question is rarely raised in the Hungarian scientific literature. Although there is an emphasis on quality in the Hungarian Healthcare system, it is fragmented, and it cannot be said that a conscious safety policy is implemented. A great shortcoming of the previous literature is that it nearly exclusively focuses on the intra-hospital elements of patient safety, and does not seriously link the problem to the more general phenomena of society or try to put the question in a policy context.

Since there is a gap in the literature, this paper tries to view the problem as a policy problem, and tries to give an actor-centred framework of the patient safety policy, based on the systemic factors and environment that affect the actual policy in a given country. The framework will be briefly applied to Hungary and the dealing with medical error at a time before the actual development of a patient safety policy.

The paper has three concrete aims and hypotheses outlined below:

1. The theoretical problems of medical error will be highlighted in terms of the changing nature of the macro-societal developments, with specific reference to health becoming a post-material value, and the nature of the risk society (Beck 1986); then we turn to the nature of the medical decision-making process, and how this is viewed by the patient. Thus, the problem is investigated at the individual level. The first specific hypothesis at this point is that the perception of medical error is drastically different between the professional medical community and the public.
2. This is followed by a brief overview of what patient safety is, explanation of risk management, reporting system, and no-blame culture, patient perspective and litigation of adverse events, based on a literature review (Makai and Gulácsi 2005a). The external environment in terms of globalisation and the European

Union will also be explained. In the case of Hungary, the historical process will be carried until the present day. The second hypothesis is that patient safety policies are a product of globalisation and Europeanisation, and have the same direction regardless of systems. This general framework will be tested on the Hungarian system.

3. The main issue of patient safety will be presented: the no-blame culture and the issue of medical error perception will be investigated in depth. This is the basis for all the technical elements of patients safety; therefore, it requires an in-depth investigation. The third hypothesis is that the present state-of-the-art patient safety policies are ineffective.

Method

The results of this study are mainly based on research previously conducted by the author for a different purpose. A literature review was conducted using the following sources in order to gain technical insight into patient safety: Joint Commission on Quality and Safety (2000 – 2004), Quality and Safety in Health Care (2000 – 2004), International Journal on Quality and Safety (2000 – 2004), Health Affairs (2000 – 2004) Journal of Health Policy, Politics and Law (2000 – 2004). For Hungary, a legal review was also conducted until December 2005. In addition, in February 2005, a series of interviews were conducted in Denmark with top officials dealing with patient safety. This was repeated later that year in Hungary, which is presented in the paper.

Results

Effect of societal changes on the individual actors

Post-material values and the risk society

Why has a long known fact (that hospitals may not be all that good for you) of this magnitude taken so long to reach the arena of public policy? This brings us to the questions of post-material values. The first problem to be mentioned is the emergence of health as a post-material value. It is not mentioned specifically in Inglehart's book on the silent revolution (Inglehart 1977), but was measured by others (Lau et al. 1986). The importance of health has not only increased in terms of prevention in daily practice, but also, hospital care has become more scrutinized. In the past (Schimmel 1964), adverse events in hospitals were dealt with as casualties of progress. By 1999, this argument was no longer cited, but immediate action to reduce these was called for (Kohn 2000). Since the 1960s, a significant value shift has taken place. By now, a significant portion of society, for whom health has become a leading value, has found this to be threatened by the very institution that was created to restore it.

Another theoretical explanation is based around the notion of the risk society (Beck 1986). In his book, Beck describes the proliferation of human-induced risk. These new risks also have the power to shift reality, and a nature of materialising in places previously thought safe. “The level of exposure on the self is no longer discernable with the own methods of knowledge and experience” (Beck 1986, 70.). Places of safety have been transformed into places of danger. “The harmful, the dangerous, adversarial lurks everywhere, and if it is friend or foe is outside of the own capacity to judge, and is left to the hypotheses, methods and controversies of the foreign producer of knowledge” (Beck, 70). Medical error and harm caused by medical treatment is certainly such a contribution to the risk society. Hospitals have turned from a source of health and recovery into containers of death. Doctors, who were once viewed with hope by patients, are now viewed with fear. As a result, society and public policy has acquired a risk-averse bias, and has made it a basis of public policy (Wildavsky 1988).

The behaviour of the individual actors will be examined in light of these societal changes, starting with the physicians, followed by the nurses and the patient.

Medical professionalism in the risk society

Particularly applicable to the medical profession is the “Gesetz der Irrtumslosigkeit” (the law of infallibility), which is particularly ingrained in the medical culture. (See for example the problematic nature of expert opinion in malpractice cases (Beck 1986, Sándor 1997, Liebman and Hyman 2003). This phenomenon was observed by scholars in many different environments, so it comes close to a universal law.

This is the image of a scientific community (in this case the traditional, old-type medical community) presented to the public. In the case of medicine, this emphasis on trust and error-free action is reinforced as a perceived necessity also from another direction: since medicine and healing are rooted into magic, the element of trust is even more important than for a natural scientist. “Medicine after all was born in magic and religion, and the doctor-priest-magician-parent unity that persist in the patient’s unconsciousness cannot be broken” (Katz 1894, 40 in Lupton 1994, 106).

The other reason for the necessity of trust is the fact that physicians have a monopoly to perform certain actions in the name of healing, which would be criminally persecuted in other circumstances. Doctors have a societal monopoly to inflict pain and in some cases create intended injuries in order to prevent conditions that are more serious. The best example of this is the amputation of the breast of a woman with breast cancer. Patients would not undergo such treatment if they did not trust the physician at hand. This trust entails a relationship where in exchange for trust, healing in a magical form is expected. This magical element is emphasised by certain symbols (white coat) and repeated rituals (examination). The magical relationship does not entail such concepts as risk or failure. After all, who would go

to an unsuccessful shaman? However, risk and failure do exist. For this reason, it is interesting to investigate the nature of medical decisions, and how the underlying risk is treated.

The risk of medical care was unknown to the public for a long time, in consistence with the scientific norm, as described by Beck: criticism is directed towards the inside of the discipline; towards the outside, the scientific community maintains a strong sense of authority, and infallibility. In the case of medicine, this myth of infallibility is even stronger, since medical practice has even more shaky scientific foundations than most natural sciences. The scientific basis of medicine is less certain than that of the natural sciences. Despite this fact, in medicine, the “unfehlbare Rationalitätshierarchie” (infallible hierarchy of rationality) is even more pronounced in the relationship between the patient and the doctor than between the simple citizen and natural scientists. In the past, medical practice has been conducted without actual evaluation. Only recently has there been some evaluation of actual medical practice through the proliferation of evidence-based medicine. It has been investigated that around 33% of medical interventions have scientific proof of success, a certain number is known to cause harm, and a great numbers has an unknown effect (Gulácsi 1999). In this sense, we can talk about a scientific experiment on humans in the case of every single medical intervention that does not have a sound scientific basis.

With respect to the above, medicine has been successful in healing diseases. In fact, as natural science in general, medical practice has become a victim of its own success: “Nicht das Versagen, sondern der Erfolg hat die Wissenschaft entthront” (Beck 1986, 266) In medicine, we see the same pattern; medical practice has become capable of healing previously incurable diseases. This has created the expectation of medicine always succeeding and never failing.

With this expected perfection ingrained into medical thought, we had a medical profession without the slightest regard for patient consent, not even before an operation (see for example Millerson 2002). The risk of a given medical intervention was not revealed to the patient. Here, we see another phenomenon observed by Beck in other natural sciences: the different perceptions of acceptable risk by the professionals and the public. In case of the risk entailed in medical intervention, it was decided by the professional what acceptable means. In the 1960s, the risks of hospitalisation were regarded as a cost of progress (Schimmel 1964). This process is described by Beck as the Feudalisation of cognition. Only the professionals were thought to be able to distinguish between acceptable clinical risk and unacceptable clinical risk. This was so even in case of risky, life threatening operations (Millerson, 2002).

Concerning hospital risk, the level of accepted risk differs radically between the profession and the public. The level of unavoidable harm also differs (Rosenthal 2002). What is considered unavoidable? A good example for this are catheter-re-

lated infections. A new technology has reduced these infections to half its former extent. Previously, this was a “natural” risk of using catheters. “For some time, they have been accepted as non-preventable, accepted risk of using catheters” (Rosenthal, 260). From the public point of view, the accepted infection rate is 0. “The health care industry performs *miracles* every day, with rapidly advancing technology and medical treatment. This has endangered very high expectations of care amongst consumers – who are the context in which healthcare occurs – and little tolerance for care that deviates from near-perfect quality” (Dawson 140). The professionals regard a certain number of adverse events as acceptable risk of treatment, while the public no longer sees anything as acceptable.

The concept of acceptable risk brings us to another concept: unavoidable harm to the patient. This comes very close to the concept of medical error, which is the opposite: avoidable harm. What is considered unavoidable is also left to professional judgment. In determining error, a system of scientific proof is also of subjective nature: error is determined by expert opinion. The consequence is that there are no real scientific criteria for what constitutes a medical error, or adverse event, and where a complication starts. This leads us to the inherent uncertainty of medicine. Some errors produce adverse events, and some do not. Only the outcome is important. The outcome is also uncertain. “Actions that appear entirely reasonable at some point may be identified as errors when an adverse outcome ensues. Conversely, actions recognised as errors may not result in an adverse outcome” (Rosenthal, 260). This is a very important aspect of why medicine denies the existence of medical error: the intervention is judged post-facto and with the adverse outcome in mind. Therefore, complication and error become indistinguishable, and as a result, there is a conflict over the classification that is usually fought out and settled in court on the basis of the adverse outcome perceived by the patient. To put it simply: for a physician, everything is an unforeseen complication, while for a harmed patient, everything constitutes medical error.

The main changes from this original set-up were the patient information and consent before an operation and, in general, patient information about the risk of treatment, allowing the patient to decide to take the given risk or not. In addition, the evidence-based medicine proliferated in health systems, therefore decreasing the unscientific nature of medicine to some degree. Consumers of healthcare systems became more pronounced, and the substandard care was attacked in court.

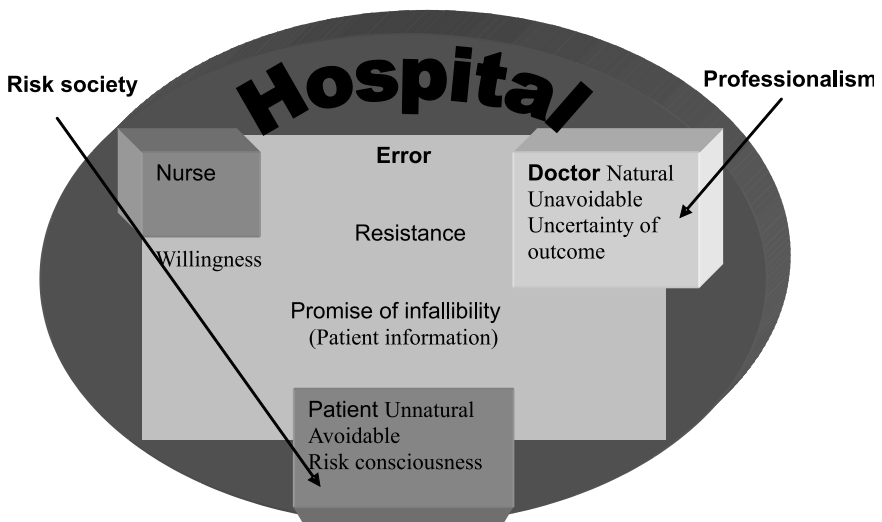
However, one aspect of medical decision-making was retained: the uncertainty, unpredictability of the practice. The decision phenomenon in medical practice is based on multiple sources of information, for example: textbook knowledge, evidence-based studies, touch, pre-operative assessment, data on machines, clinical notes and records, and local experience (Mort et al. 2005). This information may be contradictory, insufficient, and often, it has to be put together in a very limited amount of time. All of these sources of knowledge are sources of error. This makes

the outcome ultimately probabilistic, and does not allow the prediction of every complication or adverse outcome in every case. This unpredictability is the real protection of doctors from effective regulation and standardisation of practice, no matter however useful that may be in certain settings of medicine. Unfortunately, it also protects unqualified doctors who can hide behind this veil of uncertainty.

On the level of individual actors, we have left the nurses for last. A growing proportion of care is performed by nurses. The nurses have come close to the doctors in education and professional skills. They are also responsible for a large number of adverse events, but the attitude is different in general. Nurses are willing to report the errors, and are more willing to learn (see Williams 2003). Nurses stand in between the patients and the doctors when it comes to defining medical error. With their growing medical knowledge, nurses are almost as able to identify medical error and are certainly qualified to identify nursing error. The main difference to doctors is that they are willing to deal with it

In brief, patient safety has emerged as a product of the risk society, and there is a radical divide between public perception of medical work and error, and the medical profession's perceptions. This phenomenon was regarded for decades as a problem of personal grief and pain, but the growing importance of healthcare and the increased sensitivity of society has led to the emergence of a societal problem.

Figure 1
Individual actors



Concrete factors

Besides these rather complex background factors, there are also some easily discernible factors in the case of healthcare that contribute to an increased awareness of medical error and hospital risk. First, there is growing demand for a cap on government spending, reinforced by the neo-liberal economic rationality of the past decades, as well as the increased democratic accountability of government spending. This phenomenon has become important, since the end of the “golden age of growth” after the Second World War, and the period of relatively slow growth since the 1970s (OECD data). As a result, healthcare budgets have also been affected. This has caused the growing interest in the effectiveness of medical care. The public management movement (Osborne and Gabler 1992) and the increased search for effectiveness and efficiency eliminating “negative healing” also reinforced this phenomenon (Gulacsi 2001).

In the United States, the problem had a slightly different character. With market-driven providers, the medical costs have skyrocketed (OECD 2005). The cost-containment was sought after from a simply market-driven direction. One way of cost-containment is the reduction of harmful interventions. Since harmful interventions leave patients in the hospital for a longer time and require extra recourses to heal them, the insurance companies have put pressure on hospitals to reduce this practice of generating demand. Besides this, the United States has experienced a “malpractice crisis” several times, one in the 1970s, one in the 1980s and one after the millennium (Thorpe 2004).

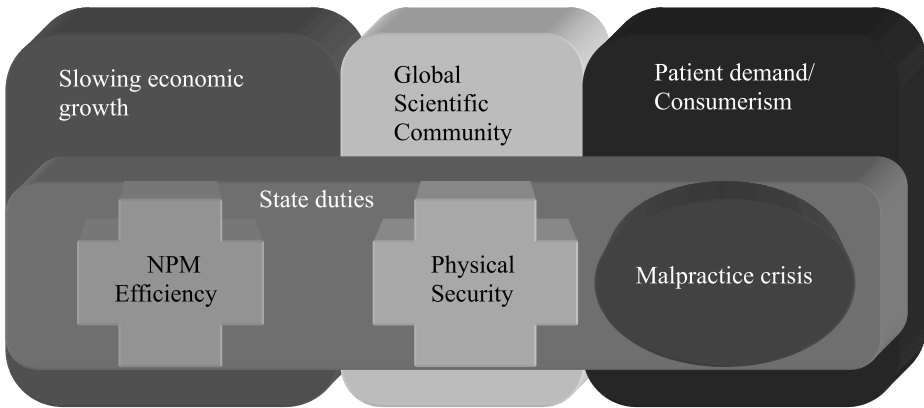
The political nature of dealing with medical error comes when one sees it as the duty of the state to combat disaster. If some phenomenon that has a death toll equating to two daily jumbo-jet crashes is not a disaster, then what is? The state is unable to provide a basic need, namely that healthcare perform its basic functions and leave patients better off than when admitted and not worse off or dead. The failure of this basic function may even undermine the legitimacy of the state as a provider of services. If public perception of healthcare is not of high quality, then this may have an impact on this legitimacy of provision. (Of course, the leading studies have been conducted in private institutions as well, producing just as horrible results.) Since the welfare state and the services account for a significant part of the legitimacy of the state, this may even have a limited effect on the legitimacy of the state itself.

From another perspective, the state has a basic responsibility for providing physical security. This may undermine the legitimacy of the state as a whole, not only as a legitimate provider of services. If this perspective is taken by any actor or any set of actors, it may constitute a significantly larger decline in legitimacy of the state than described above. According to a recent poll, 47% of European citizens are afraid of medical error during hospitalisation (Eurobarometer 2006).

Global emergence of the issue

Global circulation of medical literature has allowed other countries access to the main articles. The subsequent studies were in some form modelled on the Harvard Medical Practice Study (Brennan et al. 1991). The first studies outside the United States were carried out in Anglo-Saxon countries (Australia, New Zealand, United Kingdom), and only then have we found an adverse event study in Denmark. The patient safety policies have spread to other countries as well, such as the Netherlands. Since the WHO has recognised the issue as a priority, the European Union has done so, too. The European union has issued a declaration of Patient safety in April 2005 stating that “Access to high quality healthcare is a key human right recognized and valued by the European Union, its Institutions and the citizens of Europe. Accordingly, patients have a right to expect that every effort is made to ensure their safety as users of all health services” (Luxembourg declaration of patient safety 2004). Only as a result has the question of patient safety been considered in earnest in Hungary.

Figure 2
Factors in the emergence of patient safety



National Systems

The first problem is the nature of patient rights guaranteed by the state. Do patients have access to healthcare in general or to safe healthcare? If patients only have the right to healthcare, are patients allowed to choose the risk they take? There are no differences in the developed countries on this second aspect. Patient rights are well established even in the system where they have emerged last, as in Hungary. Regarding the second, there is a difference between the actual laws on patient safety,

and the claims. Neither the Danish nor the American law acknowledges the right for a safe healthcare institution. This is only done by the Luxembourg declaration, with questionable legal value.

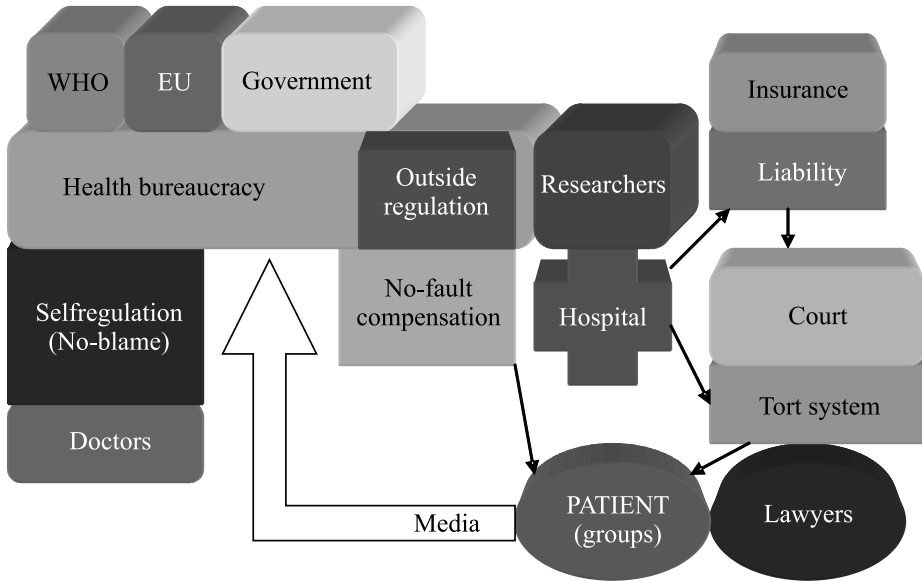
The next relevant question in the patient safety policy is the nature of the patient compensation. Is this patient compensation done through a system of tort (malpractice), or is it done through a system of specific insurance for the people harmed by the medical system? (No-fault compensation system) Such a system exists, for example, in Denmark and New Zealand. (Davis et al. 2003). The other model is applicable to the United States and, in a modified form, to Hungary. This influences the relationship between the patients and the providers and touches the core problem of the relationship: was the harm foreseeable or avoidable. The no-fault system foregoes this problem, requiring only the harm to be proven.

The availability of liability insurance is also a relevant question. If it is easily available, then healthcare providers can easily shift the risk, and do not have to engage in patient safety activities. If it is not available in a proper manner, then the risks in the hospital must be curtailed. Again, the American case is an exception: instead of suing the hospital, as the logic of the process would dictate, patients sue individual doctors (Kachalia 2003, Sage 2004).

Another related problem is the nature of healthcare provision, and the welfare state. If the malpractice system operates in an environment where the individual is entitled to generous disability benefits if permanently injured, and the additional medical costs are covered publicly, then the adversarial nature is lessened as well, since patients are not asked to pay for medical costs caused by the institutions themselves.

The next phenomenon is at what level the public management and the bureaucratization of healthcare can be found. Who runs the hospitals, medical doctors or managers? Since patient safety is a system issue, the level of organization of the hospital is crucial. Here, the question is, to what level has the autonomy of the medical profession been curtailed? How far have the processes been regulated? If in a country, the hospitals are at a low level of bureaucratization, the logic of the medical profession prevails, which does not wish to deal with errors. If the processes have been regulated, and bureaucratized, then a bureaucratic rationality prevails, but the capacity to monitor the processes and the actual implementation lies in the medical world.

Figure 3
Policy actors



Policy Actors

The main actors of the patient safety arena must operate under different systemic arrangements. Conversely, they are exhibiting rather similar behaviour. The sum of the individual conflicts, the behaviour of the individual-level actors is felt on the policy level, where they are influenced by other actors. First, we have the hospitals, with a goal to safeguard their financial interests and a goal to save the reputation (Kachalia 2003). It is in the interest of hospitals to ignore the errors of care, and even to cover up when a malpractice system is in operation. If the hospitals must pay automatically in the event of harm, then harm reduction gets an economic incentive. From the viewpoint of reputation, hospitals have again an incentive to cover up in order not to scare away patients. The reasons for investigation and dealing with errors lie in professional ethics, and effective governmental regulation.

The scenario above is only valid if the insurance companies are not effectively able to cover hospitals for the risk induced by their professionals. If the risk can be shifted, it will be, and error reduction schemes will not be in effect.

In the policy arena, we also have the professional organizations of the physicians, and the professional organizations of allied health professionals. The Doctors have the traditionally stronger lobby power, but this power may vary considerably

in the different countries. At the actual ground implementation level, doctors define the rule of the game.

On the other side of the policy field, we find the patient organizations, and individual patients picked up by the media. As a rule, the media are against the medical professions. This can partly be explained by tabloidisation, but it definitely sets up a claim to punish bad-performance doctors. The role of patient organizations must be uncovered by further research. In other countries, the media may not have any effect on the issue. Also on this side is the lawyer group specializing in malpractice.

The next actor is the Health bureaucracy. In the American case, there is quasi-health bureaucracy. The Joint Commission can be regarded as the informal health bureaucracy, because it has the power to withdraw medicare rights from hospitals in case of poor quality, and has a major role in accrediting hospitals (Bodenheimer 1999). (It also performed a leading role in the development of the patient safety issue.) In Europe, there is usually a governmental body for healthcare, may it be a ministry or a quasi-governmental institutions. If the no-blame is adopted, the medical profession has won. If a system based on blame is retained or adopted, on the surface, the patients win, but patient safety loses.

The government action is also a question. The main question is who has better access to the government, the physician lobby or the patient lobby. If there is a law on patient safety, we can be certain that the issue has reached a level of visibility. In connection to the different laws, the patient safety experts (medical doctors, lawyers, researchers, psychologists, etc.) influence the thinking of lawmakers.

On a global level, the WHO and the EU DG Santé are relevant Actors. They have an influential role in the dispersion of knowledge through organizing conferences and funding research. The DG Santé also deals with patient safety as part of the High Level Group on Healthcare.

The case of Hungary

The compensation system in Hungary is based on a system of tort, with all of the difficulties that accompany such a system. The main problem of tort compensation lies in the fact that expert judgment is required in malpractice cases, and the litigation takes years to finish. Expert witnesses are difficult, since doctors have to decide if a colleague was at fault. Exactly because of this difficulty, such cases last years. Despite these difficulties, 80% of such cases are won by the claimants (Figyelőnet 2005). This is counter-intuitive behaviour. The Hungarian malpractice system switches the burden of proof to the doctor: he or she must prove that she has not been negligent in the creation of an adverse outcome.

The cost of malpractice is the driving force for dealing with medical error as well as the other constraints. The record for a single case is nearly € 400,000. There are 300 such cases in Hungary per year, and the trend is growing (Dósa 2004, Figyelőnet 2005). Liability insurance has become scarce and insufficient for this magnitude. The hospitals are obligated to have liability insurance. Liability insurance is insufficient, covering only up to € 20,000 per damages case, and a maximum of € 40,000 a year per hospital. As a supplemental phenomenon, healthcare is viewed as dismal (Rácz, Minister of Health 2005). (This is a simplified statement: 61% are satisfied with their General Practitioner, 47% with outpatient care, and 36% with hospital care. The rest find that there is a problem. Tárki report 2003)

Healthcare is organized in a state-insurance model, and the providers are state-owned in the majority. Healthcare has become increasingly managerial in the last decade, as interest in healthcare organization, financing, and quality is growing. This has also been observed in general. (Jenei and Zupko 2001; Jenei, Hoós and Vass 2003).

Patient organizations have not been very effective at advocating the issue. Individuals on the other hand have given a petition to the parliamentary commission on health and organized demonstrations against doctors committing medical error and against the current system.

As regards the media, reports on medical error or references to the malpractice system occur every month in the main national newspapers. In 2004, surgery on the wrong patient resulted in his death. Half a year later, the Ministry of Health made it obligatory to have patient identification schemes in each hospital. Errors are dealt with in the framework of quality management systems, and externally; if serious deviations in practice appear at a given specialty, this part of the hospital may be shut down. (15/2005 ministerial decree)

As a result, a large number of hospitals have implemented patient safety activities (Makai 2006).

Discussing the no-blame culture

Because the no-blame culture has a basic role in the implementation of a patient safety system, it is worth further scrutiny. The standard argument for the no-blame culture is presented, and then a critical view is presented. In this standard view, the most important factors for attributing adverse events as the individual professional's failure is deeply embedded in the human psychology. Reason et al. 2001 has identified a so-called "vulnerable system syndrome" that states that "there is a recurrent cluster of organisational pathologies that render some systems more vulnerable to adverse events than others" (Reason et al. 2001, ii21). According to Reason, there are three pathological actions that constitute the syndrome.

Blame is the fundamental syndrome. Blame is caused by the following hypotheses in the world: First, Human error is accepted as an explanation, not as an outcome that needs to be explained. The human error attribution is a very common human perception; the professional in question was stupid, reckless, etc. When hearing the professional, and him or her, why the mistake has occurred, it is always a litany about constraining factors. The second factor is the illusion of free will. The individual in question is seen as someone who can choose between correct action and erroneous action. The third is the just world hypothesis. According to this one, dating back to the ancient times, bad things happen to bad people. Last, but not least, hindsight bias also creates blame. With hindsight knowledge, the event seems to unfold clearly to the outcome observed. The reality and the complexity of decision-making are lost.

According to Reason (2001), this way of looking at errors is wrong, because “the institution fails to learn that errors and non-compliances mark the beginning of the investigation, not its conclusion” (Reason et al. 2001, ii23). The determining factor is the situation in which the event happens, not the person. Secondly, the organization wastes time on trying to change the individual behaviour of the professional, which is far more difficult than changing the situation in which the error occurred. Blaming also leads to denial. This means, that the bad apple has been eliminated, and the organization does not have any data on the true incidence of adverse events.

Denial has an even worse effect: it causes adversarial behaviour of the management towards reporters. “Pathological organizations muzzle, malign, or marginalize whistle blowers, shirk collective safety responsibility, punish or cover up failures, and discourage new ideas. In short, they do not want to know” (Reason 2001, ii24). Just as the medical profession disputes claims that it may be responsible for errors, in the same manner, management also tries to push the blame away from itself.

Because individual blame is useless, the literature suggests a no-blame culture in hospitals. This means that errors must be brought out into the open. One way for achieving this aim is through the creation of an error-reporting system, where reports are handled confidentially. This means that it must be credible to the staff that if they report an error, either their own or the error of a colleague, there will not be any disciplinary action taken against them. The goal of these reporting systems would be self-reporting. In other words, there is a kind of amnesty for errors. In such a culture, staff can identify and report errors without repercussion. Fear of repercussion is one of the main reasons for not reporting an error. For example in the US, the annual underreporting rate was 50 – 96% up to 2000 (Barach and Small 2000). This is caused by a pathological working culture that is based on hierarchy and individual responsibility for the patient. In such a setting, errors are not recognized, not corrected and, as a consequence, repeated. If the individual physician

who commits an error is fired, someone else will commit the same error if the systematic nature is not recognized.

Such a culture was the basis for patient safety improvement in all of the articles dealing with in-hospital patient safety, which means that a pathological culture was typical to nearly all hospitals until a few years ago with the exception of a few pioneers. In this light, it is not surprising, that many articles deal with culture change or try to measure culture in some form, trying to find management tools for changing culture. Usually, these articles are case studies in an individual hospital, but in some cases, there is measurement of culture for a whole number of hospitals in different states of the US. Such cultural reviews include "Preventable in-hospital injuries under the no-fault system in New Zealand" (Davis et al. 2003) and *The culture of safety: result of an organization-wide survey in 15 California hospitals* (Singer, Gaba et al. 2003).

This view of the issue is simplistic. It has been investigated that doctors, who can commit a larger variety of medical error than nurses, report less events than nurses (Lawton and Parker 2002). Waring describes the phenomenon in a quantitative way (Waring 2005). According to his study, "research revealed that far from working on the premise of 'perfection' (Leape 1999), doctors regarded errors as an inevitable and sometimes beneficial dimension of their work. It was found that the majority of physicians believed all human activity was prone to error" (Waring 2005, 1931). Such a view calls into question the usefulness of a reporting system. "Given that errors were regarded as inevitable doctors often regarded reporting as 'pointless' or a 'waste of time' on the grounds that these mistakes could never be fully eradicated and instead they should just be accepted. In consequence participants could see little purpose for incident reporting" (Waring 2005, 1932). For this reason, it was necessary to look deeper into the medical decision-making process, and why this is the case.

If this study can be generalized, the no-blame culture becomes pointless. If the medical profession explicitly refuses to deal with an issue of such magnitude, then the concept of medical error may very well be of use in order to pressure the medical profession to change the way it works.

The second major issue is the professional rejection of healthcare bureaucracy. This is a well-documented phenomenon, and it is crucial in understanding the nature of this problem.

"When the doctors were asked about their experience and involvement in incident reporting, their responses referred to the excessive time required for filling out forms that could be better spent with patients or the menial nature of paperwork that was somehow beneath medical expertise" (Waring 2005, 1932). Again we have a beautiful statement about a fact that touches the deep core. A doctor views him- or herself as above any human regulation. Thus, the legitimacy of the outside evaluation is called into question (Waring 2005). How does a practice acquire le-

gitimacy in the eyes of the professionals? Through being professional, and medical. We are back to square one.

This may also be considered from a perspective of power. The managerial interventions are an act of power. The medical community may try to preserve its own power with non-compliance.

In actual policy implications, we can observe laws protecting the adverse event reporting from the courts (United States) and national systems of anonymous reporting (Denmark, United Kingdom) (Makai 2005b, 2005c). No-blame is taken up in recommendations of the WHO as well (Guideline for reporting 2006). In Hungary, this no-blame is not implemented. One month after the Luxembourg declaration, a ministerial decree was issued in Hungary, stating that if the monitoring official for a given medical specialty finds too many, and repeated medical errors in a given hospital, he or she may close it (Eüm 2005/15). On the other hand, lack of accountability prevails in the Hungarian case on the level of the professionals. No-blame culture is advocated in healthcare systems, where there is a lot of professional accountability towards managers. In the Hungarian case, the managers may be sympathetic and forgiving towards error, since they themselves are physicians.

Besides the no-blame and the reporting system, the literature and practice show the role of risk management in patient safety. This kind of risk management safeguards the financial assets of the hospitals by investigating the events in the hospitals, identifies risky procedures and finds safer alternatives. As a policy, access to a risk management official may be made mandatory for all hospitals. This has been done in Denmark.

The most open question of this policy is the culture change. This is the most difficult problem, but it may be influenced by training, and education. Changing a professional culture is both the most important and the most time-consuming element. In order to change the culture, the whole socialization process of medical professionals must be changed to a culture where error is still considered natural but comes within the boundaries of human intervention.

Conclusions

The first two hypotheses, stating that there is a difference between the public and the professional community's perception of error is only proven analytically. This should be verified in an empirical manner as well. The second main hypothesis that patient safety has become a global phenomenon should also be investigated in more detail in the future.

Medical error and patient safety are a global problem. There is a rift between the expectations of the public and the capacity of the healthcare system to deliver excellence and safe care. This fits perfectly into the notion of the risk society, where

the society is surrounded by risks in places previously thought safe. For the resolution of the problem, patient safety practices have been developed. The success of these is uncertain. There is a major difference in how the professional community views errors – as a natural product of their work – and how the public perceives them – medicine should be free of errors – and this has not been reconciled so far.

Concerning the third hypothesis that patient safety cannot be achieved by either allowing a professional community to go its own way or by implementing bureaucratic measures or a system of tort. Tort is useless because in a tort system, the professionals are afraid to discuss errors, and thus, they are bound to repeat them. Professionals have a stance of resistance against bureaucratic interventions and are unwilling to deal with the problem of medical error. This means that there seems to be no solution for this problem. If something is viewed as an incident by the public, it may be viewed as natural by the professionals and not be reported. Another reason may be a deliberate uncooperativeness of the professionals in order to preserve the current power. In such an environment, the change of the professional culture seems to be in the distant future.

The follow-up agenda of this research would be an empirical investigation of several European countries in terms of what the management of medical error and patient safety effected.

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Europeanisation of Higher Education in the Area of Administrative Sciences in Romania

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Abstract

The paper aims to present some relevant aspects of Europeanisation of higher education in the area of administrative sciences in Romania.

Europeanisation, as a global process in the European space, is expressed distinctly in the area of higher education, being supported and promoted by a specific legislative framework as well as by relevant institutional mechanisms.

Since 2005, by applying the provisions of the Bologna Declaration, the whole configuration of Romanian higher education has been significantly changed.

On the basis of a comprehensive empirical study, the current paper approaches and describes both the “Europeanism degree” of the content for the education process in the cycles of undergraduate, master and doctoral academic studies in administrative sciences and the social perception of the phenomena and processes deriving from and decisively influencing the Romanian public administration reform, training needs for each academic cycle, as well as placing the graduates in the area of administrative sciences on the labour market.

The data and interpretations from the paper provide the basis for a comparative analysis of education in administrative sciences in some NISPAcee member organisations and the possibility to further develop some regional research and debates on this topic.

Some results of the mentioned research were also presented at the European Group of Public Administration Annual Conference, Section: “Public Administration and Teaching”; other results represented the object of an in-faculty study.

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The actual text represents the processing of the initial text, further the discussions held within the framework of the mentioned section.

1. Introduction

1.1 General Issues

The higher education is fundamentally changing. The change has started and it continues in various stages of society development. Nowadays, the major preoccupation of the actors responsible for education development on the European level, in the context of the great processes of change, globalisation, Europeanisation and knowledge-based society, is to contribute to reaching the major objective of the Lisbon Strategy (2002), so that the European Union becomes the most competitive knowledge-based economy by 2010.

The university has the mission to cultivate attitudes, to transmit knowledge, to train specialists in order to validate the higher education quality in the context of the political and economic imperatives that promote “a closer Union” between the European states. Knowing and responding to the specific education and training needs, the universities respond to the EU social and economic development requirements.

In this context, more often one discusses Europeanisation as a process, or a “state” of a system, geographic area, field or activity sector, public service etc. with European Union “dimensions”. Yes, it is the public service where we also find the service of education, situated in its own European area, under the influence of the effects of the Europeanisation process by means of the European public policies – the educational policy – subject both to institutional and social effects and continuous change. Thus, the Europeanisation of higher education represents the result of political direct action. The specificity of the Europeanisation of higher education is provided by the dimensions of the formal national institutional and political changes of the European Union Member States and acceding countries, and it is supported by activities that apply the “Bologna Declaration” (1999) on the creation of a common European Area for Higher Education by 2010, aimed to promote citizens’ mobility and employability, to increase the competitiveness of European higher education.

The Europeanisation process of higher education has concerned politicians ever since the 1950s, when documents on equivalent diplomas were adopted (European Convention for equivalent diplomas 1953, Additional Protocol 1954, European Convention for equivalent periods of the academic studies 1956, European Convention for academic recognition of academic qualifications 1959). At the same time we mention the following moments:

- The Convention for recognising the studies and diplomas in higher education in the states of the Europe Region of UNESCO in 1979;
- The Maastricht Treaty (1992) awards to EU responsibility in education and, implicitly, in higher education;
- The Common Declaration concerning the harmonisation of the European higher education system, Sorbonne, 25 May 1998;
- The Bologna Declaration on 19 June 1999 on defining the “European Area of Higher Education”;
- The Prague Communiqué of the ministers responsible for higher education, 2001;
- The Communiqué of the Conference of ministers responsible for higher education, Berlin, 2003.

Yet our purpose is not to try to present models and concepts from the specialised literature on Europeanisation, its dimensions and effects but to identify some effects of Europeanisation at the level of higher education and possible integration within a relevant indicator.

In this paper, we shall research what happens in the Romanian higher education area, especially in education in administrative sciences, a relatively small sample, related to the educational system, concerning its Europeanisation.

1.2 Romanian legislative framework

The Romanian higher education proves openness and flexibility concerning the Bologna process and its integration within the European Area of Higher Education.

The Bologna Process, initiated and supported both by the Common Declaration of the European Ministers responsible for education in Europe, agreed upon at Bologna on 19 June 1999, in which Romania is a signatory part, and by national normative deeds (*Law no. 288 from 24 June 2004* on the organisation of the undergraduate studies and *Law no. 287 from 24 June 2004* on the academic consortia), is characterised by six main directions and diplomas recognition:

- a) Facilitating the compatibility and recognition of diplomas;
- b) Introducing a system based on two successive cycles;
- c) Implementing a credit transfer system;
- d) Facilitating the mobility for students, teachers and researchers;
- e) Promoting the European cooperation in the area of quality;
- f) Promoting the European dimension in higher education.

Conventions adopted in the European Credit Transfer System and national system

1. *Convention of allocation*: the year of study, with a duration varying from 36 to 40 weeks has 60 credits allocated, 30 credits/semester, if they are equal. The credits are allocated on disciplines and activities that are evaluated independently. The credits are allocated as whole values, eventually with fractions of 0.5.
2. *Convention of standard student*: the standard student studies 40 hours/week; 1500 – 1600 hours is the annual work volume (36 – 40 weeks). In the national system, an annual work volume of 1500 hours and the allocation of a credit for 25 hours of study is recommended.
3. *Convention of awarding*: the credits allocated to a discipline are awarded integrally to the student together with the result of evaluation (mark), if the graduation condition is met.
4. *Convention of publicity*: all the elements describing the curricula and disciplines, namely the preliminary requirements, contents, objectives, credit allocation, methods of training and evaluation are public (modern, accessible and on the internet).
5. *Convention of transferability*: all the credits obtained in accredited institutions and programmes are recognised and potentially transferable in other institutions and programmes, if their contents and finality are relevant for the current programme. If the parties concluded an agreement/contract of study according to the ECTS model, it has legal power.

The academic autonomy has enabled the Romanian universities to elaborate their own strategies concerning the approach of the Bologna process.

2. Objectives and research methods

2.1 Objectives

The current research aims at the following objectives:

- Comparative analysis, in view of the Europeanisation of higher education, of the Europeanism degree, reflected in the content of the educational process for undergraduate academic studies in the area of administrative sciences in Romania;
- Case study on Europeanisation of the master and doctoral academic programmes in the National School of Political Studies and Public Administration (SNSPA), Bucharest.

The option in favour of those objectives results from an enlargement of higher education in administrative sciences concerning the undergraduate academic cycle in the last 10 years on the one hand and the SNSPA leading position in the area of master and doctoral academic studies² on the other hand.

2.2 Research methodology

The achievement of the *first objective* is based on a comparative study of the curricular content of the programmes for undergraduate academic education in administrative sciences, research oriented in two directions:

1. Emphasising the Europeanism degree by estimating the relations between the volume of knowledge allocated to the disciplines with European content and the total volume of knowledge necessary for the education of graduates in administrative sciences;
2. Statistical analysis of the degree of curricular compatibility between various programmes of undergraduate academic studies organised by representative universities in Romania, analysis based on the criteria formulated and used in the European practice.

The second objective will take into consideration a presentation from the strategic perspective of the master and doctoral academic programmes developed in SNSPA, and an evaluation of the social perception on its beneficiaries.

Thus, for the two objectives, we proceeded to the following:

- Researching the curricular content of the undergraduate academic programmes in administrative sciences in 11 representative universities in Romania;
- Evaluating, on a statistical basis, the ratio between the volumes of time or transferable credits, allocated to the disciplines with European content and to the other disciplines;
- In view of the statistical analysis of the degree of curricular compatibility, we have used six criteria, extracted from specialised reports used on the European level for evaluation and accreditation of the programmes in administrative sciences.³ Those criteria, specific to the programmes in administrative sciences, aim at knowledge areas, necessary for the education of graduates in the area of administrative sciences, associating an independent statistical variable to each area.

2 SNSPA was created in 1990, and its mission was to organise only postgraduate studies, for the time being master academic programmes; since 2001, it has been the unique institution organising doctoral studies in the area of administrative sciences in Romania.

3 We refer to the Report of the Public Administration Committee of the Association of Universities in the Netherlands, the Dutch version (VSNU), June 1998, also comprising "Basic Principles for Public Administration", <http://www.eapaa.org/archive/1999/Basics.html>.

- Based on curricula, statistical evaluation of the volume of knowledge necessary to cover each criterion and achievement of the correlation between contents of undergraduate academic programmes in the 11 analysed universities, using SPSS methods, based on averages of the independent variables.
- Interpreting the statistical results.
- Based on a questionnaire, conceiving and operating a study aimed to evaluate the social perception of the Europeanisation of master and doctoral academic programmes, together with an analysis of their content in SNSPA.
- Questionnaires conducted by field operators;
- Interviews at the group level (graduates of the short-term courses with European topics);

2.3 Sampling

For the *first objective*, the sample comprised 11 universities ensuring representativeness, adequate for the researched topic. When we say that, we take into consideration a series of conditions and characteristics of the Romanian system of higher education in the area of administrative sciences, comprising 27 state public universities and 21 private universities⁴. Therefore, the chosen sample covers 22.9 % of those universities, presenting the following characteristics:

- 9 are state public universities and 2 are private universities;
- 3 universities [Academy of Economic Studies, Bucharest (ASE), “Babeş-Bolyai” University, Cluj-Napoca (UBB), “Lucian Blaga” University, Sibiu (ULB)] are recognised as universities with a tradition in the area of social sciences, developing programmes of administrative sciences based on recognised expertise in: the economic area (ASE), political sciences (UBB) or legal sciences (ULB).
- 4 universities [National School of Political Studies and Public Administration (SNSPA), “1 Decembrie 1918” University, Alba Iulia (UAI), “Gheorghe Cristea” Romanian University of Sciences and Arts Bucharest (UGC), and “Spiru Haret” University (USH)] were set up after 1990.
- 4 universities [“Ştefan cel Mare” University Suceava (USMSv), University from Oradea (UO), “Petru Maior” University in Târgu Mureş (UPMTgM), “Ovidius” University Constanţa (UOCt)] have developed programmes in administrative sciences, complementary to other programmes, not necessarily in the area of social sciences.
- The Universities cover historical regions, being representative of the academic centres with tradition in Romania.

For the *second objective*, the profile of our sample has the following features:

⁴ Source: <http://www.edu.ro>

- $\frac{3}{4}$ of the total number of subjects are employees of the public sector, out of which 40.4% are holding managing civil service positions;
- 64% of the subjects have worked for no more than 10 years, an indicator correlated with their age under 35 years (55.1%);
- characteristic of the training level of the sample, over 80% are graduates of academic studies, BA, MA or Ph.D.;
- if we interpret the age represented in the sample, we may appreciate that the public sector in Romania is young, supported by the fact that 4.7 % are over 50 years, the majority being in the range of 18 – 35 years (more than half the number of subjects);
- as the educational environment is more feminine, we remark that our sample is well represented by women, 58.7%
- the sample for the conducted questionnaires comprised a number of 500 subjects, out of which 450 were valid respondents, and for the interviews at the group level, the sample comprised 60 civil servants. The sample covers 54% of all promotion graduates of 2006. The error of estimating the parameters at the level of SNSPA graduates is less than 2%.
- the period for collecting and interpreting data was from January to July 2006.

The target groups of research:

1. *students of master academic studies* (full time courses and distance learning);
2. *students of undergraduate academic studies* in the first, second and third years of study, “*Public Administration*” specialisation (full time courses);
3. *students of undergraduate academic studies* in the third year of study, “*European Administration*” specialisation (full time courses);
4. *graduates of undergraduate academic studies and master academic studies* (full time courses and distance learning);
5. *doctoral students in “Administrative Sciences”*;
6. *civil servants and employees of central and local public administration* – trainees of the short-time programmes, organised by the Training Center for Public Administration (TCPA) and the Faculty of Public Administration (FPA) of SNSPA;
7. *students, beneficiaries of the mobility and scholarship programmes, practical stages in EU countries* – SOCRATES, ERASMUS, LEONARDO DA VINCI, UNIDEM, TEMPUS.
8. *teaching staff* involved in the reform process of higher education.

3. The Europeanism degree of the curricular content

In our opinion, we may consider the following specific elements of the Europeanisation of higher education in the area of administrative sciences in Romania, relevant to express the Europeanism degree:

a) Openness degree towards European studies

The variables belonging to this category are as follows:

- The disciplines having as their theme one of the topics concerning the European Union;
- The weight they represent in the total of the disciplines as compulsory, associated or optional disciplines;
- The number of hours allocated by curriculum;
- The degree of student mobility on cycles of academic studies in the European Area of Higher Education;
- The degree of teaching staff mobility in the European Area of Higher Education.

b) The absorption capacity of the European funds designated to higher education

The variables belonging to this category are:

- Number of institutional contracts of SNSPA-FPA within the SOCRATES-ERASMUS programme and their value;
- Number of SNSPA-FPA projects within the LEONARDO DA VINCI programme and their value;
- Number of institutional contracts of SNSPA-FPA within “Jean Monnet” Action and their value;
- Number of institutional contracts of scientific research of SNSPA-FPA.

c) Capacity to organise scientific events with a European theme

The variables belonging to this category are:

- Scientific events with international participation;
- Scientific events with cyclic feature;
- Study visits and training periods for foreign students;
- National scientific events;
- Summer schools.

d) Institutional capacity

The variables belonging to this category are:

- The number of academic staff teaching disciplines with themes about the European Union;
 - The number of academic staff teaching in a foreign language;
 - The number of foreign students studying at the university/faculty;
 - The number of students enrolled at the university/faculty in specialisations of European studies.
- e) *Level of interest provided by public and private institutions concerning the educational offerings of SNSPA-FPA on European Administration.*

3.1 European content of the educational programmes in the “Public Administration” specialisation

In the analysis of curricula, we have aimed to emphasise the openness degree towards the European studies, on the one hand by the representation of the disciplines with themes about the European Union, the number of allocated hours for the study of these disciplines and the corresponding credits, the category to which they belong as compulsory (cd), optional (od) or associated (ad) disciplines, the ratio between the number of allocated hours (course, seminar, laboratory, project and individual study) and the total number of hours/week, and on the other hand by knowledge about the resources allocated for programme delivery.

The study on the disciplines approaching EU topics in the studied faculties for the “*Public Administration*” (PA) specialisation emphasises the following aspects:

- 1) It is insignificantly represented in the curricula for the first academic year. One discipline in the group of compulsory disciplines (“Simion Bărnuțiu” Law Faculty from “Lucian Blaga” University, Sibiu, or the Faculty of Public Administration at SNSPA) or in the group of optional disciplines (“Petru Maior” University, in Târgu Mureș at the Faculty of Economic, Legal and Administrative Sciences, or in “Spiru Haret” University, Law Faculty).
- 2) There are faculties studying those disciplines starting with the second academic year and continuing in the third academic year (“Babeș-Bolyai” University, Faculty of Political, Administrative and Communication Sciences, “Ștefan cel Mare” University, Suceava, Faculty of Economic Sciences and Public Administration, University of Oradea, Faculty of Legal Sciences) or faculties studying it only in the third academic year (Academy of Economic Studies, Bucharest, Faculty of Management, “1 Decembrie 1918” University, Alba Iulia, Faculty of Law and Social Sciences, “Ovidius” University, Constanța, Faculty of Law and Administrative Sciences, “Gh. Cristea” University, Faculty of Public Administration).
- 3) We find a special situation in the “*European Administration*” (EA) specialisation, where those topics represent 83.33% in the third academic year from the total of the studied disciplines in the first cycle (SNSPA, Faculty of Public Administration). We mention that a common branch of study exists for the first three

semesters of the first cycle for both specialisations, a fact revealed also from the ED being equal for the two specialisations in the first academic year.

- 4) The calculation of the *Europeanism degree (ED)*, defined as the ratio between the disciplines with European content (Ed) and the total of all disciplines in a semester (compulsory + optional) (Table 1), provides the following situation:
 - a. Accepting that the purpose of the educational institutional actors is to offer and disseminate knowledge, we remark a threshold of the number of (compulsory and optional) disciplines between a minimum of 7 and a maximum of 10 disciplines, where 2 hours/week correspond to an average volume of hours distributed per discipline;
 - b. Changing the curriculum represents a contextual relation, determined not only by the application of the 3-2-3 system, but also by the moment of integration into the European Union, thus determining the presence of disciplines on European study and their progressive increase in the last academic years or in European specialisations.
 - c. Related to the development of the disciplines about European study, the Europeanism degree (ED) has got development rates between a minimum of 10 (“Lucian Blaga” University, Sibiu, Oradea University) and a maximum of 28.57 (ASE, “Petru Maior” University, Târgu Mureş). The average for the other universities has the value of 16.47, presenting an interesting development at Oradea University, where in the second semester of the third academic year, half of the disciplines have European themes. Another case is that of Târgu Mureş University, where there is a steady preoccupation for the study of disciplines with European themes since the second semester of the first academic year.

Table 1

University	Compulsory disciplines		Optional disciplines		ED	
	No. cd / hours	No. Ed / hours	No. od / hours	No. Ed / hours	Average time [%]	Disciplines average [%]
ASE Semester 1	7/22	-	2/4	-	-	-
Semester 2	7/22	-	2/4	-	-	-
Semester 3	7/22	-	2/4	-	-	-
Semester 4	8/24	-	1/22	-	-	-
Semester 5	5/24	1/3	2/4	1/2	17.85	28.57
Semester 6	5/24	1/2	2/2	-	7.6	14.28
UBB Semester 1	7/21	-	-	-	-	-

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Semester 2	7/23	-	-	-	-	-
Semester 3	7/23	1/2	-	-	8.69	14.28
Semester 4	6/23	1/4	3/11	-	2.94	11.11
Semester 5	5/24	-	2/8	-	-	-
Semester 6	3/16	1/4	3/12	-	14.28	16.66
SNSPA Semester 1	7/22	-	-	-	-	-
Semester 2	6/23	1/3	-	-	13.04	16.66
Semester 3	6/20	-	-	-	-	-
Semester 4	3/22	-	2/6	-	-	-
Semester 5	3/10	-	3/9	-	-	-
Semester 6	2/6	-	3/9	-	-	-
"Lucian Blaga" University, Sibiu Semester 1	8/24	-	1/2	-	-	-
Semester 2	8/24	-	1/1	-	-	-
Semester 3	7/22	-	1/2	-	-	-
Semester 4	9/22	1/3	1/2	-	13.63	10
Semester 5	9/22	1/2	1/2	-	8.33	10
Semester 6	7/22	2/6	1/2	1/2	-	-
"Ștefan cel Mare" University, Suceava Semester 1	8/28	-	-	-	-	-
Semester 2	8/28	-	-	-	-	-
Semester 3	7/21	-	1/4	1/4	16	12.5
Semester 4	6/22	-	2/6	-	-	-
Semester 5	6/20	1/3	-	-	15	16.66
Semester 6	6/23	1/4	1/3	-	15.38	14.28
Oradea University, Semester 1	6/19	-	4/8	-	-	-
Semester 2	6/16	1/4	4/8	-	16.66	10
Semester 3	6/16	1/4	4/8	1/4	33.33	20
Semester 4	6/16	-	4/8	1/4	16.66	10
Semester 5	4/17	-	4/8	-	-	-
Semester 6	4/17	1/4	4/8	3/6	40	50

"1 Decembrie 1918" University, Alba Iulia, Semester 1	6/22	-	1/3	-	-	-
Semester 2	6/20	-	1/3	-	-	-
Semester 3	6/20	-	1/3	-	-	-
Semester 4	6/21	-	1/3	-	-	-
Semester 5	4/16	-	1/3	-	-	-
Semester 6	4/16	1/4	1/3	-	21.10	20
"Petru Maior" University, Târgu Mureş, Semester 1	6/18	-	2/5	-	-	-
Semester 2	7/21	-	1/3	1/3	12.5	12.5
Semester 3	6/21	1/3	1/3	-	12.5	14.28
Semester 4	7/20	-	2/5	1/3	12	11.11
Semester 5	5/16	-	2/6	2/6	27.27	28.57
Semester 6	5/19	-	1/3	1/3	13.63	16.66
"Spiru Haret" University, Semester 1	6/17	-	1/2.5	1/2.5	12.82	14.28
Semester 2	6/20	1/2.5	-	-	12.5	16.66
Semester 3	6/17.5	-	1/2.5	1/2.5	12.5	14.28
Semester 4	7/20	-	-	-	-	-
Semester 5	6/19.5	-	-	-	-	-
Semester 6	5/15.5	1/3.5	1/3.5	-	18.42	16.66
"Gheorghe Cristea" University, Semester 1	6/15	-	2/5	-	-	-
Semester 2	7/22	-	1/2	-	-	-
Semester 3	6/16	-	2/5	-	-	-
Semester 4	5/15	-	2/6	-	-	-
Semester 5	6/18	-	2/5	1/3	13.04	12.5
Semester 6	5/17	-	1/2	-	-	-

3.2 Degree of curricular compatibility

The research aims to evaluate, in view of curricular content, how the programmes of undergraduate academic studies in administrative sciences are integrating the knowledge areas forming the object of public administration. As mentioned above, the fundamental ideas are comprised in "Basic Principles for Public Administration", published by EAPAA (1998), whose adaptation has led to the definition of

the 6 independent variables, representing the basis for analysing the contents of the above undergraduate academic studies.

Therefore, the independent variables that will be used in the comparative statistical analysis⁵ are as follows:

X1: knowledge about society;

X2: knowledge about the political system;

X3: knowledge about public administration and governmental policies;

X4: knowledge about bureaucratic organisations and their management;

X5: knowledge about methods and techniques of governmental management;

X6: knowledge about methods and techniques of communication in public administration.

Based on the content of those knowledge areas emphasised in the quoted source, for each independent variable, a number of items will be defined, whose quantitative expressions will be described starting with the curricula of the undergraduate academic studies in administrative sciences in the 11 universities under research.

For each item, the optimum level of knowledge will be determined on the basis of the average achieved (m) in the whole sample. When in the curricula corresponding to a programme a larger volume of time is allocated for one item than the average of the item, the level achieved will be sanctioned in the statistical calculation by subtracting the difference between average and the achieved level ($m-dX = m-|m-X|$). Finally, for each university, we shall obtain average values, corresponding to each independent variable, representing in fact the average values of the corresponding items.

The whole statistical analysis was conceived and made operational, starting with a volume of 24 hours of teaching activity/week.

3.2.1 Data base

The data below are taken from the curricula⁶ and for each independent variable, they are quantifying the volume of direct weekly activities with the students. Wishing to ensure a unitary framework for analysis of 24 hours/week, it was necessary to use multipliers, usually subunitary, in order to adjust the activity volume so that it represents 24 hours for all universities.

The description concerning the content of each variable follows, in an adapted version, the description of Prof. Dr. Rudolf Maes in “Basic Principles for Public Administration”.

5 EAPAA. 1998. “Basic Principles for Public Administration”, 4-5.

6 <http://www.edu.ro>

Table 2
Statistical analysis for the variable: “Knowledge about society”

No.	CRITERION / INSTITUTION	KNOWLEDGE ABOUT SOCIETY										
		1	2	3	4	5	6	7	8	9	10	
	Average (m)	3.16	2.85	2.72	3.11	2.86	4.74	29.08	2.99	6.11	3.57	
1.	Academy of Economic Studies, Bucharest, Faculty of Management 0.86	X	2.58	-	1.72	-	14.62	5.16	1.72	-	2.58	
		m-dX	2.58	0	1.72	0	-5.14	5.16	1.72	0	2.58	
2.	“Babeş-Bolyai” University, Faculty of Political, Administrative and Communication Sciences 2.79	X	2.91	-	1.94	3.88	2.91	3.88	12.61	3.88	-	7.76
		m-dX	2.91	0	1.94	2.34	2.81	3.88	12.61	2.10	0	-0.62
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 3.67	X	3.33	-	-	-	3.33	3.33	19.80	3.33	6.66	-
		m-dX	2.99	0	0	0	2.39	3.33	19.80	2.65	5.56	0
4.	“Lucian Blaga” University. Sibiu, “Simion Bărnuțiu” Law Faculty 2.45	X	1.64	-	2.46	-	-	2.46	45.10	-	3.28	1.64
		m-dX	1.64	0	2.46	0	0	2.46	13.06	0	3.28	1.64
5.	“Ștefan cel Mare” University, Suceava, Faculty of Economic Sciences and Public Administration 3.32	X	3.12	-	3.12	-	2.34	3.12	39.00	-	-	3.12
		m-dX	3.12	0	2.32	0	2.34	3.12	19.16	0	0	3.12
6.	University from Oradea. Faculty of Legal Sciences 3.62	X	2.88	-	2.88	-	-	2.88	36.00	-	5.76	-
		m-dX	2.88	0	2.56	0	0	2.88	22.16	0	5.76	0
7.	“1 Decembrie 1918” University, Alba Iulia, Faculty of Law and Social Sciences 2.96	X	2.82	-	-	-	-	4.70	36.66	-	-	6.58
		m-dX	2.82	0	0	0	0	4.70	21.50	0	0	0.56

8.	"Petru Maior" University in Târgu Mureş, Faculty of Economic, Legal and Administrative Sciences 3.99	X	2.34	-	2.34	-	4.68	36.66	3.90	4.68	2.34	
		m-dX	2.34	0	2.34	0	4.68	21.50	2.08	4.68	2.34	
9.	"Ovidius" University, Constanţa, Faculty of Law and Administrative Sciences 2.80	X	7.83	-	-	2.61	.22	16.53	2.61	11.31	2.61	
		m-dX	-1.51	0	0	2.61	0	4.26	16.53	2.61	0.91	2.61
10.	"Spiru Haret" University, Law Faculty 2.48	X	2.48	-	-	2.48	-	2.48	48.26	2.48	4.95	-
		m-dX	2.48	0	2.48	0	2.48	9.90	2.48	4.95	0	
11.	"Gheorghe Cristea" Romanian University of Sciences and Arts, Faculty of Public Administration 4.25	X	2.85	2.85	2.85	2.85	-	4.75	24.70	-	-	1.90
		m-dX	2.85	2.85	2.59	2.85	0	4.73	24.70	0	0	1.90

Legend:

- 1) sociological knowledge; 2) cultural knowledge; 3) historical knowledge; 4) philosophical knowledge; 5) ethical knowledge; 6) economic knowledge;
7) legal knowledge; 8) political knowledge; 9) socio-philosophical theories; 10) socio-scientific research.

X1: Knowledge about society. We take into consideration the knowledge describing the interaction between public administration and the social system, characterised also by tradition, culture and values (some of them in a changing process). Consequently, the understanding of those interactions assumes to assimilate knowledge from sociology, culture, history, philosophy, ethics, economics, law or political sciences. Additionally, there is necessary knowledge about socio-philosophical theories and skills for socio-scientific research. Table 2 presents the results.

X2: Knowledge about the political system. It aims to acquire knowledge about organisations and specific processes depending on the development of the existing political systems. Special attention will be paid to the institutions from the public sector, their interaction and the governmental organisations, democratic processes, etc. In the context, also the European political institutions are taken into consideration. Table 3 presents the results.

Table 3

Statistical analysis for the variable: "Knowledge about the political system"

No.	CRITERION / INSTITUTION	KNOWLEDGE ABOUT THE POLITICAL SYSTEM						
		1	2	3	4	5	6	
	AVERAGE (m)	4.86	2.82	2.57	2.88	4.45	5.96	
1.	Academy of Economic Studies, Bucharest, Faculty of Management 1.80	X	-	-	-	3.44	2.58	6.02
	m-dX	0	0	0	2.32	2.58	5.90	
2.	"Babeş-Bolyai" University, Faculty of Political, Administrative and Communication Sciences 1.94	X	3.88	-	-	-	3.88	3.88
	m-dX	3.88	0	0	0	3.88	3.88	
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 1.11	X	-	-	-	-	3.33	3.33
	m-dX	0	0	0	0	3.33	3.33	
4.	"Lucian Blaga" University, Sibiu, "Simion Bărnuțiu" Law Faculty 1.01	X	-	-	-	-	8.20	6.56
	m-dX	0	0	0	0	0.70	5.36	
5.	"Ștefan cel Mare" University, Suceava, Faculty of Economic Sciences and Public Administration 1.43	X	-	-	-	2.34	3.12	3.12
	m-dX	0	0	0	2.34	3.12	3.12	
6.	University from Oradea, Faculty of Legal Sciences 1.21	X	-	-	2.88	-	7.20	8.64
	m-dX	0	0	2.26	0	1.70	3.28	

7.	"1 Decembrie 1918" University, Alba Iulia, Faculty of Law and Social Sciences 1.72	X	3.76	2.82	-	-	-	3.76
		m-dX	3.76	2.82	0	0	0	3.76
8.	"Petru Maior" University in Târgu Mureş, Faculty of Economic, Legal and Administrative Sciences 0.22	X	-	-	-	-	6.24	13.26
		m-dX	0	0	0	0	2.66	-1.34
9.	"Ovidius" University, Constanţa, Faculty of Law and Administrative Sciences 1.41	X	-	-	-	-	2.61	6.09
		m-dX	0	0	0	0	2.61	5.83
10.	"Spiru Haret" University, Law Faculty 1.62	X	6.93	-	1.98	-	-	4.95
		m-dX	2.79	0	1.98	0	0	4.95
11.	"Gheorghe Cristea" Romanian University of Sciences and Arts, Faculty of Public Administration 1.33	X	-	-	2.85	2.85	2.85	-
		m-dX	0	0	2.29	2.85	2.85	0

Legend:

1) public institutions; 2) political systems; 3) social systems; 4) functioning of governmental organisations; 5) political institutions; 6) European institutions.

X3: Knowledge about public administration and governmental policies. This variable estimates the weight of the knowledge activities aimed at the analysis of the decision-making processes, legal and normative support for public administration and governmental policies, public policy-making and analysis of networks of public policies. Simultaneously, knowledge is necessary about the financial, budgetary and accounting mechanisms, fundamental for the public financial and economic transactions. Table 4 presents the results.

Table 4

Statistical analysis for the variable “Knowledge about public administration and governmental policies”

No.	CRITERION / INSTITUTION	KNOWLEDGE ABOUT PUBLIC ADMINISTRATION AND GOVERNMENTAL POLICIES								
		1	2	3	4	5	6	7	8	
	AVERAGE(m)	2.85	6.02	5.73	3.95	5.90	6.16	3.33	11.50	
1.	Academy of Economic Studies, Bucharest, Faculty of Management 2.63	X	-	11.18	-	3.44	6.02	3.44	-	15.48
	m-dX	0	0.86	0	3.44	5.78	3.44	0	7.52	
2.	“Babeş-Bolyai” University, Faculty of Political, Administrative and Communication Sciences 2.56	X	-	11.64	-	3.88	5.82	-	-	12.61
	m-dX	0	0.40	0	3.88	5.82	0	0	10.39	
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 3.55	X	3.33	3.33	-	3.33	6.66	11.10	3.33	13.32
	m-dX	2.37	3.33	0	3.33	5.14	1.22	3.33	9.68	
4.	“Lucian Blaga” University, Sibiu, “Simion Bărnuțiu” Law Faculty 3.18	X	-	5.74	-	1.64	4.10	7.38	-	9.02
	m-dX	0	5.74	0	1.64	4.10	4.94	0	9.02	
5.	“Ștefan cel Mare” University, Suceava, Faculty of Economic Sciences and Public Administration 2.74	X	2.34	7.02	-	-	10.92	2.34	-	11.70
	m-dX	2.34	5.02	0	0	0.88	2.34	0	11.30	
6.	University from Oradea, Faculty of Legal Sciences 2.59	X	2.88	2.88	8.64	10.08	2.88	5.76	-	5.76
	m-dX	2.82	2.88	2.82	-2.18	2.88	5.76	0	5.76	

7.	"1 Decembrie 1918" University, Alba Iulia, Faculty of Law and Social Sciences 2.12	X	-	2.82	2.82	2.82	4.70	-	-	3.76
		m-dX	0	2.82	2.82	2.82	4.70	0	0	3.76
8.	"Petru Maior" University in Târgu Mureş, Faculty of Economic, Legal and Administrative Sciences 1.33	X	-	-	-	2.34	12.48	-	-	14.04
		m-dX	0	0	0	2.34	-0.68	0	0	8.96
9.	"Ovidius" University, Constanţa, Faculty of Law and Administrative Sciences 1.80	X	-	2.61	-	5.22	2.61	-	-	16.53
		m-dX	0	2.61	0	2.68	2.61	0	0	6.47
10.	"Spiru Haret" University, Law Faculty 2.37	X	-	3.46	-	-	-	6.93	-	12.87
		m-dX	0	3.46	0	0	0	5.39	0	10.13
11.	"Gheorghe Cristea" Romanian University of Sciences and Arts, Faculty of Public Administration 2.46	X	-	9.50	-	2.85	2.85	-	-	11.40
		m-dX	0	2.54	0	2.85	2.85	0	0	11.40

Legend:

1) analysis of the decision-making processes; 2) analysis of the networks of public policies; 3) theories and methods of administration; 4) public policy-making; 5) financial mechanisms; 6) economic mechanisms; 7) adjacent political and democratic mechanisms; 8) normative support for public administration.

X4: Knowledge about bureaucratic organisations and their management. The content of the necessary knowledge is based on the reality that the public sector comprises a series of organisations with political and professional components, each with its own characteristics and areas related to opportunity, bureaucracy, formal and informal organisations, rational or irrational behaviour. The civil service and civil servant are also present together with the issues related to coordination, integration, deontology etc.

Table 5 presents the results.

Table 5

Statistical analysis for the variable “Knowledge about bureaucratic organisations and their management”

No.	CRITERION / INSTITUTION		KNOWLEDGE ABOUT BUREAUCRATIC ORGANISATIONS AND THEIR MANAGEMENT			
			1	2	3	4
	AVERAGE (m)		4.80	2.59	2.77	3.89
1.	Academy of Economic Studies, Bucharest, Faculty of Management 2.20	X	6.02	-	2.58	5.16
		m-dX	3.58	0	2.58	2.62
2.	“Babeş-Bolyai” University, Faculty of Political, Administrative and Communication Sciences 0.46	X	11.64	-	-	3.88
		m-dX	-2.04	0	0	3.88
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 1.66	X	4.44	-	3.33	-
		m-dX	4.44	0	2.21	0
4.	“Lucian Blaga” University, Sibiu, “Simion Bărnuțiu” Law Faculty 2.15	X	3.28	-	1.64	4.10
		m-dX	3.28	0	1.64	3.68
5.	“Ștefan cel Mare” University, Suceava, Faculty of Economic Sciences and Public Administration 2.21	X	5.46	2.34	-	2.34
		m-dX	4.14	2.34	0	2.34
6.	University from Oradea, Faculty of Legal Sciences 1.89	X	2.88	-	2.88	5.76
		m-dX	2.88	0	2.66	2.02
7.	“1 Decembrie 1918” University, Alba Iulia, Faculty of Law and Social Sciences 2.33	X	2.82	-	2.82	3.76
		m-dX	2.82	0	2.72	3.76
8.	“Petru Maior” University in Târgu Mureș, Faculty of Economic, Legal and Administrative Sciences 1.37	X	-	-	2.34	3.12
		m-dX	0	0	2.34	3.12
9.	“Ovidius” University, Constanța, Faculty of Law and Administrative Sciences 1.53	X	6.09	-	-	2.61
		m-dX	3.51	0	0	2.61

10.	"Spiru Haret" University, Law Faculty 1.24	X	2.48	-	-	2.48
		m-dX	2.48	0	0	2.48
11.	"Gheorghe Cristea" Romanian University of Sciences and Arts, Faculty of Public Administration 2.25	X	2.85	2.85	3.80	5.70
		m-dX	2.85	2.33	1.74	2.08

Legend:

1) organisational theories; 2) civil service and civil servant; 3) deontology; 4) behavioural theories.

X5: Knowledge about methods and techniques of governmental management.

This type of knowledge is related, first of all to methods and techniques by which each organisation and process of governmental interventions could be analysed and explained inside the political and social system. Obviously, there is an overlap with the content of the variables X1-X4. However, the content of these knowledge areas could be emphasised distinctly by daily technical aspects characterising the concrete activity of a public service, such as that of public administration. Table 6 presents the results.

Table 6

Statistical analysis for the variable "Knowledge about methods and techniques of governmental management"

No.	CRITERION / INSTITUTION	KNOWLEDGE ABOUT METHODS AND TECHNIQUES OF GOVERNMENTAL MANAGEMENT							
		1	2	3	4	5	6	7	
	AVERAGE(m)	3.56	6.66	4.35	5.04	8.12	6.93	5.16	
1.	Academy of Economic Studies, Bucharest, Faculty of Management 1.33	X	3.44	-	6.88	15.48	2.58	1.72	5.16
		m-dX	3.44	0	1.82	-5.40	2.58	1.72	5.16
2.	"Babeş-Bolyai" University, Faculty of Political, Administrative and Communication Sciences 2.72	X	3.88	1.94	3.88	3.88	3.88	11.64	-
		m-dX	3.24	1.94	3.88	3.88	3.88	2.22	0
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 2.77	X	3.33	9.99	-	3.33	6.66	11.10	-
		m-dX	3.33	3.33	0	3.33	6.66	2.76	0

4.	"Lucian Blaga" University, Sibiu, "Simion Bărnuțiu" Law Faculty 3.02	X	1.64	5.74	1.64	-	10.66	6.56	-
		m-dX	1.64	5.74	1.64	0	5.58	6.56	0
5.	"Ștefan cel Mare" University, Suceava, Faculty of Economic Sciences and Public Administration 3.10	X	3.12	6.24	-	2.34	10.92	4.68	-
		m-dX	3.12	6.24	0	2.34	5.32	4.68	0
6.	University from Oradea, Faculty of Legal Sciences 0.88	X	-	2.88	-	-	12.96	-	-
		m-dX	0	2.88	0	0	3.28	0	0
7.	"1 Decembrie 1918" University, Alba Iulia, Faculty of Law and Social Sciences 2.39	X	3.76	13.16	2.82	-	8.46	11.28	-
		m-dX	3.36	0.16	2.82	0	7.78	2.58	0
8.	"Petru Maior" University în Târgu Mureș, Faculty of Economic, Legal and Administrative Sciences 2.36	X	2.34	6.24	7.80	1.56	3.90	1.56	-
		m-dX	2.34	6.24	0.90	1.56	3.90	1.56	0
9.	"Ovidius" University, Constanța, Faculty of Law and Administrative Sciences 2.70	X	7.83	8.70	2.61	5.22	8.70	-	-
		m-dX	-0.71	4.62	2.61	4.86	7.54	0	0
10.	"Spiru Haret" University, Law Faculty 2.89	X	3.46	6.93	3.46	3.46	3.46	-	-
		m-dX	3.46	6.39	3.46	3.46	3.46	0	0
11.	"Gheorghe Cristea" Romanian University of Sciences and Arts, Faculty of Public Administration 1.39	X	2.85	4.75	5.70	-	17.10	-	-
		m-dX	2.85	4.75	3.00	0	-0.86	0	0

Legend:

1) human resource management; 2) financial management; 3) organisational management; 4) strategic management; 5) civil, administrative procedures etc.; 6) practice; 7) research in public administration.

X6: Knowledge about methods and techniques of communication. The content of this knowledge area is based on the reality and necessity of relational harmonisation and communication between public administration and society, as well as inside it. In the context, the information sciences, foreign languages and information and communication management get special features. Table 7 presents the results.

Table 7

Statistical analysis for the variable “Knowledge about methods and techniques of communication”

No.	CRITERION / INSTITUTION		KNOWLEDGE ABOUT METHODS AND TECHNIQUES OF COMMUNICATION			
			1	2	3	4
	AVERAGE (m)		3.28	2.99	2.76	7.56
1.	Academy of Economic Studies, Bucharest, Faculty of Management 2.46	X	2.58	-	5.16	6.88
		m-dX	2.58	0	0.36	6.88
2.	“Babeş-Bolyai” University, Faculty of Political, Administrative and Communication Sciences 2.75	X	4.85	1.94	-	7.76
		m-dX	1.71	1.94	0	7.36
3.	National School of Political Studies and Public Administration, Faculty of Public Administration 1.75	X	3.33	6.66	-	4.44
		m-dX	3.23	-0.68	0	4.44
4.	“Lucian Blaga” University, Sibiu, “Simion Bărnuțiu” Law Faculty 2.32	X	1.64	3.28	-	4.92
		m-dX	1.64	2.70	0	4.92
5.	“Ștefan cel Mare” University, Suceava, Faculty of Economic Sciences and Public Administration 2.34	X	-	1.56	1.56	6.24
		m-dX	0	1.56	1.56	6.24
6.	University from Oradea, Faculty of Legal Sciences 2.16	X	-	2.88	-	5.76
		m-dX	0	2.88	0	5.76
7.	“1 Decembrie 1918” University, Alba Iulia, Faculty of Law and Social sciences 3.73	X	2.82	2.82	3.76	7.52
		m-dX	2.82	2.82	1.76	7.52
8.	“Petru Maior” University in Târgu Mureș Faculty of Economic, Legal and Administrative Sciences 2.34	X	2.34	1.56	2.34	3.12
		m-dX	2.34	1.56	2.34	3.12
9.	“Ovidius” University, Constanța, Faculty of Law and Administrative Sciences 2.38	X	5.22	1.74	0.87	9.57
		m-dX	1.34	1.74	0.87	5.55
10.	“Spiru Haret” University, Law Faculty 2.46	X	3.46	4.45	-	9.90
		m-dX	3.10	1.53	0	5.22
11.	“Gheorghe Cristea” Romanian University of Sciences and Arts, Faculty of Public Administration 0.17	X	-	-	2.85	17.10
		m-dX	0	0	2.67	-1.98

Legend:

1) communication; 2) IT; 3) information management; 4) foreign languages.

3.2.2 *Interpreting the results*

Obviously, the results obtained are susceptible for a more refined analysis. The available information did not allow this. In our opinion, the proposed model of analysis is important, providing a possibility of analysis using European criteria and standards.

As known in Romanian higher education, in the area of administrative sciences, an important issue relates to curriculum, more precisely to its compatibility with all undergraduate academic programmes in prospect of a national qualification for all graduates in this field. However, even from a brief analysis of the data obtained by us, we remark different units of measure for the quantity and level of knowledge from a knowledge area or one of its sections.

The fundamental differences occur concerning the volume of activities for legal knowledge, varying from 5.16 (ASE) to 48.26 (USH). The universities above the average of 29.08 are those where the academic programmes in the area of administrative sciences are organised and are functioning around legal sciences specialisations.

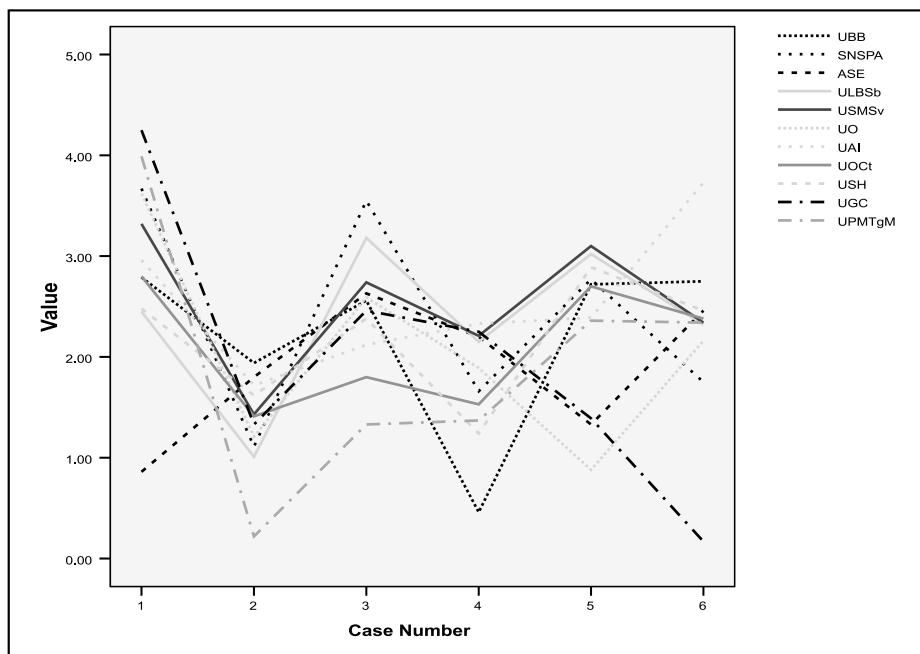
Similar conclusions could be extracted from the analysis of the volume of knowledge in the economic area, also varying from 2.48 (USH) to 14.62 (ASE). Also in this case, an anticipated conclusion is confirmed about the organisation of these programmes inside faculties that have the economic sciences as their main object. For the undergraduate academic studies in administrative sciences, organised around political sciences specialisations, a detailed analysis should be done, cumulating more results from different knowledge areas.

In fact, graphic 1 presents the variations related to the six variables for all universities and it clearly shows the great diversity of conception and approach for the content of the academic studies in administrative sciences in Romania.

We obtain a more eloquent image concerning the compatibility of academic programmes in the area of administrative sciences using a table of correlation where we insert the Pearson coefficient of correlation as well as the index of covariance designed to measure the intensity of connections between variables. The value of the Pearson coefficient of correlation⁷ is between -1 and 1, the two extremes emphasising perfect (functional) linear connections between two variables, “positive” for the value 1 and “negative” for the value -1. The value 0 signifies no connection.

7 Jaba, E. 1998. *Statistica [Statistics]*, Editura Economică. Bucharest, 343.

Graphic 1
Variation of the degree of curricular compatibility



In Table 8, we determined the above coefficients, considering the 11 analysed universities as dependent variables.

Analysing Table 8, we emphasise some conclusions:

- The existence of a negative functional connection between the programmes provided by ASE and those provided by most other universities. The Pearson coefficient varies from -597 (UOCT) to -140 (UO). ASE has a positive functional connection with ULBSb (0.067) and UAI (0.011). The same conclusions result from the study on the index of covariance. Negative correlations occur between UGC and UBB (-0.014), UAI (-0.172), USH (-0.009);
- We remark a series of very powerful positive correlations such as those between UBB and USH (0.907) or SNSPA and USMSv (0.885) etc.
- The alignment to the undergraduate academic programmes of the universities with tradition in Romania has average intensities for UBB and greater for ULBSb. At the same time, SNSPA has correlations of intensities above average with most of the other universities.

Table 8
Intensity of the correlation for the programmes of study in the area of administrative sciences

	ASE	UBB	SNSPA	ULBSb	USMSv	UO	UAI	UOCT	USH	UGC	UPMTgM
Pearson Correlation	1	-.267	-.313	.067	-.463	-.140	.011	-.597	-.302	-.538	-.591
Sig. (1-tailed)		.304	.273	.450	.178	.396	.491	.106	.280	.135	.109
Sum of Squares and Cross-products	2.351	-.835	-1.147	.178	-1.086	-.473	.028	-1.234	-.640	-2.542	-2.592
Covariance	.470	-.167	-.229	.036	-.217	-.095	.006	-.247	-.128	-.508	-.518
N	6	6	6	6	6	6	6	6	6	6	6
Pearson Correlation	-.267	1	.539	.394	.506	.238	.388	.707	.907	-.014	.492
Sig. (1-tailed)	.304		.135	.220	.153	.325	.223	.058	.006	.489	.161
Sum of Squares and Cross-products	-.835	4.146	2.621	1.386	1.577	1.069	1.252	1.942	2.553	-.091	2.867
Covariance	-.167	.829	.524	.277	.315	.214	.250	.388	.511	-.018	.573
N	6	6	6	6	6	6	6	6	6	6	6
Pearson Correlation	-.313	.539	1	.782	.885	.628	.115	.588	.639	.683	.649
Sig. (1-tailed)	.273	.135		.033	.009	.091	.414	.110	.086	.067	.082
Sum of Squares and Cross-products	-1.147	2.621	5.704	3.225	3.236	3.312	.434	1.896	2.110	5.032	4.439
Covariance	-.229	.524	1.141	.645	.647	.662	.087	.379	.422	1.006	.888
N	6	6	6	6	6	6	6	6	6	6	6

ULBSb	Pearson Correlation	.067	.394	.782	1	.824	.256	.255	.538	.671	.207	.483
	Sig. (1-tailed)	.450	.220	.033		.022	.312	.313	.136	.072	.347	.166
	Sum of Squares and Cross-products	.178	1.386	3.225	2.984	2.179	.975	.698	1.253	1.602	1.102	2.387
	Covariance	.036	.277	.645	.597	.436	.195	.140	.251	.320	.220	.477
	N	6	6	6	6	6	6	6	6	6	6	6
USMSv	Pearson Correlation	-.463	.506	.885	.824	1	.486	.372	.834	.732	.536	.851
	Sig. (1-tailed)	.178	.153	.009	.022		.164	.234	.020	.049	.136	.016
	Sum of Squares and Cross-products	-1.086	1.577	3.236	2.179	2.341	1.641	.901	1.720	1.547	2.530	3.729
	Covariance	-.217	.315	.647	.436	.468	.328	.180	.344	.309	.506	.746
	N	6	6	6	6	6	6	6	6	6	6	6
UO	Pearson Correlation	-.140	.238	.628	.256	.486	1	.418	.315	.131	.708	.630
	Sig. (1-tailed)	.396	.325	.091	.312	.164		.205	.272	.402	.058	.090
	Sum of Squares and Cross-products	-.473	1.069	3.312	.975	1.641	4.868	1.461	.936	.400	4.817	3.978
	Covariance	-.095	.214	.662	.195	.328	.974	.292	.187	.080	.963	.796
	N	6	6	6	6	6	6	6	6	6	6	6

Table 8 (continued)

	ASE	UBB	SNSPA	ULBSb	USMSV	UO	UAI	UOCT	USH	UGC	UPMTgM
UAI	.011	.388	.115	.255	.372	.418	1	.631	.423	-.172	.675
	.491	.223	.414	.313	.234	.205		.089	.202	.373	.071
	.028	1.252	.434	.698	.901	1.461	2.508	1.349	.925	-.837	3.060
	.006	.250	.087	.140	.180	.292	.502	.270	.185	-.167	.612
	6	6	6	6	6	6	6	6	6	6	6
UOCT	-.597	.707	.588	.538	.834	.315	.631	1	.846	.211	.905
	.106	.058	.110	.136	.020	.272	.089		.017	.344	.007
	-1.234	1.942	1.896	1.253	1.720	.936	1.349	1.819	1.577	.879	3.494
	-.247	.388	.379	.251	.344	.187	.270	.364	.315	.176	.699
	6	6	6	6	6	6	6	6	6	6	6
USH	-.302	.907	.639	.671	.732	.131	.423	.846	1	-.009	.607
	.280	.006	.086	.072	.049	.402	.202	.017		.493	.101
	-.640	2.553	2.110	1.602	1.547	.400	.925	1.577	1.910	-.039	2.402
	-.128	.511	.422	.320	.309	.080	.185	.315	.382	-.008	.480
	6	6	6	6	6	6	6	6	6	6	6
UGC	-.538	-.014	.683	.207	.536	.708	-.172	.211	-.009	1	.493

	Sig. (1-tailed)	.135	.489	.067	.347	.136	.058	.373	.344	.493		.160
	Sum of Squares and Cross-products	-2.542	-.091	5.032	1.102	2.530	4.817	-.837	.879	-.039	9.503	4.353
	Covariance	-.508	-.018	1.006	.220	.506	.963	-.167	.176	-.008	1.901	.871
	N	6	6	6	6	6	6	6	6	6	6	6
UPMTgM	Pearson Correlation	-.591	.492	.649	.483	.851	.630	.675	.905	.607	.493	1
	Sig. (1-tailed)	.109	.161	.082	.166	.016	.090	.071	.007	.101	.160	
	Sum of Squares and Cross-products	-2.592	2.867	4.439	2.387	3.729	3.978	3.060	3.494	2.402	4.353	8.194
	Covariance	-.518	.573	.888	.477	.746	.796	.612	.699	.480	.871	1.639
	N	6	6	6	6	6	6	6	6	6	6	6

4. Case study: SNSPA

4.1 Conceptual dimension of the Europeanisation of higher education – Applying the Bologna Declaration in the Romanian educational area

A. Undergraduate and master academic cycles

Similarly to other European universities, higher education has been structured on **two main cycles** known as **Bachelor** and **Master**. In order to respond to this objective, it is imperative to have a good understanding of the nature of various qualifications, the modalities and common terms of decision.

For SNSPA, taking into account the structure of higher education, the implementation of the 3-2-3 scheme has meant to accept the following structure starting in the 2005/2006 academic year:

No.	Area	Specialisation	No. credits	Duration (years)
1.	Political Sciences*	Political Sciences	180	3
2.	Sociology*	Sociology	180	3
3.	International Relations*	International Relations and European Studies	180	3
4.	Administrative Sciences**	Public Administration European Administration	180 180	3 3
5.	Sciences of communication***	Communication and Public Relations	180	3

* within the Faculty of Political Sciences

** within the Faculty of Public Administration

*** within the Faculty of Communication and Public Relations

The conception and organisation concerning the existence of a common branch for the specialisations within the Faculties of Public Administration and Political Sciences has been adapted to the new structure so that the mentioned common branch is supported during the first three semesters (90 credits).

In the 2008/2009 academic year, the second cycle, master, will have a duration of 2 years corresponding to 120 credits.

B. Competence in the European framework of qualifications

Understanding a competence as an ensemble of attributes (knowledge and their application, attitudes, skills and responsibilities) describing the level at which a person is able to practice, to perform those attributes, two important consequences occur: the first refers to the fact that **a competence may be achieved and evaluated**, and

the second to the fact that each person is competent to a different degree. The competences may be **general** and **specific**, depending on the coverage area.

The general competences are cross-disciplinary, general and they may be developed by any study programme to a certain extent.

The specific competences are linked to a certain area of study, they make a study programme individual, related to the others. Examples of general and specific competences are presented in the Specialisation and Discipline sheets.

4.2 Curriculum design

The curriculum of each specialisation ensures the training and development of general and specific competences related to the academic objectives (expressed in specialisations) and the labour market requirements (expressed in qualifications).

The general competences may be found in the core curriculum and the specific competences in the specialised curriculum.

Consequently, in the curriculum design, the first step was represented by establishing the corps of **general competences** and **specific competences** respectively that each graduate can acquire.

The next step was **elaborating the packages of courses on a common branch of knowledge and specialised knowledge**, as well as the **strategies of training and developing the competences**.

From this prospect, in the curricula we find three categories of disciplines:

- a) Basic disciplines (compulsory) (Co);
- b) Associated disciplines (from related areas: economics, psychology etc) (As);
- c) Optional disciplines (specialised) (Op).

Based on this issue, the strategy for curriculum development will take the following into account:

- a) The disciplines should be progressive in the order of the years of study, starting with those providing the theoretical and conceptual fundamental issues in the very area, then those developing the specialised knowledge and the associated techniques/methods of investigation, continuing in the third year with diversification of the specialised options and achieving a research project, concluded with a graduation thesis.
- b) In the first year, the basic and associated disciplines will be dominant, in the second year, the optional disciplines begin; they will be dominant in the third year.
- c) The compatibility with the curriculum of the same specialisation or a related specialisation at another university, recognised in the European higher educa-

tion. In this respect, it is recommended to study the curricula of European universities, including the disciplines with the greatest frequency in our own curriculum;

- d) Supporting with priority the possibility of mobility between the faculties within SNSPA.

The disciplines are inserted in the annual curricula.

Concerning the volume of hours for each discipline, the weekly activities should be allocated so that 1500 hours represents the study duration of an academic year; 25 hours correspond to each credit.

The number of weeks of activity within an academic year is 36 weeks, and 18 – 22 hours represent the weekly volume of the direct activities.

4.3 Measures for applying the credit system

The Romanian accumulation and credit transfer system has the European Credit Transfer System as reference and is regulated by the Ministry of Education and Research. At the university, faculty and department level, coordinators for the accumulation and credit transfer system are appointed.

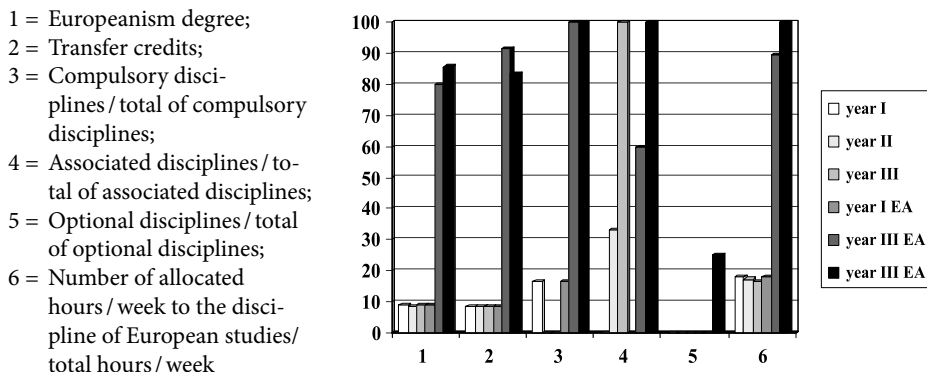
The credits and the credit allocation system, having ECTS and the national credit allocation system as reference were introduced as compulsory starting in the 2005/2006 academic year. They are applied integrally to the students admitted in the 2004 academic year and those assimilated. The application refers to all levels and forms of education.

4.4 3-2-3 in SNSPA

4.4.1 Undergraduate academic studies

The study of the disciplines approaching topics specific for the European Union is insignificantly represented in the curriculum for the first year in the “*Public Administration*” (PA) specialisation by a single discipline (the Europeanism degree (ED) expresses the ratio between the disciplines with European contents and the total of all disciplines in a semester, $ED = 9.09\%$), related to the total of the studied disciplines; in the “*European Administration*” specialisation (EA), those topics represent 83.33% in the total of the disciplines studied in the first cycle. We mention that a common branch of study exists for the first three semesters of the first cycle for both specialisations, a fact also revealed from the ED being equal for the two specialisations in the first year.

Figure 1
Undergraduate academic studies



The subsystem of SNSPA-FPA programmes of exchange, mobility and academic cooperation within the Romanian national education system is defined as compatible, comparable, clear as regards significance and contents. In this respect, the application of the European Credit Transfer System within SNSPA-FPA has rendered it possible to harmonise the activities, to achieve courses, programmes and diplomas aiming at their compatibility and similitude with the European ones.

The disciplines with themes on European studies are progressive in order of the years of study at the “*European Administration*” specialisation, being compulsory disciplines with a large number of hours (89.28%) allocated to the classroom and individual study, in the second and third academic year.

4.4.2 Master academic studies

The programmes of Master academic studies are created with an optimal combination of some legal, economic, managerial, social disciplines, responding to market requirements for the niche of public administration. In this respect, Master programmes focused on specialisation in European administration and European studies with a duration of two years are developed, executive Master programmes with a duration of one year, addressing those involved in activities specific for public administration, with European feature, as well as those in national public administration, and Master programmes of 1.5 years with applicative feature from the perspective of developing the practical skills for the public sector.

“Jean Monnet” Action, aimed to promote and develop teaching on European integration matters is represented in FPA actions, programmes:

- Master programme: “European Public Space”, organised on 3 “Jean Monnet” European Modules: 1. “European Administrative Space”, 2. “European Economic Space”, 3. “Foreign Common and Security Policy of the European Union”;

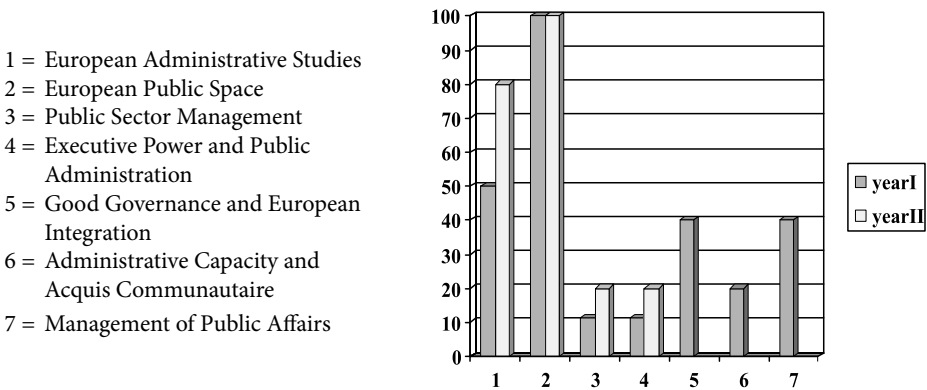
- “Jean Monnet” Permanent Course: “EU Policies for Public Management”;
- Since 2006, a “Jean Monnet” Chair, “Studies on Europeanisation of administration and civil service”.

The study of the disciplines approaching topics, especially from the European studies is significantly represented at the two Master programmes, each with a duration of two years: “European Administrative Studies” and “European Public Space”, the latest being conceived on 3 European “Jean Monnet” Modules.

- While in the Master programme “European Administrative Studies”, we remark an increase of ED since the first year from 50% to 80%, in the second year of study, in the Master programme “European Public Space”, ED has remained constant at 100% during the two years of study, confirming and differentiating the content of the disciplines of study.
- In proportion with the Europeanism degree of each Master programme, we remark also a proportional evaluation of the transfer credits, providing a complete overview from the perspective of the coverage degree of the hours of course, seminar, laboratory, individual study, reflected in the number of credits.

Figure 2

Master academic studies Representation of the Europeanism degree



Analysing the other Master programmes that we identify in the trajectory for student professional education, we remark the following dimensional aspects as issues for the professionalisation direction:

- There are Master programmes where the European theme is not individualised in disciplines of study, as it is found implicitly in their contents, (ED with a value between 11.11% and 20%), as they are conceived on the theme of public administration, or executive Master programmes, where the representation of

the European theme amounts to up to 60% of the total of all disciplines of study, being Master programmes with a duration of one year.

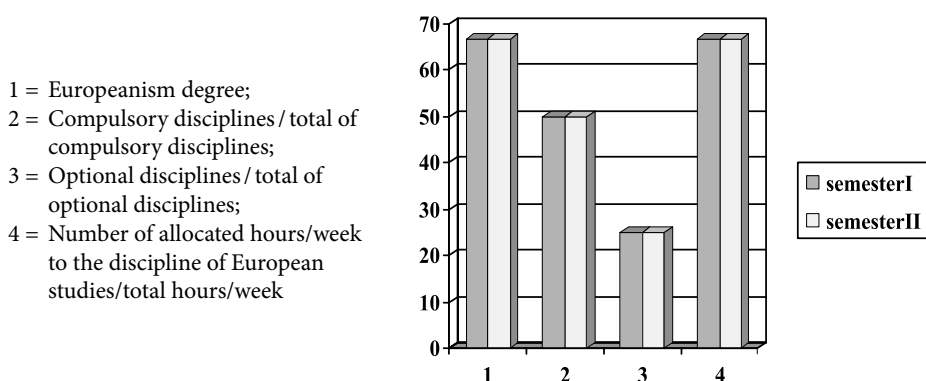
- The great majority of the disciplines on European studies are compulsory disciplines, the representation degree is between 25 and 100% of the total of the compulsory disciplines, one discipline has the status of a “Jean Monnet” Permanent course, and a small part comprises associated disciplines, with a representation degree between 33% and 60% in the total of the associated disciplines.
- The volume of the hours allocated to the study of these disciplines is larger in the Master programmes specialised on European studies (from 78.88% to 100%), medium in the executive Master programmes with a European theme (from 40% to 60%) and lower in the Master programmes aiming at the study of public administration (up to 20%).

4.4.3 Doctoral academic studies

From a total of 6 advanced disciplines of study, the first cycle of doctoral academic studies, dedicated to advanced studies, offers 2 disciplines with integral European contents; the others have partial European content. To each discipline, an equal number of credits is allocated, i.e. 10 credits. The disciplines with integral European content belong to the category of optional disciplines with a number of hours/week, equal to that of other disciplines, and on the whole covering almost $\frac{3}{4}$ of the total weekly hours.

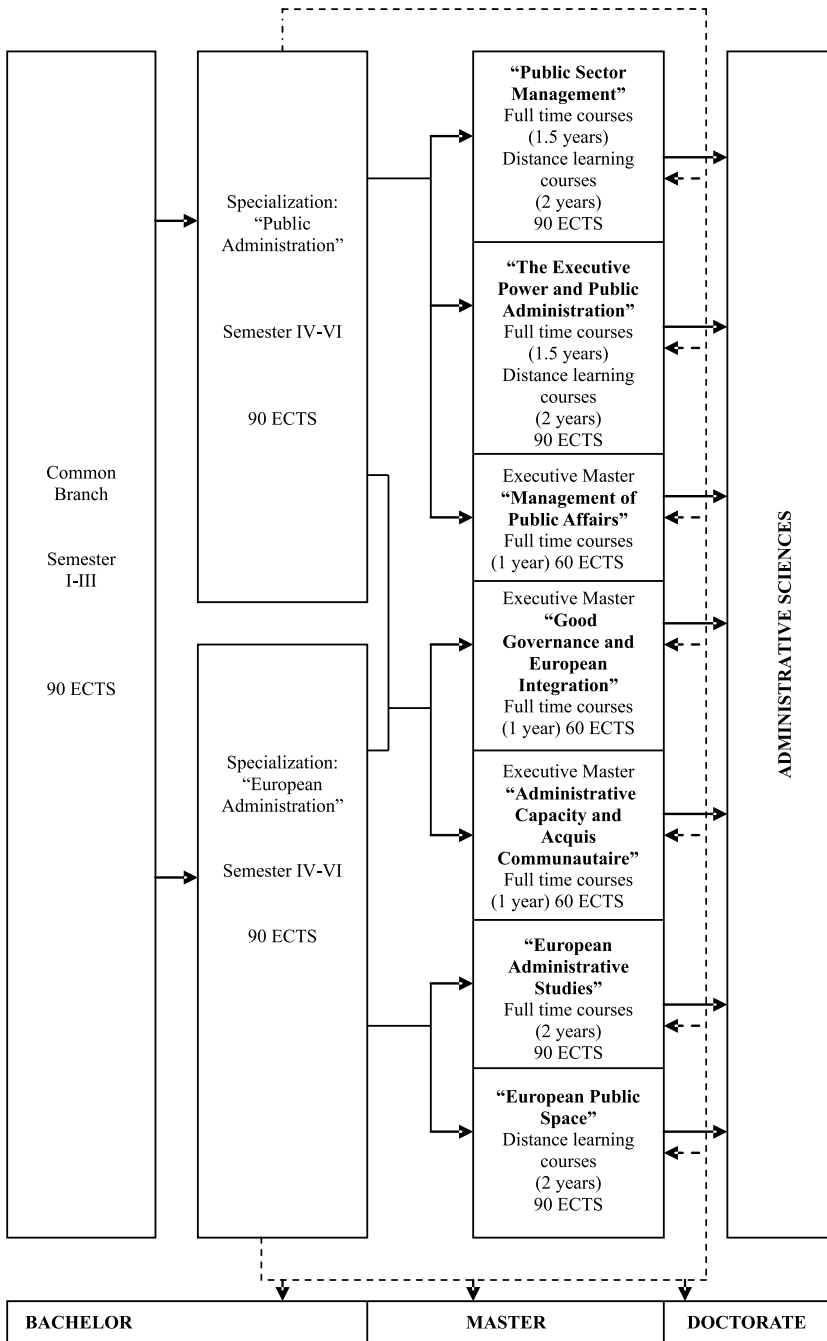
The second cycle is conceived as a period to achieve the research project with thematic areas on European studies, corresponding to 120 credits.

Figure 3
Doctoral academic studies



We appreciate that the FPA succeeded to impose an **integrated curriculum** for the graduates of the “Public Administration” or “European Administration” specialisations.

Figure 4
Educational Structure in the Faculty of Public Administration



We tried to respond to the fundamental questions of FPA “life cycle” and especially the new “European Administration” specialisation, which, together with specific master programmes, have contributed to using the “market-type mechanisms” on the Romanian educational market, adapting it to the European integration process and transforming it into a component of the Europeanisation process.

4.5 Social perception on the educational programmes in the area of administrative sciences

As revealed by numerous studies, the correlated processes of Europeanisation and transition provide significant opportunities for the development of public administration education in Europe and provide a possibility to further the “emancipation” of this area.

In terms of Europeanisation, the increasing challenges of political-administrative interaction between national administrations and the institutions of the European Union illustrate that it is essential for Public Administration graduates to acquire an informed understanding of both the European context of policy-making and of the administrative organisation and culture of other Member States and countries associated with the EU. As a second element, the transition process in Central and Eastern European states could provide to the area of administrative sciences a further impetus to search for its own identity and approach in a European context.

The research, the results of which we present, reveals the key findings about the current direction in which Public Administration education is moving in Romania in the context of integration into the European Union.

The focus on the way and degree in which European matters are reflected in the curriculum has high priority, and it is correlated with the imminent and necessary compatibility with the content and methods of education specific for European higher education in the area of administrative sciences.

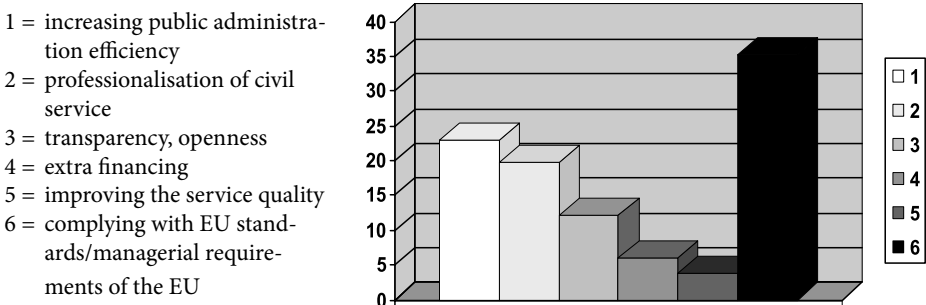
4.5.1 The impact of European integration on public administration reform

In the context of accession to the European Union, Romania records genuine changes of the public administration, perceived also by the subjects of our study, appreciating that the European integration will contribute significantly to the public administration improvement; 83.1% answered affirmatively, while 38.9% consider that the current public administration system is well-organised.

The respondents perceive integration into the EU as the factor to make public administration efficient (22.9%), to make civil service more professional (19.8%), to stimulate access to European funds. The alignment to European standards and European managerial requirements (35.3%), getting knowledge and promoting the European “best practices” in managing the national problems (61.8%) represent dimensions of the European integration of Romania, dimensions confirmed also

by the answers concerning the need to modernise the public administration for integration into the European administrative space (92.4%). We mention the fact that 60% of the subjects are not involved in actions or activities on the European integration issue.

Figure 5
Perception of the effects of Romania’s accession to the European Union on the public administration reform



4.5.2 Promoting the European standards of education in public administration

A. Opportunity of specialisation in European administration

In the Romanian academic spectrum, the “European Administration” specialisation is organised only at SNSPA-FPA; the specialisation was set up in 2004 and implemented in the 2005 – 2006 academic year, concurrent with the application of the requirements imposed by the Bologna process in Romania. The opportunity of delivery and finalisation of such a specialisation both in the first cycle – undergraduate academic studies – and the second cycle – Master academic studies – is also confirmed by the subjects of research in a percentage of 73.6 and 82.9% respectively. 70 and 75.7% respectively of the respondents are in favour of obtaining the diploma for finalising the courses of the two cycles.

The specialisation in “Administrative Sciences” by doctoral academic studies is necessary according to 53.8%, and 50.2% wish to graduate by obtaining the diploma of doctor in “Administrative Sciences”. 66% of the subjects wish to continue their own education by doctoral studies.

Beyond the academic education on cycles, 30% of the subjects also consider necessary the training programmes by short-term courses, completed with certificates, while around 45% have no opinion.

At the same time, they (61.1%) consider the continuous specialisation of academic staff necessary.

Including the European and international dimension by organising the “European Administration” specialisation or the master programmes with integral European content and training by short-term courses with foreign partners, some of them in English, was an argument for 88% of the subjects who evaluated the representation of the European dimension in FPA-SNSPA programmes as very good or good. 52.2% opine that it is necessary to introduce new disciplines with thematic contents, reflecting the European matters, 32.2% are for creating new faculties and/or specialisations of European administration, while others (around 45%) responded in a negative way or not at all.

B. Training needs

The categories and level of the training needs for the FPA “European Administration” specialisation represent the result of the analysis concerning the needs identified after processing the questionnaires, feedbacks of the training programmes, interviews, as well as the requirements expressed by the candidates for FPA in the first cycle within the session of July 2006.

The following categories of training needs are identified:

- category A: *introductory courses* with general notions about EU construction, EU institutions, EU development;
- category B: *courses to acquire knowledge about EU matters*;
- category C: *courses of specialisation*.

The levels of the training needs are as follows:

- *Beginners courses*, which we may develop from the pre-university education (46.4% of the respondents and ½ of this year’s candidates at the faculty wish to be students at the “European Administration” specialisation or to develop a larger number of disciplines focused on European studies during the third semester of the first cycle of study (in the common branch).
- *Advanced-specialisation* developed for the students of the “European Studies” specialisation, or those attending specialised master programmes of 2 years, or the executive master programmes of 1 year; for the last-mentioned, it is imperative to increase the number of disciplines in the area of European administration, 69.3% of the respondents being in favour.
- *Professionalisation* through doctoral studies, for the graduates of the “European Administration” specialisation, young teaching staff and civil servants with interests in European matters; 72.7% consider education in doctoral studies in administrative sciences necessary, with themes on European administration.

The trainees of the short-term courses expressed the opinion that for the civil servants, we identify both the training level by doctoral studies, their niche being relative small, and the level of *specific training needs* considered as main needs (spe-

cific themes, i.e. European affairs, European Project Cycle Management, Structural Funds, partnerships of development, strategic planning) as well as *training needs by information*.

4.5.3 Placing graduates on the labour market

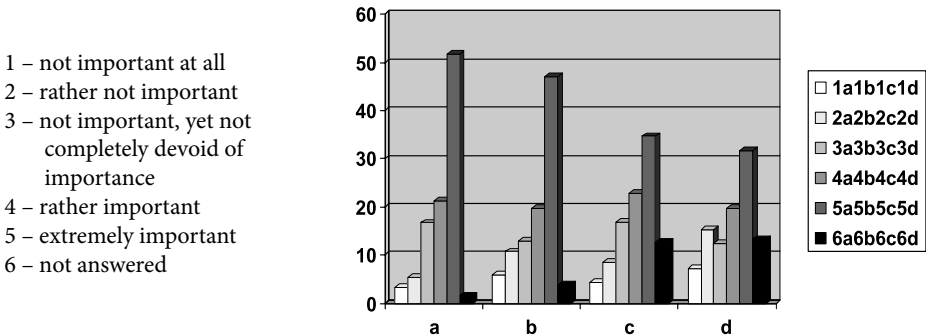
The European labour market is changing, a process also reflected on the Romanian labour market, with a major influence on the Europeanisation of higher education.

More precisely, the dimension of a new labour market is shaped for the graduates of higher education, characterised by a high degree of flexibility and mobility inside and outside the country, in public administration, national and European public institutions. In this respect, the graduates of the “European Administration” specialisation may have a high degree of penetration on the labour market, competing for a job as civil servant or European civil servant, related to those from the “Public Administration” specialisation, or also those graduating the master programmes specialised on European administrative studies, European Public Space, related to those graduating European general studies, as revealed by the following:

- 68.3% of the subjects consider the importance of the degree in the area of administrative sciences, while almost $\frac{3}{4}$ of them emphasise the importance of the degree in European administration (73.1%).

Figure 6

Perception on education at undergraduate (a), master (b), postgraduate(c) and doctoral studies level (d) in the area of administrative sciences



- The diploma of Master in the area of European administrative studies, European Public Space is considered more attractive (66.9%) than the one obtained for the master programme in European studies (56.7%).
- Diploma of doctor in European studies (51.6%).

The creation of a professional career in national public administration is more accessible from the perspective of the profile of the specialisation (54.7%), while

only 23.9% of the respondents consider that they may create a professional career in public administration in another country.

The Romanian legislative system encourages specialisation through doctoral studies; generally speaking, the academic staff and researchers are those going through such a stage. In the public system, holding a Ph.D. title in national or European public administration is sometimes considered a criterion in promotion within the professional career, a fact justifying the favourable answer of 77.6% respondents concerning access of other categories to doctoral studies.

4.5.4 Bringing into line the educational programmes in the area of administrative sciences with the European practices

Mobility in the European Area of Higher Education

The student and teaching staff mobility, the common bilateral or trilateral study programmes (SOCRATES, ERASMUS) represent a form of Europeanisation of higher education, also considered useful by 84.2% of the respondents, both for their own training and self development and for employment in a job in public institutions and authorities.

Participation in academic events on European topics

Enhancing the organisation of events in order to know the European values, to inform and debate on European matters, to present the results of the scientific research anchored in the reality of the European space represents one of the preoccupations of the academic environment, from the prospect of its mission to cultivate attitudes, to transmit knowledge. Less penetrated by the employees in the public sector, meaning their low representation in academic activities (41.3%), even insignificant in the respect of publishing some specialised articles on European matters by the public administration employees (8.2%), the activity to organise events (conferences, seminars, debates, scientific sessions) on European topics is very well represented by the participation of the representatives of the academic environment, both teaching staff and students (85%).

The actions with a European theme, organised by the academic environment together with public institutions have started to begin (21.8%); this situation is due to the practitioners' fear to face theorists.

5. Conclusions

The study presented above represents a premiere in the preoccupations of the managers, teaching staff and researchers in the area of administrative sciences in Romania. This situation is justified, on the one hand, by the relative recent Romanian authorities' option to apply the measures deriving from the Bologna Declaration and, on the other hand, by the lack of a methodological and systematic practice for

researching the beneficiaries' perception on the contents and forms for organisation of academic studies.

The emphasis on the issue of Europeanisation of higher education in the area of administrative sciences is focused on the position of *avant-garde* held by the Faculty of Public Administration of the National School of Political Studies and Public Administration (SNSPA) in the Romanian system of higher education within the area of political and administrative sciences as well as the necessity deriving from the recent integration of Romania into the European Union, aimed to make compatible the content of basic and in-service training with the content of the prestigious institutions of the European Union countries.

In this context, the following are relevant:

- a) The research initiated and presented herewith needs an extension both as theme and subjects approached in order to formulate conclusions and appreciations with a higher degree of generality.

The training programmes for undergraduate and master academic studies are provided also by other universities.

The approach and conception, from the prospect of the content of these programmes have distinct histories and directions, emphasising three major directions:

- the normative, traditional approach, from the legal perspective, based on administrative law and other branches of law;
 - the economic, managerial approach, based on a curriculum inspired by the area of economic sciences and management;
 - the organisational approach based on political sciences and organisational theories.
- b) It is necessary to develop the comparative studies with universities and institutions from the European Union Member States and to undertake or formulate some relevant standards and criteria in order to describe exactly the contents and effects of Europeanisation of the higher education in administrative sciences.
 - c) The theme approached may represent the object of research of a team, specifically created within NISPAce or EGPA to offer relevant data and indicators, unanimously accepted in order to quantify and describe the Europeanisation process mentioned in the present paper.

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Public Administration Reform in Serbia and European Integration Processes: On the Same or Parallel Tracks?

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1. Introduction

One of the key processes in the transition from a socialist, authoritarian regime to a functioning market economy and real democracy is the reform of the entire government machinery, a comprehensive process of institutional and organisational re-design. In Europe, these reforms have usually been evolving simultaneously with the international, and above all, European (re)integration of these former socialist/communist states. The connection between the public administration reform (PAR) and European integration (EI) has been frequently stressed in the context of the last enlargement of the European Union.² Although this relation is rather indirect, given that there is no *acquis communautaire* in the area of public administration (PA), its significance has often been emphasised, as the “soft acquis”, i.e. common EU standards and principles, in the area of public administration has developed.³

There are several dangers resulting from PAR and EI running on detached tracks and, accordingly, several positive outcomes of interrelating them. Firstly, as the objective of EU accession “changes the content, timing, sequencing and signifi-

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2 Tony Verheijen. The Management of EU Affairs in Candidate Member States: Inventory of the Current State of Affairs. *OECD/SIGMA* 23: 29.

3 Overview. 1998. *OECD/SIGMA* 23: 13; Verheijen. 1998. The Management of EU Affairs in Candidate Member States. *OECD/SIGMA* 23: 29; Joachim Jens Hesse. 1998. Rebuilding the State: Administrative Reform in Central and Eastern Europe. *OECD/SIGMA* 23: 179; Barbara Nunberg. 2000. Ready for Europe: Public Administration Reform and European Union Accession in Central and Eastern Europe. *World Bank Technical Paper* 466: 21, 208, 211, 215, 257.

cance of administrative reform,”⁴ efforts pursued at the outset of PAR, before significant progress has been made in EI, can be rendered futile if significant parts of PAR have to be redesigned in the advance of EI. Moreover, the Europeanisation of a country’s PA does not stop at the point of its accession to the EU. Since coordination of EU policy-making poses “numerous and particularly difficult and distinctive problems” before the national PAs,⁵ “a long-term view [to PAR], going beyond the management of accession to include the management of membership”⁶ should be adopted by the government of a EU applicant country.

Secondly, the prioritisation of EI has often resulted in the application of advanced administrative practices in this sector and their considerable successes, without later transferral of this know-how and experience to the rest of public administration. Hence, institutionalising strong connections between PAR and EI early in the accession process can help keep the EI management sector from remaining an “island of excellence.” Thirdly, in a country with a burly legalistic administrative tradition, such as Serbia, the subject of this study, there is great danger of PAR remaining limited to law adoption (and implementation to a certain extent), without deeper effect on procedural structures and administrative cultures. Hence, if in the course of PAR, the entire PA has frequent contacts with, or is influenced by, the EI structures, which are the ones exposed to European practices and working environments the most, the probability of PAR penetrating into the entire administration might be increased.

In view of the aforesaid, this paper examines PAR and EI processes in Serbia with the intention of pointing to the need for a stronger relation between the two processes. It also draws recommendations for the improvements in the linkages between the two processes. The links between PAR and EI are examined on two levels: that of the strategic document, i.e. the plan of reform, and that of the reform reality. The analysis of the PAR strategy serves to examine the extent to which the reform design was based on the essential European administrative principles. In addition, it looks at the provisions expressing explicit relation between PAR and EI, in terms of references to EI and institutional arrangements for connecting the two processes. The ensuing scrutiny of the actual reform implementation reveals the real and potential linkages between PAR and EI in the actual operation of the institutions managing PAR and those managing EI. The chapter on the reform reality also draws attention to the prevailing administrative legacy in order to point to an additional challenge to the success of a holistic approach to PAR, which would be based on

4 J. Fournier. 1998. Governance and European Integration – Reliable Public Administration. *OECD/SIGMA* 23: 134.

5 B. Guy Peters and Vincent Wright. 2001. The National Co-ordination of European Policy-Making. In *European Union: Power and Policy-Making*. 2nd edn. Edited by Jeremy Richardson. London: Routledge: 156.

6 Les Metcalfe. 1998. Meeting the Challenges of Accession. *OECD/SIGMA* 23: 62.

building Serbia as a future EU member state. This concern is given particular consideration in the recommendations offered in the conclusion to this paper.

The methodology applied is qualitative, given its suitability for “[engaging] in research that probes for deeper understanding rather than examining surface features.”⁷ In the approach towards data collection, this author combines field research with archive-based research (both primary and secondary sources). One part of the field research, i.e. six semi-structured, face-to-face interviews with individuals involved in different ways in PAR and EI in Serbia, were performed in March 2005 for the purpose of writing a Master Thesis at the College of Europe, on which this paper is based. The data have been updated through this author’s working experience at the European Integration Office of the Government of Serbia and the research time limit has been set for December 2006. Before moving to the analysis, the following section outlines the domestic context within which the analysis is situated, in order to render the discussion more comprehensible to an international reader.

1.1 Context

After the collapse of the socialist regime and the consequent dissolution of the Socialist Federal Republic of Yugoslavia, the rump Federal Republic of Yugoslavia, comprised only of Serbia and Montenegro, endured another authoritarian regime. More than a decade of Milosević’s rule in the country resulted in an immense deterioration of the country’s economy, international reputation, but also its administrative capacities. Until the democratic change in October 2000, Serbia and Montenegro were separated not only from the transitional path of other post-communist European states, but also from other former Yugoslav republics which initiated their democratisation earlier.⁸ Even after the decisive defeat of Milosevic and the initiation of a phase of intense reforms, several internal political questions have remained the priorities, thus drawing attention and energy away from the urgent reform areas.⁹

One of these questions, with important implications for the subject of this study, i.e. the reform of public administration, is the development of relations between Serbia and Montenegro, which saw its final twist only in May 2006, when the Montenegrin population opted for separation from the State Union of Serbia and

7 S.D. Johnson. 1995. Will our Research Hold up under Scrutiny? *Journal of Industrial Teacher Education* 32 (3): 4, as qtd. in Nahid Golařshani. 2003. Understanding Reliability and Validity in Qualitative Research. *The Qualitative Report* 8 (4), <<http://www.nova.edu/ssss/QR/QR8-4/golařshani.pdf>> (April 2004): 603.

8 Slovenia and Macedonia initiated transitional processes immediately after the dissolution of former Yugoslavia in 1991, Bosnia and Herzegovina after the Dayton Agreement in 1995 and Croatia partially during the authoritarian regime of Franjo Tuđman, and more decidedly after his death on 10 December 1999.

9 These are the question of Kosovo’s final status, which remains unresolved, the cooperation with the Hague Tribunal (ICTY) and the relationship between Serbia and Montenegro, i.e. the question of the survival of the common state.

Montenegro in a referendum and thus terminated the rather short existence of this union created in 2003 as a temporary solution to the constitutional crisis between the two republics. According to the “solution” of this crisis, the common state was given very limited competences.¹⁰ Such a compromise between the two republics had major implications for the administrations of both member states and the state union, as numerous competencies were transferred to the member state level and the former federal institutions’ personnel was redistributed to the member states’ organs. Accordingly, three separate PAR agendas were created: Serbia and Montenegro were to pursue (or continue) their own administrative reforms, while the state union administration was not only left with the equally unfortunate legacy of the Milosevic’s regime, but also impoverished by the severe drop in the significance of the common state. Throughout the existence of the State Union, no will to invest resources into its administration existed on the part of Montenegro (as the State Union was perceived only as a transitional solution to the achievement of an independent Montenegrin state). By the dissolution of the State Union, its public administration was in yet a worse condition, while considerable time had been lost for the reform of the areas which were under the state union competences. Once the common state entirely disappeared, the remaining competences were transferred to the Serbian administration using a government decree as a temporary solution until the adoption of the new constitution and parliamentary elections which would be followed by the formation of a new government and the full integration of the former State Union institutions into the Serbian public administration system.¹¹

In a referendum in October 2006, shortly after the dissolution of the State Union of Serbia and Montenegro, the Serbian people adopted a new constitution, which includes all the competences that Serbia must have as an independent state. Although the section on public administration is rather short and civil service is not introduced as a constitutional category, there are several novelties compared to the old constitution. Firstly, it is explicitly stated that the public administration is “autonomous” as well as “bound by the Constitution and law, and responsible to

10 This constitutional crisis between Serbia and Montenegro occurred during Milosevic’s rule, when a new regime was installed in Montenegro, hostile to Milosevic, but supported by the West. After Milosevic was overthrown on 5 October 2000, the Montenegrin regime started to push hard for complete independence for Montenegro. This crisis was temporarily ended by the so-called Belgrade Agreement, reached only through strong intermediation of the European Union, signed in Belgrade in March 2002. The outcome was the creation of the State Union of Serbia and Montenegro, which arguably has a rather confederal (instead of federal) nature. The competencies of the Union were specified in the Constitutional Charter which took another year to be completed, due to the opposed interests of the Serbian and Montenegrin representatives to the Constitutional Commission formed to draft the Charter. The final document, ratified on 4 February 2003, limited those competencies to defence and foreign policy, together with limited competencies in minority and human rights and internal and external trade relations. See: The Constitutional Charter of the State Union of Serbia and Montenegro. Website of the Government of the Republic of Montenegro, <<http://www.gom.cg.yu/eng/biblioteka.php>>, Article 60.

11 Decree on the status of individual institutions of former Serbia and Montenegro and of the Council of Ministers’ services. 2006. *Official Gazette of the Republic of Serbia* 49.

the Government for its work” (article 136). Secondly, ombudsmen and supreme audit institution are for the first time introduced as constitutional categories (articles 138 and 96). Thirdly, as the rule of law is stated as the main basis of the state and the constitution and as several other pillars of democracy are constitutionally guaranteed (e.g. constitutional grievances, prohibition of conflict of interest, equality before law, affirmative action for minority groups, etc.), one may say that a public administration bound by such a modern constitution should be entirely up to the European values and standards. Nevertheless, a much more profound impact on the design and work of the Serbian public administration is owed to the comprehensive legislative reform which was conducted in the 2004 – 2007 period in accordance with the objectives set out in the Serbian PAR strategy.

The reform of the Serbian public administration, however, was begun in a systematic manner rather late in comparison to economic reforms. The first post-Milosevic government pursued administrative reforms in a rather hectic manner, while it concentrated more on economic issues.¹² The Government Strategy for PAR was adopted as late as October 2004, i.e. only after the formation of the second post-Milosevic government, which undertook a more coherent approach towards this process than its immediate predecessor. The Strategy envisaged an overhaul of the existing legislation and an introduction of a civil service system based on the principles of professionalisation and depoliticisation, which will be discussed in more detail in the following sections of the paper.

At the time when the PAR strategy was adopted by the Serbian Government, the relations with the EU had already improved considerably. The Thessaloniki European Summit in June 2003 reiterated its “unequivocal support to the European perspective of the Western Balkan countries”, confirmed their status as potential candidates for EU membership and decided on supporting their EU integration efforts “all the way to their future accession”,¹³ which immensely strengthened these countries’ confidence that their path towards the EU was now cemented. By the end of 2004, the European Commission was already preparing the Feasibility Study for Serbia and Montenegro’s capacity to open negotiations for the Stabilisation and Association Agreement (SAA). In April 2005, the Council of the European Union adopted the Commission’s positive report, and the SAA negotiations were initiated on 10 October 2005. Then, in April 2006, they were temporarily called off due to non-fulfilment of a particular political criterion, but followed by an official promise of continuation immediately after its fulfilment. Although this criterion had not been satisfied by the time of completion of this paper, the EU already intensified its cooperation with Serbia in other areas, such as visas and immigration, where negotiations on an EU-Serbia readmission agreement and on visa facilitation were

¹² Balkans Public Administration Reform Assessment: Serbia and Montenegro. 2004. *OECD/SIG-MA*: 1.

¹³ EU-Western Balkans Summit – Declaration, Thessaloniki, 21 June 2003.

initiated with considerable success. Although the completion of this paper has not seen the formal resumption of the negotiations,¹⁴ what can be said with considerable certainty is that by 2005, both important processes, PAR and EI, were set in motion, and the reasons were created to address the question of their institutional linkages which would allow them to advance as two parts of one joint process of the transformation of the Serbian state.

2. PAR Strategy: Links to EI Process

This section examines the extent to which the Strategy of Public Administration Reform in the Republic of Serbia takes account of the EU integration process, thus forming the basis for the process of building a future EU member state.¹⁵ After a brief discussion of how much the main EU administrative principles (as defined by the SIGMA paper “European Principles for Public Administration,”) are reflected in the Strategy, the compliance of the Strategy with the SIGMA baseline on civil service is examined. Next, this section briefly looks into the linkages with the European integration process the PAR strategy envisages in terms of reference to the EU accession objective and foreseen institutional linkages with the EI process in the PAR management structures outlined in the Strategy.

2.1 EU Administrative Criteria, SIGMA’s Civil Service Baseline and PAR Strategy

One way to discover whether the PAR strategy, which represents the foundation of the administrative reform, is produced as a part of the process of building a future EU member state is to analyse this document on the basis of its consistency with the administrative principles promoted by the EU. “The main administrative law principles common to western European countries” have been explained and promoted to the candidate countries through the SIGMA paper no. 27, “European Principles for Public Administration.” They are systematised in four main groups: 1) reliability and predictability (legal certainty); 2) openness and transparency; 3) accountability and 4) efficiency and effectiveness.¹⁶ As a national strategy for PAR defines basic

14 The January 2007 parliamentary elections, in which the parties of democratic orientation (this reference is usually made to the parties which were gathered around the umbrella coalition DOS which brought down Milosevic) won a significant majority, were followed by an implicit message that the negotiations on SAA would continue as soon as the new (democratic) government was created.

15 This chapter is predominantly based on the analysis of the text of the Strategy of Public Administration Reform of the Serbian government. Therefore, specific footnote references are only made in this chapter where another source (document, secondary source, or an interview) is quoted or referred to.

16 The analysis does not discuss the details of the whole set of principles, as these could be the topic of an entire separate research project. See European Principles for Public Administration. 1999. *OECD/SIGMA 27*: 8.

principles which should guide the entire administrative reform process (legislation *and* implementation), it is important to address the question of compatibility of the Serbian PAR Strategy with these fundamental European administrative principles.

Accordingly, the Serbian PAR strategy explicitly states that the success of the administrative reform depends on the existence of a “Strategy of Public administration reform based on the general principles of the European Administrative Space, ‘good governance’ and the concept of ‘open government’”. The four groups of principles that SIGMA defines as the basic European administrative principles are explicitly cited as the values the government must respect throughout the PAR process. The discussion of the legislative reform, which is understood as the precondition for the achievement of a professional and depoliticised PA also refers to this set of principles. Overall, one can observe that the Serbian PAR Strategy offers significant explicit reference to the main European administrative principles.

An analysis of the Serbian PAR strategy for compliance with the civil service baseline of SIGMA reveals that most of these requirements, which are accepted as the “soft EU *acquis*” in the public administration sphere, are incorporated rather thoroughly in this basic document stating the main reform orientation and principles for the Serbian PA. Nevertheless, it also reveals that the development of the civil service capacities in the European integration area has not been dealt with at the level of the plan for the general PAR.

To begin with, the Strategy envisages a specific law which would define the legal status of public servants executing “public powers”, which is the first SIGMA requirement. According to the Strategy, such a law should separate those that execute public powers in their work from those who perform accompanying, logistical tasks. The legal status of those employed in health, education and other public services, though, should also be regulated by a separate law (not the general labour law), but not the CS one. The Strategy does not define explicitly whether “all actions taken by public servants” should have a basis in law,¹⁷ but the discussion of the aims which should be achieved through special regulation for civil servants, i.e. rule of law, openness and transparency, accountability, reliability and predictability and efficiency, clearly imply that the Strategy foresees this as the goal of PAR. Accountability is specifically stated as one of the “essential elements that should be included in the Law on Civil Servants”. The requirements regarding impartiality and integrity are contained in the discussion of the specific rights and obligations that civil servants should have under the CS law (e.g. to be neutral in the execution of their tasks, to observe the rule of law, to have the right to resist illegal orders and be protected from political pressures, etc.) and in the objective of creating a transparent salary system. Although the text of the Strategy does not explicitly refer to a special law on civil servant’s salaries, the Action Plan of the Strategy foresees the adoption of such a law, which indeed was adopted in 2006. As regards the baseline of “efficiency

¹⁷ SIGMA baseline on CS.

in management of public servants and in control of staffing”, the Strategy discusses various issues of human resources management. It does not specify the structure which will be put in place to perform this task, but it does specify the principles according to which such management should be performed. It also implies that there should be a centre of coordination coupled with a certain level of decentralisation in the system. Whereas the SIGMA baseline suggests that motivation of public servants should be achieved through management practices, the Serbian PAR strategy refers to motivation mainly in the discussion of the reform of the salary system which is to introduce a more stimulating system of remuneration coupled with evaluation of performance, which is to motivate the public servants to excel in their work and seek to increase their skills and competences through vocational training. The Strategy deals substantially with the issues of achieving professionalism and stability of staff. Competitive selection of public servants based on merit and on transparent criteria is stated as one of the most important objectives to be achieved through the reform. It also addresses the issue of recruiting, developing and retaining public servants with appropriate skills and knowledge, both through the reform of the salary system and through human resources management. The last SIGMA baseline on CS, which regards the development of civil service capacities in the area of European integration, is not addressed by the PAR strategy. This may be considered as a drawback of this Strategy, implying that the EU integration priority of Serbia’s reform orientation has not been treated by the Strategy thoroughly enough. Perhaps this lack of special attention for the civil service capacities for EI means that the principle of reform is to develop all areas equally without the creation of privileged groups. However, if this were so, at least a short analysis of this issue, which is indeed addressed by the SIGMA baseline, should have been included in the Strategy.

The legislative phase of the PAR, as envisaged by the Strategy, has been completed. The largest overhaul of the system has been accomplished through the implementation of the Law on Civil Servants which was drafted on the basis of the plans outlined in the Strategy. The Law details an entirely new system which can be described as a mixture of the career system and the job system of civil service. Although entry into civil service at the beginning of a career is facilitated, mid-career entry is also possible. The system of human resources management is based on the central Human Resources Management Service, whose formation the Law envisages. The Law was drafted in close cooperation with experts from SIGMA (as well as the World Bank and some other supporting partners), which resulted in the adoption of a law quite in line with the SIGMA CS baseline. The implementation of the Law started on 1 July 2006, given that numerous complex preparations had to be finalised for the new system to become operational (including the formation of the HRM Service, new job classification, extensive training of human resources management personnel in line ministries and agencies, etc.). The introduction of the new CS system has been completed with the initiation of the application of the

new Law on Salaries for Civil Servants on 1 January 2007, which introduces a significant decompression of salaries between different ranks as well as salary grades within the same ranks, which, in combination with an annual evaluation of civil servants, envisaged by the Law on Civil Servants, should create more motivating working conditions for the civil servants.

Nevertheless, it is yet to be seen how these new laws are going to survive the first “critical” change of government, especially in the sphere of politico-administrative relations, where depoliticisation of the top management layers (except for ministers and state secretaries – formerly deputy-ministers) has been initiated on the basis of the provisions of the Law on Civil Servants. Therefore, it is still too early for a final verdict on the effects of the new CS system. Also, a detailed analysis and evaluation of the new legislation on CS is a rather sizeable task, which might be the subject of a future study.

2.2 Links between PAR and EI

This section examines the linkages between PAR and EI envisaged by the Serbian PAR Strategy. It examines the actual understanding of the connectedness of these two processes in the Strategy, in terms of the references to EI, as well as in the institutional sense.

The Strategy seems to declare a link to EI when stating that the “public administration reform process should develop simultaneously with the related development frameworks and programs” i.a. the European Partnership and the future SAA. The aim is to ensure that “various development initiatives in the transition process [are] integrated and mutually adjusted.” Yet, the section on the management of PAR merely restates that the continuity in PAR is necessary in view of the connections of “other reform areas” with PAR as well as their significant impact on PAR, without any explicit mention of EU integration as one of the top Government priorities. Although the Strategy does offer explicit references to the EI process, the discussion of the numerous implications that EI poses for PAR is missing. The importance of approaching PAR from the aspect of building Serbia as a future EU member state is not addressed. Therefore, the document falls short of stating explicitly the necessity of linking the two processes. As the following analysis reveals, a similar conclusion can be made regarding the provisions in the Strategy to link the two processes through institutions.

According to the Strategy, PAR management is organised on three levels. The strategic guidance is to be performed by the governmental Council for Public Administration Reform, headed by the President of the Government (Prime Minister). The other members of the Council are the Vice-president of the Government, the Minister for Public Administration and Local Self-Government, the Minister of Finance, the Minister of Justice, the Minister of the Interior and the Director of the Legislative Secretariat.

On the operational level, the tasks of the administrative reform are the responsibility of the separate Ministry of Public Administration and Local Self-Government (MPALSG). An additional institutional provision in PAR management is for the so-called reform-teams (or reform coordinators) which should already have been established in each of the organs of PA. According to the Strategy, the role of these reform teams is to coordinate, promote, supervise and provide expert support to concrete activities in PAR in their respective institutions. However, the Strategy mentions no link to, or obligation to cooperate and coordinate activities with, the EI units in the line ministries.¹⁸ No inter-ministerial body, providing for intersectoral coordination of the process (and potentially also a link between PAR and EI) is envisaged by the PAR Strategy. Therefore, institutionally, there appears to be no intentional link between EI and PAR envisaged in the Strategy.¹⁹

As a conclusion to the section on PAR and EI linkages as envisaged in the Serbian PAR Strategy, one may observe the following: The Strategy, even though it was drafted after the introduction of the European Partnership, does not make much reference to the EU membership goal. Although this objective is taken into account, it is not stressed much throughout the document and many of the references are rather vague. This lack of reference to EI might be a consequence of the already evident EU vocation of Serbia, which was not perceived as indispensable to stress in the PAR Strategy. But perhaps much more importantly, the analysis of the institutional provisions for connecting these two processes reveals no intentional institutional links and thus leaves the coordination between the two processes entirely to the implementation and the political equilibrium of the day. This issue is discussed in detail in the following chapter dealing with the actual institutional linkages between the Serbian PAR and EI, as observed in the operation of the institutions.

3. The Reality of PAR

This section turns to the analysis of the existence of linkages between PAR and EI in the actual operation of the existing institutional structure; this analysis is performed with the purpose of pointing to the opportunities for further development of these links, as well as the deficiencies and possible obstacles to such a development. The analysis is performed at three levels, and it is based on interviews with several individuals directly involved in PAR and/or EI as well as first-hand experience of this author. Firstly, this section looks at the present institutional and operational links between the two processes in the PAR management structures. Next, an overview of the “other side of the coin” is offered, i.e. the possibilities of linking the two processes within the institutional structure of the EI structures in Serbia. Finally, and in

18 EI units in the line ministries will be discussed in the following chapter.

19 For the discussion of an arguably incidental link, which has been achieved in the Council for PAR, please see Section III below.

light of the new institutionalist approach of this paper, this chapter draws attention to the administrative tradition which can influence the perceptions of the actors in the EI and PAR processes. The objective is thus to point out an additional challenge to the further development of the PAR-EI linkages, which is finally addressed in the recommendations offered in the paper's conclusion.

3.1 Linkages in the PAR Management Structures

As discussed in the previous chapter, the Serbian PAR strategy does not provide for an explicit, intentional link between PAR and EI, as no representative of the EI structures is a member of the Government's Council for Public Administration Reform. However, until mid-2006, the Vice-President of the Government (who was indeed a member of the Council) was at the same time the Chief negotiator for EI. Thus, in practical terms, in the period when the SAA negotiations were running, the link did exist on the highest strategic level. If such a link is maintained in the government which will be formed following the January 2007 parliamentary elections, it might carry strong potential for effectively connecting the two processes under consideration. So far, the Vice-President of the Government has been the "political head" of the Serbian European Integration Office.²⁰ In such an institutional arrangement, this person might be highly sensitive to EI issues, which could give him/her the capacity to bring EI issues to the PAR agenda, potentially also through his/her personal influence on and relations with other relevant actors within the Serbian PAR process (e.g. the Minister for Public Administration and Local Self-Government, the Director of the HRM Office, etc.). In such a constellation, of course, the potential of this link is highly dependent on the personality and influence of the Vice-President of the Government on other members of the Government.

However, given that following the January 2007 parliamentary elections, a new government will be formed, this link is now under question. But even when it did exist, there were several problems which diminished its potential or placed under doubt its sustainability. Firstly, the fact that the Vice-President of the Government happened to be the Chief negotiator for EI was not an envisaged institutional arrangement, but rather a coincidence in the then political equilibrium.²¹ Hence, as no deliberate institutional provision existed placing the Chief negotiator with the EU on the PAR Council, the change of government or appointment of a non-ministerial or apolitical person as Chief-negotiator with the EU might result in the utter exclusion of the political EI management from the political PAR manage-

20 In accordance with the Law on Government, the President of the Government delegated this role to the Vice-President of the Government.

21 This is explained by the fact that the position of the Chief Negotiator was created after the adoption of the PAR Strategy. However, the Strategy could have foreseen the participation of the highest strategic post in the EI process, e.g. the head of the central EI coordination institution, in the work of the Government Council for PAR.

ment.²² Secondly, so far it has been quite unclear how and when the PAR Council has been meeting. According to some representatives of the MPALSG, the ministers represented in the Council would usually stay a bit longer after the Government sessions and discuss PAR issues. However, this author has not managed to get hold of any notes or minutes of such meetings, which might point to the fact that the work of this Council has been quite opaque and that even if the interests of the EI process were upheld in its work, this message could not be further disseminated. At the same time, in order to establish a functional link which would help prepare the Serbian PA for future EU membership through the PAR Council, there would have to be a very strong awareness of the importance of linking PAR with EI on the highest political level. Although such an understanding seemed to be missing in the early period of the Government's work, some recent statements of the Minister for PALSNG indicate that it might have been raised, given that he referred to EI and emphasised respect for the EU administrative principles in his recent presentation of the progress of PAR.²³ Of course, it is yet to be seen how developed this awareness will be in the next Government.

Regardless of the relation between PAR and EI at the highest political level, for these two processes to really evolve on the same track, there would also have to exist effective coordination mechanisms between the people managing the PAR and EI processes at the operational level. Although the PAR Strategy makes no such explicit provisions, in reality a rather tangible link exists. The MPSALG, which is the key body responsible for the actual management of PAR, has in its structure a unit for EI. However, as the EI units have been created in the line ministries as part of the EI management structures, the role of MPALSG's EI unit in the establishment of cooperation with the EI management will be discussed in the following section dealing with the "other side of the coin." The reform teams for PAR mentioned in the previous chapter have not been made functional to date. In fact, the idea of forming these reform teams has seemingly been given up on.²⁴ Therefore, they are not relevant for the discussion of the reform reality.

Two more institutions at the operational level are rather important for the extent to which the two processes under consideration have been and will in the future be linked. Firstly, the Legislative Secretariat (LS) of the Government, which is a central government body in charge of ensuring the coherence of the domestic legal order, was in charge of drafting the legislation governing the organisation of PA and civil service. Thus, the LS's role in relating the two processes was rather prominent in the legislative phase of PAR. According to the representative of the LS,

22 Although the President of the Government (Prime Minister) officially heads both the Council for PAR and the Council for European Integration, this cannot be considered as a real institutional link, as his involvement in these issues is rather general.

23 Constitution and State Administration – the Cornerstones of State. 2006. *Reformator: the Herald of the Serbian Public Administration Employees* 59: 15-17.

24 Interview with an official of the MPALSG.

SIGMA was regularly consulted in the process of drafting the relevant legislation, but it seems that cooperation with the national institutions in charge of coordinating the EI process was rather limited. Nevertheless, cooperation with SIGMA might have been sufficient to ensure the compatibility of new legislation with the widely accepted EU standards which, as mentioned above, is also one of the important objectives of PAR outlined in the PAR strategy.

Secondly, in accordance with the objectives of the PAR strategy, as well as the resulting legislation (above all, CS law), the Human Resources Management Office (HRMO) has been established, charged with the central management of the PA employees. As this is a rather new institution (created only in 2006), its actual impact in the EI process is not yet visible, but its potential to contribute to it is large. HRMO is, i.a., in charge of the general training of civil servants and the coordination of all training activities in PA. Although the competence over the training of civil servants on the EI issues is currently in the Serbian European Integration Office, suggestions already exist to gradually transfer this competence to the HRMO. Moreover, a solid working relation and frequent contacts have been established between HRMO and SEIO, which has laid the foundation for a strong relationship between the PAR competences held by HRMO and the EI process coordinated by SEIO. Nevertheless, the HRMO's competences are yet to be extended to include training on EI issues and it remains to be seen whether this link will be utilised to its maximum potential.

3.2 Other Side of the Coin: EI Sector

Even before the Thessaloniki European Summit offered a more determined EU perspective to the Western Balkans and the European Partnership institutionalised the EU-Western Balkans relationship to a greater extent than before, Serbia had embarked upon the creation of “specialized sub-systems for European integration.”²⁵ The system has changed and developed with the advance of the EI agenda, to come to be evaluated by the European Commission as sufficient for the opening of negotiations for the Stabilisation and Association Agreement (SAA). It also received positive evaluations in the Commission's later reports.²⁶ This section investigates the potential of this sector to relate PAR and EI.

25 Antoaneta Dimitrova and Klaudijus Maniokas. Linking Co-ordination of European Affairs and European Policy: New Member States in the Decision-Making Process of the EU. 12th NISPAcee Annual Conference (13 – 15 May 2004) <http://www.nispa.sk/_portal/conf_papers_list.php?cid=2&fs_papersPage=4> : 3.

26 In its 2006 Progress Report, the Commission stated, “During the SAA negotiations, Serbia has demonstrated a good level of administrative capacity. The relevant institutional setup – including the representatives of ministries, agencies and non-governmental organisations – has proven to be well established and effective.” and: “The European Integration Office has continued its good work, mostly of a technical and coordination nature, to promote the implementation of the European Partnership. It has also supported the Serbian SAA negotiating team effectively”, SEC (2006)1389, Brussels, 08.11.2006.

On the highest political level, the task of steering the EI process has been vested in the governmental Council for European Integration which is an expert-advisor body of the government and which assembles eleven ministers together with the President of the Government (Prime Minister) and the Vice-President of the Government, the Secretary General of the Government, and the Director of the Serbian European Integration Office (SEIO). It is charged with monitoring, reviewing, evaluating and streamlining the country's EI process, as well as "[providing] political support to the activities relating to the process."²⁷ Among others, the Minister for Public Administration and Local Self-Government is also a member of the Council.²⁸ Therefore, the Minister has the possibility of placing PAR issues on the EI agenda. In practice, however, the Council for EI meets only when major events occur in the country's relations with the EU, such as the initiation of the negotiations for the SAA. This means that, if exploited, this link could provide for no more than a political message and political guidance in relating the two processes, similar to this type of relation in the PAR Council, discussed in the previous section. As mentioned in the discussion on the PAR Council, in order for this link to serve its potential purpose, a strong political commitment to relating the two processes and an awareness of the importance of achieving this link would need to exist in the first place. Moreover, to achieve a functional connection between the two processes, in addition to the link on the political level, other institutional arrangements would have to exist and operationalise it.

A body with a more operational-strategic function is the Commission for the EU Accession Coordination, established as early as October 2002. The Commission was envisaged as an "operational body that would coordinate and streamline the activities of the Republic's institutions and organizations in the Stabilisation and Association Process."²⁹ It is top civil servant positions (according to the legislative changes and depoliticisation objective envisaged by PAR and the CS law) that are represented in this body, although at present, some of these posts are still occupied by political appointees. The Commission "meets once a month on average, depending on how many issues have come across that need to be dealt with jointly."³⁰ It has been vested with substantial responsibilities in the EI process and the description of one of its tasks entails a link with PAR. I.a., it is to "propose measures as regards legal harmonisation, institutional changes and reform of policies that the Republic of Serbia is responsible for, which are not only a condition but also a necessity in

27 The Serbian Government Council for European Integration. SEIO, <<http://www.seio.sr.gov.yu/code/navigate.asp?Id=71>> (April 2005).

28 Decision on the appointment of the president, vice-president and the members of the Council for European integration. *Official Journal of the Republic of Serbia* 11 June 2004.

29 Commission for the EU Accession Coordination. Website of SEIO, <<http://www.seio.sr.gov.yu/code/navigate.asp?Id=72>> (April 2005).

30 Interview with Mirjana Savic, SEIO.

the European integration process.”³¹ In addition, the Secretary of the MPALSG has been appointed member of the Commission, which, coupled with the task related to institution-building, could represent a substantial link with PAR. In practice, however, the Secretary is usually replaced by someone at a lower hierarchical level.³² Moreover, the Commission is usually organised in order to prepare the ministries for each meeting of the Enhanced Permanent Dialogue (EPD) with the EU as well as for each round of SAA negotiations with the EU. Therefore, the agenda usually focuses on sectoral issues and while the administrative capacity building for a specific sector can usually be the topic (given that it often figures on the agendas of the EPD meetings), PAR is less likely to be discussed there.³³ For a functional link between PAR and EI to be created in the Commission, there would have to be a very high level of awareness of the role of PAR in EI within the MPALSG leadership and accordingly the willingness to discuss PAR questions at the Accession Commission meetings.

The core implementation and coordination of EI in Serbia is heavily dependent on the performance of the executive institution created in the EI sector. Such institutions are formed in all countries aspiring to EU membership for the day-to-day management of the accession process and the main communication with the European Commission. They are often referred to as the “European secretariats.”³⁴ The role of these institutions is duly emphasised in the Feasibility Study for Serbia and Montenegro as well.³⁵ After the EI issues had been managed by one of the departments of the Serbian Ministry of International Economic Relations (MIER) for several years, in March 2004, the Government of Serbia transferred it to the centre of Government and placed it under the responsibility of the President of the Government, who subsequently delegated his authority over this institution, as well as the entire area of EI, to the Vice-President of the Government. The establishment of this new government service, the Serbian European Integration Office (SEIO), was a result of the perceived “need of having a strong authority that would efficiently

31 In addition to this, the Commission has the following tasks: to propose measures for setting up and promoting cooperation between republican bodies and organisations responsible for passing and implementing European integration policies; to determine the priorities and best methods for the approximation of Serbian policies and regulations with the EU standards; to monitor the implementation of the proposed measures. Commission for EU Accession Coordination, Website of SEIO, <<http://www.seio.sr.gov.yu/code/navigate.asp?Id=72>> (April 2006).

32 If power were delegated vertically within the ministries, this would not necessarily be a problem, but in the absence of such power delegation, the representative of MPALSG in fact has no decision power.

33 Interview with Ms. Mirjana Savic, SEIO.

34 Tony Verheijen. 2000. Administrative Capacity Development: A Race against Time? *WRR: Scientific Council for Government Policy* W107: 37.

35 Commission Staff Working Paper: Report on the preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union, Commission of the European Communities, SEC (2005) 478 final (12.04.2005): 9-10.

coordinate the EU association process.”³⁶ The SEIO was envisaged as a strengthened successor of the MIER’s European Integration Department with some new responsibilities. The essence of SEIO’s work is coordination activities, while the line ministries and other sectoral institutions are responsible for implementation, each within its own competencies.

An important consideration for the present analysis is the role of the SEIO’s Department for Institutional Building and Training. One of the competences of the SEIO is indeed the “alignment of institutional potentials of the Republic of Serbia [...] with the needs of association and accession to the European Union.”³⁷ It also “prepares acts by which the Government supervises, directs and aligns activities of the ministries and special organisations relating to association and accession to the European Union.”³⁸ As a result of this competence, this “proactive”³⁹ institution has the possibility to act as the engine of the process of connecting PAR with EI, through fruitful cooperation with the MPALSG. Nevertheless, the SEIO must stay alert in order not to be perceived as interfering with the MPALSG’s competencies. Therefore, all activities performed by this department at the SEIO are agreed and closely coordinated with the MPALSG. The main contact point of SEIO in the MPALSG is the Sector for EU law harmonisation, international cooperation and project management, within which this ministry’s EI unit operates. The SEIO’s institution-building department has recently proposed to the MPALSG several initiatives which should, directly or indirectly, increase the awareness of the need to relate PAR and EI and realise some concrete activities aimed at relating the two processes. One of these initiatives, which was implemented in cooperation with the MPALSG, is the Action Plan for Institution Building in the Process of EU Integration (AP), adopted by the Government in July 2006. This AP can be considered a precursor of the part of the future National Programme for the Adoption of the *Acquis* which deals with PAR and administrative capacity development. The AP contains priorities and concrete measures for institutional strengthening in the context of EU accession for a number of sectors, but also for horizontal PAR, which occupies a whole separate chapter in this document.

Units for EI have been created in most line ministries as SEIO’s contact points and coordinators of all EI-related activities in each of the ministries. Although some ministries have integrated them into their already existing sectors for international

36 Update on the Progress Made in the Activities of the Serbian European Integration Office in 2004. Website of SEIO <<http://www.seio.sr.gov.yu/code/navigate.asp?Id=115>> (April 2005).

37 Government Regulation on the Establishment of the Office for European Integration, no. 110-5253/2005, (25 August 2005).

38 Government Regulation on the Establishment of the Office for European Integration, no. 110-5253/2005, (25 August 2005).

39 Commission Staff Working Paper: Report on the preparedness of Serbia and Montenegro to negotiate a Stabilisation and Association Agreement with the European Union, Commission of the European Communities, Brussels, 12.04.2005, SEC (2005) 478 final, 9.

cooperation and in some cases capacities are insufficient to deal with the heavily increasing workload, the cooperation between the SEIO and these units is functional and constantly improving. Connecting the EI units with the PAR reform teams discussed in the previous chapter could be a good opportunity for tackling the problem of relating PAR to EI from the bottom. However, for this link to exist, the PAR reform teams should exist in the first place, after which provisions would have to be made for their joint work. Therefore, this link is not likely to become functional.

The EI management structures are still at an early stage of development. Due to the weak and fragmented CoG and very strong and independent ministries,⁴⁰ rendering the SEIO a really influential institution is a slow process. However, with the advance of the EI process, the SEIO will inevitably be increasingly perceived as a salient actor in the Serbian PA, which will enable it to strengthen even further its cooperation with the MPALSG, thus forcing the EI aspect into the PAR agenda, and consequently strengthening the EI link with PAR. At the same time, projects are being carried out with the purpose of strengthening the CoG in the Serbian administrative structure, which should also contribute to strengthening the leverage of the SEIO in respect to the ministries in the future. If SEIO becomes the main driving force behind connecting PAR and EI (through its “ownership” of the Accession Commission and its proactive cooperation with the EI unit in the MPALSG and in other ministries), it can positively affect, not only the cross-sectoral coordination in the EI management, but can also spread this “best practice” to the rest of PA and thus positively affect PAR as a whole.

In conclusion to this section, one may say that the potential of EI to drive the PAR agenda is high, as the institutional arrangements are suitable and more fitting to link the two processes than the PAR institutional setting. Consequently, with a further advance of the EI process, it can be expected that the rise in the awareness on the highest political level, as well as an increase in the pressure for such developments from the EU, will render the EI structures the main venue for making the connection between PAR and EI real and operational.

3.3 Challenges: Tradition & Perceptions

Even when institutional links exist and reforms are on the way to implementation, attitudes and values embedded in administrative traditions can interfere with the desired path of institutional change. In the new institutionalist viewpoint, it is contended that “[when] purposive institutional change is attempted, ‘old’ and ‘new’ rules may exist in tandem, governing interactions in different parts or at different levels within political system.”⁴¹ In order to understand the role of culture within

40 Balkans Public Administration Reform Assessment: Serbia and Montenegro. 2004. *OECD/SIG-MA*: 28.

41 Vivien Lowndes. 2002. Institutionalism. In *Theory and Methods in Political Science*. 2nd edn. Edited by David Marsh and Gerry Stoker. (*Political Analysis*. Series edited by B. Guy Peters, Jon Pierre and Gerry Stoker.) New York: Palgrave Macmillan: 101.

the Serbian PA, one needs to first understand its historical path that has revolved around certain traditional features. These traditions are reflected in the attitudes of the actors within PA, the transformation of which, as already mentioned, “can only be achieved very gradually.”⁴² Based on the opinions and attitudes expressed by the respondents that this author has interviewed, the prevailing administrative tradition is identified as a possible challenge to be specifically addressed in the reform implementation.

Serbian administration can be identified within the legalist, German/Austrian tradition, which formed the base of the “Vidovdan” Constitution of the Kingdom of Serbs, Croats and Slovenians (Yugoslavia) already in 1921.⁴³ Until the Second World War, Yugoslavia had developed an apolitical, professional civil service, highly esteemed by the public and with a strong respect for the rule of law.⁴⁴ In the post-World War II period, the administration remained viewed by the population as one of the most privileged professions. Socialist Yugoslavia was the only European communist country whose civil servants were subject of a special Law on Public Servants between 1946 and 1963 (even though it was not as specific as the modern civil service acts),⁴⁵ rather than the general labour act, as was the practice in other communist states. When the more mainstream communist practice of submitting civil service to the general labour rules and thus officially erasing the difference between a civil servant and a worker was introduced in 1978, the strong civil service tradition prevailed, thus maintaining the image of the civil service as a “privileged group.”⁴⁶ Thus, PA was clearly distinguished from other professions in the country where the predominant sector was the public one.

The change in the quality, as well as the reputation, of PA came after the break-up of Former Yugoslavia and the advent of the Milosevic regime in the rump FR Yugoslavia. Both Serbia and Montenegro, which soon after the dissolution of socialist Yugoslavia created their own separate administrative systems, opted for re-introducing a special law to govern the rights and duties of the civil servants in 1991.⁴⁷ Nevertheless, low salaries contributed to the “drain” from the public towards the private sector, as well as the development of corruption and the disappearance of the respect for the rule of law.⁴⁸ Even though the impartiality of the civil service in its work was held up to a certain degree, politicisation increased through disrespect for the

42 Fournier. 1998. *OECD/SIGMA* 23: 128.

43 Zeljko Sevic and Aleksandra Rabrenovic. 1999. The Civil Service of Yugoslavia: Tradition vs. Transition. In *Civil Service Systems in Central and Eastern Europe*. Edited by Tony Verheijen. Cheltenham: Edward Elgar: 52.

44 Sevic and Rabrenovic. 1999. In Verheijen: 52-3.

45 Sevic and Rabrenovic. 1999. In Verheijen: 55.

46 Sevic and Rabrenovic. 1999. In Verheijen: 56.

47 In Serbia, this was the Law on Labour Relations in the State Organs; see Sevic and Rabrenovic: 63.

48 Sevic and Rabrenovic. 1999. In Verheijen: 63-4.

laws in power and the increase in the political activity of the civil servants.⁴⁹ The number of political appointments based on party affiliation increased, especially for the posts of the deputy minister. The once high esteem for the public administration in the public came down severely, due to both political and economic factors.⁵⁰

Arguably, “an indigenous path of development,” which has in the past produced “very original” versions of the efforts to apply other countries’ reform models, is prevalent in the countries of Former Yugoslavia.⁵¹ This strong tradition is unfavourable to reform as the “civil service tends to be unreceptive to the introduction of new modern organisation structures, operating practices, ideas.”⁵² The old legalist bias has outlived both communism and the subsequent Milosevic’s authoritarian regime, as well as the disappearance of the rule of law as a norm. Today, this bias performs a very negative role in PAR, as there is a strong tendency to regard this process in terms of law adoption,⁵³ while deeper re-structuring of the system does not receive sufficient attention. This tendency towards “over-reliance on legislation as the main reform instrument” has been observed in the CEEC’s as well, given the legalist tradition they share with former Yugoslavia.⁵⁴ At the same time, insufficient attention has been given to the “reform of administrative structures and processes,” while civil service reform has been over-emphasised, which accounts for the long persisting failures of the CEEC’s to build their administrative systems successfully.⁵⁵

The interviews this author has conducted for the purpose of this study have confirmed the statements made above to a large extent, although there have been exceptions as well. The opinion of an expert on PAR in Serbia was that the approach towards PAR in the country is very legalistic, with the process mainly managed by lawyers, which in “this country with French-German heritage is understood to be about changing the law on PA, the law on civil service, or introducing some new mechanisms on how to ‘better coordinate’ in the sense of receiving a signature or consulting a certain person if a new law is to be developed.”⁵⁶ Hence, there might be the danger of PAR and EI remaining predominantly viewed in terms of law adoption and legislative harmonisation, without due emphasis being placed on the holistic approach to these processes in which regulatory action would be no more than the prerequisite for deeper structural changes. Nevertheless, on the basis of the

49 Sevic and Rabrenovic. 1999. In Verheijen: 67.

50 Sevic and Rabrenovic. 1999. In Verheijen: 70-1.

51 Sevic and Rabrenovic. 1999. In Verheijen: 72.

52 Sevic and Rabrenovic. 1999. In Verheijen: 78.

53 Serbia and Montenegro Public Administration Development: Creating Conditions for Effective Economic and Social Reform. *World Bank* 9.

54 Verheijen. Administration in Post-Communist States. In *Handbook of Public Administration*: 495.

55 Verheijen. Administration in Post-Communist States. In *Handbook of Public Administration*: 495.

56 Interview with Mr. Nenad Rava, expert on PAR.

responses of the interviewees and this author's experience working in the Serbian civil service, there seems to be a critical mass of civil servants aware of the importance of linking PAR and EI strongly, or at least highly receptive to the information on the relatedness between these two processes. If the right set of recommendations is drawn and implemented, this critical mass might be sufficient to stimulate both the awareness on the highest political level needed to guide the changes, and the understanding in the wider civil service necessary if the right preparations for the accession to the EU are to take place in due time.

4. Conclusions: Recommendations

This paper has analysed the different possibilities for establishing working links between the processes of EU integration and public administration reform in Serbia. The principal assumption which has formed the basis of the argument and analysis is that the objective of EU membership poses a particularly complex requirement before the public administration of a candidate country, to not only prepare the accession to the EU, but also to “[create] the capacity to benefit from membership.”⁵⁷ Thus, the necessity for a given country to reform (or rebuild) itself into a future functioning EU member, rather than simply reform its PA, renders a strong connection between PAR and EI agendas primordial to the achievement of this essential objective.

The analysis has been conducted on two levels. Accordingly, section 2 analysed the PAR Strategy of the Serbian Government in order to find out what links with EI it contains, both in terms of the extent to which it is based on some of the general European administrative principles and SIGMA's CS baseline, and in terms of referencing EU membership and institutional links with the EI management. The second level of analysis was the examination of the reality of PAR and its links with EI. Thus, section 3 has offered an examination of both sides of the coin of the PAR-EI relationship: first through the analysis of the institutional possibilities for linking the two processes in the actual PAR management, and second through such scrutiny of the EI structures. The final part of section 3 offered an insight into the administrative tradition and the resulting prevailing perceptions on the significance of PAR and EI. The aim of that discussion was to point to an important challenge which needs to be tackled if a functional connection between PAR and EI is to be created.

The following, rather normative, approach to the question of connecting PAR and EI was expressed by one of this author's respondents, an expert on PAR in Serbia:

57 Metcalfe. 1998. *OECD/SIGMA* 23: 62.

It has to be one and the same process. Which of them is going to be the umbrella, is a matter of approach. If EI is perceived as being all about harmonisation of legislation, then it will not receive the treatment that it should. If EI is understood as the political (mainly political, and then economic) transformation of the state in order to become an EU member, then I think that PAR (or governance reform if you wish) should be the core of EI.⁵⁸

When opposed to the reform design and reform reality in Serbia, such an approach appears as too idealistic. Nevertheless, it can be regarded as a model against which the progress in connecting PAR and EI will be measured.

The first conclusion stemming from this study suggests that the connection between PAR and EI should exist both in the PAR strategy, i.e. the design of reform, and in the actual reform implementation. In view of the importance of a holistic approach to PAR and its elaboration in a comprehensive strategic document, the PAR strategy should retain a central position in the reform process. Nevertheless, there is a danger of disregarding the strategic document and its potential input in the reform process after the initial phase of PAR is completed. Since the PAR strategy is a document encompassing the entire reform process and period, and giving coherence to the reform activities which might otherwise lack it, its importance should be emphasised throughout the reform process. In view of the deficiencies of the Serbian PAR Strategy examined in this study, a dynamic approach towards this document should be adopted. Accordingly, the action plan of the Strategy should be revised (possibly annually), however governed by the strict application of rules defined in advance, in order to prevent political abuse of such revisions and a complete overhaul of the initial strategies.

In the domain of PAR implementation, the analysis conducted in this paper implies that the link between PAR and EI should be created on both political and operational levels. The agenda-setting for the two processes should be tightly linked, hence ensuring not only the participation of the same people in the bodies managing PAR and those managing EI, but also joint discussions of the problems and issues arising in the two processes. For this to be possible, there is a great need for projects aimed at increasing the awareness of the role that PAR plays in the EI process. Such projects should preferably target both the highest political level of decision-making, which needs to realise the importance of institutionally interrelating these two processes, and the more operational level, which will only then be able to implement the processes as related. This might require much greater emphasis on these issues by both national and international advisers and experts engaged in both PAR and EI processes. Targeted projects should engage those actors within PA who are already familiar with the experiences of previous candidate countries in the role that PAR played in their EU accession and their later performance as EU members.

58 Interview with Nenad Rava, UNDP, Serbia.

As a result of such projects, the awareness of all the relevant target groups should be raised and specific recommendations should be developed for institutional measures to be implemented.

Institutionally, the highest political bodies established for steering the processes of EI and PAR could be unified as a result of increased political awareness. Alternatively, the two governmental Councils should give out clear political signals to the rest of the government and to those involved in the implementation of the reforms that these two processes must be coordinated and viewed as deeply intertwined, with each of them bearing immense implications for the other. The PAR dimension of EI should be discussed at the meetings of the EI Council and vice versa. In order to send out the appropriate message to the rest of PA, the Serbian Government (instructed by the decision of the PAR and EI Councils) should adopt as one of its strategic objectives the gradual transformation of the Serbian PA into a system capable of coordinating successfully, not only the accession to the EU, but also the future membership in the EU.

At the operational level, the optimal way to relate the two processes might be by involving the top civil servants of all line ministries and important state organs into a “single coordination body which would manage the PAR, EI and possibly donor coordination, but would also be given real competencies in policy design and implementation.”⁵⁹ Measured against this possibly idealist model, improvements could be made by strengthening the inter-ministerial coordination of PAR. The precondition would be to ensure the presence of the EI management in an inter-ministerial body which should be established to coordinate PAR. Vesting the MPALSG with the “ownership” of such a body might help overcome its potential reluctance to give up a part of the PAR coordination task and at the same time might actually increase the possibility of such a body functioning on a regular basis.⁶⁰

After the application of the top-down strategy, the bottom-up approach should be utilised. Accordingly, particular consideration should be given to the challenge posed by the lack of awareness on the part of the *majority* of the Serbian civil service of the real implications of EI for the working and functioning of PA. Given that most of PA is not exposed to information about the experiences of the previous candidate countries in PAR and EI, they are highly likely to lack the knowledge of the specific requirements that the coordination of EU programmes and policies places on national administrations. An already existing bias towards a legalist understand-

59 Interview with Nenad Rava, PAR expert.

60 According to Verheijen, both the centralised and decentralised systems of organising cross-sectoral co-ordination have their advantages. The CoG model can increase uniformity and reflection of the Government policy in the cross-sectoral bodies. In the decentralised model, working groups are organised by a responsible ministry taking ‘ownership’ of this task and seeking to ensure successful work of such cross-sectoral bodies. See Verheijen. 1998. *The Management of EU Affairs in EU Candidate States. OECD/SIGMA* 23: 22.

ing of EI and PAR, influenced by the administrative tradition, might be further aggravated if EI is promoted as no more than legislative alignment.

In order to prepare the entire civil service for the EU-accession-triggered changes in the administrative environment and to make civil servants active participants in the administrative changes needed for EI to run smoothly, targeted action is required. Only thus will it be possible to influence and gradually change the understanding within the civil service of the importance of EI for the entire PA. This is particularly of significance for those civil servants who should perform as managers and, through participation in the various working groups and consultative bodies, above all cross-sectoral ones, have a more prominent role in the coordination of PAR and EI. Therefore, EI needs to be promoted to civil servants (through projects and training) not only as the process of legislative harmonisation, but also as the process involving deep structural changes within the state with particular impact on PA. The understanding must be created inside of PA that EU membership, as well as the process of negotiating EU membership, requires and imposes changes in the decision-making processes as well as intra-ministerial and inter-ministerial coordination mechanisms.

The experience of the accession processes of the CEECs should be regarded as a valuable source of lessons to be learnt for Serbia. In relation to that, special efforts are needed to channel these experiences properly, through consultative mechanisms, with particular attention paid to not stimulating their use as a justification for failures or even passiveness. In addition, the post-accession experience not only in the CEECs but also in the states of the previous enlargements should be utilised in different projects (Twinning for example) with the aim of pointing out the real challenges that the EU membership poses to national administrations.

The absence of the “hard *acquis*” for PA, and the ensuing reliance on the “soft *acquis*” in the form of EU standards and principles promoted through the SIGMA programme and the baseline system, result in insufficient leverage of this soft criterion within the accession process. A positive change, however, can be observed in the European Commission’s standpoints regarding the importance of PAR. The last European Partnership document for Serbia and Montenegro places PAR among the key short-term priorities to be addressed by the Government in the EI process. As a result of this external condition, numerous activities can be implemented placing PAR and EI in the same context, such as the abovementioned Action Plan for Institution Building in the Process of EU Integration, adopted by the Serbian Government.

Finally, it cannot be considered too early in the EI process to seriously consider such measures and try to enforce a joint PAR-EI agenda with the objective of preparing Serbia not only for negotiating EU accession, but also performing well upon accession. There are at least two reasons for that. Firstly, the EI process has advanced, and although the SAA negotiations are on hold at the moment pending

the outcome of the January 2007 parliamentary elections in terms of forming a new government and continuing cooperation with ICTY, the work on the Agreement itself has largely been finalised, with only several outstanding issues to be resolved. Therefore, the SAA might be concluded in the first half of 2007. New capacities and coherent and consistent strategies will be needed to implement the Agreement. The acceleration of EI renders the objective of EU membership more visible and real, which can help mobilise its leverage for accelerating PAR. Secondly, in order to avoid the errors committed by the CEEC's, which had difficulties in relating these processes in a timely manner,⁶¹ a long-term, strategic approach should be adopted as early as possible in the EI process. Only thus can Serbia avoid the dangers posed by the failure to prepare PA for the challenges of EU membership, which were observed in the case of Greece, for example.⁶²

Finally, linking PAR to EI should in no way suggest subordinating this area of reform to the wider EI agenda. To the contrary, PAR should be given ever higher priority by the Government at this stage, which will in turn render EI more successful as well. EI should be used as the leverage for setting the reforms in motion and giving them shape, direction and dynamism.

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The Role of the Bulgarian Public Administration System in the Transition to “Market Based” Urban Development

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Abstract

The present paper seeks to explore the role of public administration in urban development in Bulgaria with respect to the socio-economic situation and the current stage of establishment of a democratic, market-based social system. The main areas of study are:

- The relevance of functions and powers of the local governments and the local planning authorities (LPA) to the urban market process.

For this purpose, the paper examines the level of decentralization of the system of local governance in Bulgaria and, in particular, in the area of urban development. It also investigates the structures, functions and powers of local governments and the local planning authorities.

- The level and forms of interaction between public administration and business, and public administration and citizens in the area of urban development.

Explorations are based on a study of the roles of the main market players, and the abilities, powers and duties of local governments in the collaboration with them.

Key words: urban market, citizen participation and urban management

Introduction

The role of public administration at the local governments and the local planning authorities (LPA) in urban development in Bulgaria has changed substantially over

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the last 12 – 15 years. Naturally, this was largely based on the changes in the overall political, economic and social situation at the national level. Democratization of social life, the transition to a pluralistic political and economic system – all these factors had a major impact for transformations at the local level, too. However, changes at the national and the local level differed in many aspects – in rate, scale and direction. What is more, the systems at the two levels did not change adequately and in some areas, changes were inconsistent. The paper provides many examples to show this.

Based on the information and the evidence provided, the paper comes to the conclusion that the main problems related to the role of public administration in the current processes of urban development in Bulgaria are due to the insufficient market orientation of the local governments, the spread of conflicts of interests, the low level of public participation and the level of decentralization, which was improved in the last decade but is still low in the specific area of urban development. Therefore, the necessary changes are identified as: enhancing the powers and the abilities of local governments and LPA to act as the regulator of the urban market, promotion of a diversity of forms and schemes of public participation in urban planning and urban development, and further promotion of decentralization.

Main research question and methodology of research

The main research question concerns the new role of public administration in urban development. This, in fact, comprises two sub-questions:

- first, about the direction of the changes in the role of public administration, and,
- second, about the relevance of the changing structure and the performance of the local governments and LPA to the proper direction of required changes.

The main problems to be analyzed with respect to the changing structure and the performance of the local governments and the local planning authorities, concern:

- The functions of the institutions, their powers in urban development and their relevance to the social and economic environment;
- The structure of these institutions and the relevance to the functions performed, the functions of the departments they comprise and especially the planning authorities;
- The powers of the experts, professionals and civil servants.

Two aspects of the specified issues should be analyzed in more depth:

- The role of relevant legislation – as governmental institutions, their performance is based exclusively on the legal framework; and
- The stage of the process of decentralization – local governments in Bulgaria (as in all other post-communist countries) inherited their place in the structure of governance, their functions and powers from the “socialist” state, which was highly centralized. That is why a process of decentralization has been conducted for more than a decade.

Information and data to perform the analysis with respect to the above-specified issues have been collected from specialized journals and media (*The City, Architecture, FLGR Bulletin*, university annuals, *Real Estate Index Journal*), from internet sources and through interviews with employees, experts and elected officials at local governments and planning authorities (the Municipalities of Pazarjik, Haskovo and Karlovo). The analysis of the legal framework was based on studying relevant Bulgarian legislation – the Administration Act, the Law of Civil Servants, the Law of Municipal Budgets, the Law of Spatial Planning of the Territory, the Local Governance Act, the Unified Classifier of Administrative Positions, etc.

Socio-economic basis and general direction of the change in the role of public administration in urban development in the process of transition

The change in the role of public administration is based on the economic and political changes in Eastern Europe. However, changes are not always in the proper direction. Proper changes should reflect the initial state of society and should be headed to a role adequate to the new socio-economic conditions and the target – the democratic market society. As far as the specific scope of research of this paper is the area of urban development, the specific target of changes is urban development based on democratic principles and market forces. That means that urban development, which comprises the development of settlements, housing, industrial zones, infrastructure, commercial and public facilities, amenities and spaces, is no longer determined by a single planning centre, but is determined by and the result of the free will of numerous bigger and smaller urban players.

In a socialist economy, the governments (central and local) were the only planner, the only developer, and the only builder. Thus, their role as a regulator was secondary, because as a planner, developer and builder at the same time, they could change regulations any time they needed (Bertaud 2002, 2003). In a market economy, the government's role as developer is much reduced, and as a builder it has no important role. In market conditions, the government is, first of all, a regulator and the main planner. Local governments should take into account the interests of all market players, so all market players also exercise planning powers; still, the local governments take the leading role. That is why all over the world, the departments

of local governments dealing with urban planning and regulating urban development – known as local planning authorities (LPA) comprise a substantial part of the personnel, often the largest department. Therefore, the focus is on regulations, but regulations are much more important in a market economy than in a socialist economy (Bertaud 2002, 2003).

In fact, in a market economy, the governments (to some extent the central, but mainly the local governments) and the local planning authorities shape the market framework. Through urban planning, through regulations and development of infrastructure, they determine the performance of the elements and the systems of urban markets (Ave 1996, Bertaud 2002).

The role of public administration in shaping the urban market can best be studied by analyzing the attitude and the relations with the main market players. Urban economics (Harvey 1987) identifies the following urban market players: developers, investors, end consumers, real-estate agents, planners, architects and design professionals, lawyers, interested NGOs and activists, governmental institutions, etc. Therefore, in addition to the already specified basic points of research, we should pay special attention to the attitude and the relations of the local governments and LPA to the main market players, who are:

- Private businesses – especially the developers, as representing the market supply side.
- The population – the major end consumer, representing the market demand side.

We should stress, however, that apart from the role of major end consumer, the population should also exercise a major role as a direct participant in the process of urban planning and in steering local and urban development. This role is most often exercised through the elected officials at the local governments; however, special precautions should be enacted, so that the elected officials should always represent the preferences and the will of the population. On the other hand, it is essential that in the area of urban development, institutions and mechanisms for public participation must be established in order to realize direct public management of urban processes.

Relevance of the functions and powers of the local governments and LPA, their structure and personnel to the adequate role in the market process of urban development

As already established, the role of local governments and LPA in urban development is exceptionally important since they should be the regulator – the steering agencies of the spatial development of human settlements. The change from the role of a developer/builder in the socialist state to the role of the regulator is a major challenge that requires enormous efforts and development of new major resources.

However, this paper claims that changes in this area have considerably lagged behind the general rate of social and economic transformations in Bulgaria.

First of all, the process of changing and adapting local government functions in Bulgaria in relation to the new conditions of a democratic market society is not easy and is not over yet. In fact, the very structure of local governments has not changed much since the beginning of the transformation. For example, professionals and some local officials started long ago to talk about the necessity of departments in Bulgarian municipalities whose principal purpose would be to ensure the realization of urban plans in market conditions (*The City* 1998 (13), 2000 (25, 43), 2001 (39), Slaev 1998; Alexandrov 2000). However, such departments still have not been created. Apparently local governments are not able to change the structure of local administration the way they find the most appropriate, or at least significant obstacles hamper the process of change.

The reason for this situation is most likely in the legal framework, which limits the powers of local governments. It should be stressed that **in order to perform the function of a regulator of urban development, the local governments have to acquire a high level of sovereignty**. According to the Local Governance Act (*Zakon za mestnoto samouravlenie i mestnata administracia – ZMSMA* 1991), the elected body – the Municipality Council – should determine the structure of local administration and is responsible for the payment of personnel (ZMSMA, article 14 (1), item 2). On the other hand, the Administration Act (*Zakon za administraciata – ZA* 1998) determines the structure of state administration in detail – all departments that must be incorporated and those that might be included as well. In principle, this structure is not compulsory for local governments. Next, the Unified Classifier of Administrative Positions enacted by Decree No. 35 of the Council of Ministers (03/20/2000) states all possible positions in all tiers of state administration including the positions at municipalities. Stating that the largest share of the municipal budget (almost half of it) comes from the central budget in the form of state subsidies, and also that the payroll is financed by this specific share, it is clear that the Municipal Council is constrained to adhere to the structure suggested by the Administration Act.

Therefore, the important issue of decentralization must be faced.

The process of decentralization

Two major aspects of decentralization should be identified:

- Decentralization of competence, powers and responsibilities; and
- Financial decentralization.

In view of the theme of this paper, the issue of decentralization will be analyzed here only as far as it is related to local spatial and urban development. More specifically, decentralization should be examined:

- in the process of regional and urban planning and policy formulation; and then
- in the stage of implementation of regional and urban plans and policies.

In general, decentralization has been regarded as an issue from the beginning of the transition. However, the democratic parties, when coming to power, in many aspects retained the control that the central administration had over local communities. The influence of international institutions is also rather controversial – the International Monetary Fund and the European Commission act in support of decentralization, but when help is provided, centralized funding often seems more secure to these institutions and this is especially characteristic of some European programs.

Decentralization of competence, powers and responsibilities in the area of regional and urban planning

At present, the legal framework in urban and regional planning in Bulgaria is formed by the Law of Spatial Planning of the Territory (*Zakon za ustroystvo na teritoriatata* – ZUT 2001), which replaced the Law of Spatial and Urban Planning (1973). Important elements of the framework are several “sub-law” regulations – Regulations Nos. 4, 7 and 8, which determine urban and development standards and building codes in the country. Thus, a clear, hierarchical three-tier structure of planning is established with a high degree of centralism. Spatial Planning Schemes correspond to the highest tier – the national and regional level – which falls within the responsibilities of the ministry of regional development and the regional authorities (the regional governors and councils). General Urban (Development) Plans of municipalities, towns and settlements correspond to the second tier of planning, and Detailed Urban Plans correspond to the third and lowest tier. Municipalities are responsible for the elaboration, adoption and implementation of these two types of plans.

The process of decentralization in the area of planning started in the beginning of the 1990s with certain measures towards the enhancement of the rights and responsibilities of municipalities to initiate, prepare and approve the spatial plans of their territories. While in the past, local governments could not initiate the process, but had to wait for the ministry to do so, now they could do that on their own, provided that they had the funding. This situation was ultimately fixed in the Law of Spatial Planning of the Territory (ZUT) adopted in 2001. The point is that, quite reasonably, the rights go together with responsibilities. However, this turned out to be a major problem for urban planning, because, firstly, many municipalities in Bulgaria still “live” on subsidies, and, secondly, the general lack of funding due to the economic crises. As a result, by 2004, only a very few municipalities had developed new General Urban Plans in the past decade, and probably more than 90 percent of the towns and cities had obsolete, i.e. out-of-date, plans. Yet, in the period after 2003, due to the improvement in the economic situation, a campaign-like process

started and most of the towns and cities in Bulgaria resumed their planning activities at the General Plan level.

Another important direction of the changes towards decentralization was the preparation of local regulations and standards specific to every municipality. It should be stressed that the regulations and standards fixed in ZUT and the regulations mentioned above are compulsory for all towns, cities, villages and other settlements in the country, no matter what the attitude and preferences of the local communities are. This certainly does not correspond to the practice in most European, and not only European, countries, where planning regulations and standards are set and adopted locally (at the local, i.e. the municipal, level).

In the second half of the 1990s, a campaign was launched in Bulgaria for all big cities in the country to adopt their local regulations and standards, reflecting the specific situation for every urban structure and the historically formed built environment. This campaign aimed at promoting the decentralized approach in urban development and to “move” this area of Bulgarian legislation closer to European practices. Unfortunately, the procedures for adopting the new regulations in most of the cities were not completed because of a series of changes in the legal framework – in this case, the new Law of Spatial Planning of the Territory (ZUT). And this, apparently, put an end (at least for the time being) to the tendency towards decentralization.

Eventually, the new ZUT was built upon a strongly centralized concept of spatial (regional and urban) development, and this is clearly identified in two directions.

Firstly, the hierarchical structure of the planning system with a strong emphasis on “senior” institution rights. For example: decisions made by the National Expert Council or by the Minister of Regional Development are obligatory for all municipalities and towns (ZUT, articles 6, 13, 127, 128). It appears that when lack of expertise is suspected in the process of elaboration of urban plans, the rights of local governments to plan the territory of their community are actually limited and conveyed to the “senior” institution, instead of encouraging the municipalities to attract experts in the process of planning.

Secondly, too many restrictions on municipality planning activities also limit flexibility as an element of effective management. The types of plans are precisely detailed in ZUT and that practically excludes any possibility to elaborate any other type of urban plan different from that which is specified. Thus, the type of plan that would really correspond to most of the concrete needs of the towns, cities and other settlements is actually excluded. For instance, these might include plans for investment opportunities or any other urban plan aimed at resolving specific local problems such as different aspects of problems of the green system and of open areas, parking problems, children’s playgrounds, etc. If the municipality wanted to work out such a specific local problem, it would not be able to concentrate on it because it would be compelled to elaborate an entire urban plan, which, firstly, would

be much more expensive, and secondly, would not permit concentration on urgent daily problems.

And again, when assessing the rate of decentralization, we should stress the absence of specific norms and standards for spatial and urban planning. In fact, an amendment of the law made in August 2003 provides an opportunity for municipalities to prepare specific urban standards and norms – again only if approved by the National Expert Council (ZUT, article 13). However, in the context of the legal environment, local governments seem not very interested in exercising “extra” powers, so not a single municipality has started the process of elaboration of its own specific standards yet.

Finally, we come to the conclusion that the over-centralization of the Bulgarian planning system contradicts the tendency towards more freedom and responsibilities for local communities and towards more rights to resolve their problems autonomously and without the unnecessary bureaucratic burden.

Significance of financial decentralization for the functions and the powers of local governments to facilitate and steer urban development

Measures to facilitate urban development are always related to the issue of funding. Whether the local government will need finances to buy land or to compensate landowners in order to develop an area, or whether the municipality is intending to start a marketing campaign related to new development opportunities – all activities should be respectively funded, and at the stage of implementation of urban plans and policies, funding is substantial. Therefore, with further development of urban market processes, local governments feel that the financial issue is essential in the process of decentralization.

The fact is that financial decentralization in Bulgaria has made certain progress, but so far, the system remains too centralized compared to the systems in most countries in the EU. Most of the taxes still “fill” the central budget instead of “filling the holes” in the local authority’s finance. Most of the Bulgarian municipalities still “live” on subsidies instead of retaining most of the taxes collected within their territory. According to the Law of Municipal Budgets (Zakon za obshtinskite byudjeti – ZOB 1998), the activities of local governments are funded by:

- Municipalities’ own income: real property taxes, motor vehicle and inheritance taxes, taxes on hotels and hostels, local fees on waste, rights of use of markets, fairs and municipal property, fees for administrative services, etc., concessions; and
- State subsidies and disposable revenue of state taxes (mainly from the tax on profit).

Yet the very technology of preparation of the local budget is to a great extent centralized, too (ZOB – articles Nos. 6 to 13). The tax revenue adopted in a municipi-

pality budget is strictly based on the prognosis made by the Central Tax Directorate at the Ministry of Finance, and local governments are not able to change it despite the fact that they may disagree with the forecasts concerning their communities.

Indeed, the process of financial decentralization started from the very beginning of transition and it had periods of speeding up and slowing down. Some of the reasons that give grounds to the slowing down should be mentioned here. In the first instance, this is the usual argument that decentralization is good for municipalities with strong economies – they are interested in retaining the taxes instead of receiving the subsidies because the balance, in this case, will be positive for them. But what about municipalities with weak economies? If the subsidies are cut off, they will not be able to compensate with the inflow of tax revenue and many of them may go bankrupt. However, the question is – and this is a typical example of the classic dilemma – should the tax-payers go on paying for businesses (local governments in this case) that are not viable? Besides, what is not mentioned in the objection is that the largest share of the funding coming from the strong municipalities does not go to the weak ones, but remains in the central budget.

So it is not strange that most of the municipal experts and elected officials are quite critical with respect to this situation. Ivan Kolchakov, mayor of Pazardjik Municipality, says that:

“In 2000, 45 % of our local budget was funded by subsidies while last year, only 17 per cent. ... We have major problems with the state and the state institution. In all that we have achieved, we achieved it not with the help of these institutions, but by overcoming their resistance. Last year, when we sold 10 hectares of land for the price of \$1 to the Australian concern HEAD (n.b. considered by the municipality as a strategic investor) we had to pay enormous fees for the change of the land ownership. Last year, the fees for changing the land ownership were tripled and we had to pay despite the fall in foreign investment in 2002. Then we have to fund the development of infrastructure and when we bring in foreign investors, the state collects all the profits. Last year, the state collected 50 per cent of the income tax and this year collects 100 per cent of the profit tax” (FLGR Bulletin, No. he. 2/2003)

Emil Kabaivanov, Chairman of the Municipal Council of Karlovo:

“I’ve been in political life for 13 years now and I have noticed that every party, when coming to power, makes promises to enhance the powers of municipalities. But after they get elected, they do just the opposite – centralize funds” (FLGR Bulletin, No. 2/2003)

The perspective of the Ministry of Regional Development on the issue is rather different. Experts at the ministry claim that the stage of decentralization is relevant to the stage of economic development of the country. In 2002, Yuliana Galabinova, senior expert of the Regional Management and Decentralization Directorate at the ministry, stated that article 141 (2) of the Constitution of Bulgaria envisaged that local taxes should be “an important source” of funding, but they had no power to determine the type or the index of local taxes – this was to be done by the central government. Nevertheless, the ministry experts agreed that in the period 1991 – 2000, after Bulgarian municipalities had gained a statute of independent local bodies, local finance in Bulgaria had been characterized by the thorough control of the central government (FLGR Bulletin, No. 6/2003). Indeed, in 2003, a dialog started between the central and the local governments for the first time since the start of the transformation. In April 2003, the Work Group on Financial Decentralization resumed activity. Currently, almost all local fees are already set locally.

The structure of local governments and the local planning authorities and its importance for the performance of the LPA and their personnel

It has been discussed earlier in this paper that local governments in Bulgaria, according to the Local Governance Act (ZMSMA), have the power to determine the number and structure of commissions at Municipal Councils and also the structure of local administration. However, because of other relevant legislation (the Administration Act, Decree No. 35/2000 of the Council of Ministers enforcing the Unified Classifier of Administrative Positions, etc.) and probably most of all because departments and personnel are financed by state subsidies – because of all of these reasons, local governments, in fact, are not free to structure their administration the way they see fit. The aforementioned issue related to the establishment of sections, departments or just groups of experts oriented towards the urban market may seem not so crucial, but it clearly indicates the level of “market orientation” of Bulgarian municipalities and gives a good idea of the existing level of bureaucracy. On the other hand, if such departments were created they would certainly facilitate the process of adapting Bulgarian municipalities to the free market environment.

These considerations explain the interests of many professionals and the importance they attach to this theme. It is evident in the discussions in professional journals such as *The City* 2002 (14, 35), 2003 (23), *FLGR Bulletin* 2002 (8), 2003 (2). The prevailing view is that marketing departments should have the responsibility to realize the connection between private businesses and private initiatives, to implement an active marketing policy, to organize advertising activities, to promote investment opportunities and to work towards attracting investors. In some cases, senior officers within Bulgarian municipalities and elected officials have been consulted on this issue by foreign consultants from countries with more experience in market-based urban development. Dr. Douglass Watson, City Manager of Auburn, Alabama, stated at a seminar arranged by the Foundation for Local Government

Reform (01/2003) that the most important step to be made by local governments in the short term is to appoint professionals whose main duties should be to work on a long-term investment policy, to generate business initiatives through a proactive marketing approach, to prepare business programs and work-plans and to negotiate with potential investors (*FLGR Bulletin* 2003 (2)).

At the same time, the analysis of the legal framework clearly shows that it definitely does not stimulate a proactive, innovative, aggressive behavior of municipalities and towns in attracting economic resources. As was stated, the financial enervation of local communities by claiming most taxes by the central budget strongly limits the powers of municipalities to develop their own resources. When the central government returns part of the money that it has taken from municipalities, this not only establishes a bed financial system, but it also alienates local authorities from real economic problems by “putting” them on subsidies. In this way, the existing laws and regulations form an environment which affirms centralism and stimulates bureaucratic, i.e. non-market behavior in local authorities.

Generally speaking, the idea that urban development should be considered a resource of economic and social development is still new and not popular enough in Bulgaria.

Actually, the connection between these different aspects of local development, socio-economic and spatial, was regarded as a relation of major importance already in the period of socialist (communist) centralized economy planning. The concept that urban structures should serve as the physical environment of economic, social and demographic processes, as well as of all other activities of society, has always been basic to the planning approach.

However, some other aspect of this relationship is definitely misunderstood, and it is in the different approach towards ensuring this correspondence in the conditions of a free market. For example, in the past, Bulgarian urban planners used to take into consideration only one side of this interaction – the elaboration of urban plans was based on an anticipated economic and social development. To a great extent, the question of whether this relation would be kept properly after the implementation of the plans was not a problem for urban planners, because in conditions of socialism development depended basically on the qualities of the centralized economic plan and the central planning body. However, today in the free market economy, the concept of necessary “**feed-back**” is fundamental for the proper planning approach.

In other words, under the conditions of financial “starvation” and high competition to garner investment not only among companies and other economic units, but also among towns and cities, it becomes increasingly important for players to show their competitive advantages in the battle to attract investors. That is, the connection between socio-economic development and urban planning ceasing to be only “one way” (one direction only – the first being a condition for the second) and

becoming a “feed-back” connection which defines **urban planning as a resource of socio-economic growth**, becomes exceptionally important in the new market situation. Unfortunately, up to this point, this has not been fully realized or at least not properly assessed by specialists in Bulgaria. What is missing is a clear understanding that urban activities should structure and realize the potential of local communities in the competition to attract economic resources, but also to gain funding from European programs for development. And these are the municipalities’ own problems, i.e. they should be resolved using a decentralized approach.

Another important issue concerning the role of municipalities and civil servants at the local government level in the free market economy is related to the realization of public interests. More specifically, in the sphere of urban development Bulgarian municipal officers, specialists and experts do not have a proper understanding of the role of local authorities in the new conditions of a democratic market society, namely, that as civil servants of a municipality, one of the basic functions they have to perform is to serve and protect the public interests of the population. Of course, it is clear to all employees and elected members of local governments that this is one of his/her principal obligations, but the basic weakness is in the lack of balance between public and private interests (Hirt and Slaev 2002). In fact, local authority policies reflect the public feeling in favor of private interests, which is quite reasonable after the decades of communist rule when private property and private interests in Eastern Europe were underestimated, ignored and suppressed. The view that private interests must have priority was exclusively predominant for several years after the start of the transformation. It supported the idea that any form of planning, including spatial planning, was a form of communist approach. This was typical of most of the former “socialist” countries and was evident enough to be observed by researchers from the West, who actually had a better perspective than local researchers in Eastern Europe (Healey and Williams 1993; Maier 1994; Nedovid-Budic 2001). During the last few years, urban planning has resumed much, though not all, of its social functions, yet the balance between “private-public” still seems too far from the approach in Western societies.

Eventually, today the standpoint that private interests have priority and that the municipality **should not** interfere with the intentions of private owners or with their property, is still over-dominating. However, moving from one extreme to the other and at present fully ignoring public and serving private interests only is not less harmful especially in the area of urban development, where the priority of public interests should be beyond doubt. The poor balance and the overestimation of the importance and the rights of private owners contributed to the current practice of dealing with the problems of the urban environment “piecemeal” (according to the pieces of properties) (Dandolova 2001; Nikiforov 2003), strongly contradicts the modern holistic approach towards building a complex social environment meant to satisfy the interests of **all** inhabitants.

Finally, we have to consider the conflict of interests in local authorities. As far as the municipal civil servants represent the public interest, they should have the right to manage public resources – municipal properties, plots of land and buildings, assets, local and regional information accumulated by the administration, etc. However, at the same time, because of the general poor state of economy and society, the salaries of municipal servants are also quite insufficient. Having in mind the already discussed public feeling in favor of private interests, it is not hard to explain corruption in local authorities and the abundance of semi-legal and, as could be identified, almost legal ways and schemes of “trading” the public resources. In the relevant area of Bulgarian legislation, efficient means and measures dealing with the conflict of interests at local governments could hardly be found.

Something very important and characteristic that should be noted is that until October 2003, the conflict of interests had not actually ever been dealt with by relevant Bulgarian legislation. Indeed, corruption has always been dealt with in legislation; still many international reports place corruption amongst the major problems in Bulgarian society. Though conflict of interest and corruption are related, the difference is significant. Corruption is, in principle, much more to blame, but this is also one of the reasons why conflict of interest is much more widespread. Because it is more widely spread, and since it gives rise to corruption, this phenomenon should be regarded as **the greater threat**.

All these considerations stress the significance of the fact that it was only in October 2003 when a provision treating the conflict of interest was introduced in the Law of Civil Servants (State Employees) (Zakon za darjavnia slujitel – ZDS 1999). According to the new Article 29a, each civil servant is obligated to declare, in the form of a special declaration, any interest he or she or other persons related to him or her might have in the functions of the administration. Also, he or she shall not take part in discussions, preparations and passing any decisions if he/she or anyone related to him/her is personally involved in this decision.

At the end of November 2003, a Round Table took place at the Sofia City Council. The Round Table was supported and organized by the ombudsman of the Municipality, the Open Society Foundation, the Foundation for Local Government Reform, Coalition 2000 and other non-governmental organizations. Much of the debate was concentrated on the issue of conflict of interest. One of the Table participants – Henry Minis, director of the Local Government Initiative suggested that what was needed now was the preparation of a special procedure for the declaration of conflict of interest.

Interaction between public administration and the business in the area of urban development

The relations between public administration and the business in the area of urban development should be examined in two aspects:

- The specific role and the characteristics of Bulgarian business in urban development
- The level and mechanisms of interaction between public administration and the business

The first aspect, **the role of business in urban development in Bulgaria**, as anywhere else in the world in market economies, can be assessed as crucial for the realization of urban policies and for the implementation of urban planning. In principle, the universal function of business in urban market is the “production of commodities”, in this case residential, commercial, industrial, etc. property. At the same time, local conditions do shape the forms of business structures and the forms of economic activities. Specific features of Bulgarian business in the transition period were related to factors such as predominantly medium and small business, relatively young and unstable big business, a relatively low stage of grouping of businesses in structures of national and international scale, insufficiency of financial resources and lack of traditions in large scale investment initiatives. All these premises worked in the direction of predominantly small and medium-size investments, which was an essential factor for the realization of urban planning. In Plovdiv, the second largest city in Bulgaria, some 1918 residential buildings were built in 1990 with a total of 15,157 housing units – the decade including a boom of construction in 1991 – 1996 and recession in 1998 – 2000. More than 82 percent of those buildings were built by newly established small private companies, most having built between 40 and 90 units and only 2 companies having built more than 150 units and less than 6 percent of the units were in large-scale developments with more than 30 – 35 units (National Statistics Institute 2002).

Simultaneously, we have to consider the process of unification and fusion of private companies and, by this, the increase in scale and in financial powers. Parallel to this trend, some positive changes in several branches of the national economy have caused the new second construction boom, which can be best observed in new developments for tourism and holiday housing. Bulgarian specialists and the Bulgarian population in general have very high expectations about the future of the Bulgarian tourist industry. It is even more important that the developers regard it as exceptionally viable, and most of the emerging large-scale development companies are investing their capital in prominent Black Sea and mountain resorts like Sunny Beach, the Golden Sands, Albena, Bansko, Pamporovo, etc. The rate of investment at Sunny Beach, one of the three largest seaside resorts in Bulgaria, is assessed by the specialist at the Ministry of Economy at about € 200 Million annually over the last

four years (*Real Estate Index Magazine* 2004 (4)). The total amount of investment in 2003 is estimated at more than € 1.6 Billion. Hence, the tourist industry is the first branch of the economy where accumulation of capital results in new large-scale developments. Unfortunately, the accumulation of experience in tradition in the area will take longer.

However, the role of business also depends to a great extent on the specific market environment and the legal framework. Actually, in both cases, it is again the performance of local governments that has the greatest influence because local governments are the main partners of the business in property development. Talking about the role of local planning authorities for the market system, many authors (Mils 1972; Ave 1996) emphasize that the local planning authorities determine the level of accessibility through regulations and infrastructural development, and ultimately, they determine the land value and the performance of urban markets.

With regard to the second aspect – **the abilities and powers of local governments and LPA to interact with businesses**, two considerations should be taken into account:

- the ability to prepare and implement urban plans, and manage urban development in a way that would attract private investments
- the willingness and power to enter into partnerships beneficial for the community, run joint projects, etc.

The first consideration was already discussed in examining the role of municipalities in urban market development, but we should mention the experience of several local governments that took the initiative to develop industrial parks yet before the promotion of the European programs. Probably the best example was the Municipality of Rakovski, which is now known for the success of the new industrial zone initiated eight years ago. By 2004, it had attracted foreign investment amounting to more than US\$ two hundred million (*The City* 2005 (33)).

The second consideration should be analyzed in more depth here. This is related to the options for local governments to exercise efficient direct contacts and to collaborate with business partners as well as to the choice of forms and schemes of such contacts and collaboration. We may conclude that the choice of forms and tools is quite limited so far. Georgi Ivanov, the mayor of Haskovo, a city in the Southern part of Bulgaria, states that the main opportunities for Haskovo municipality to run joint projects with private companies are identified in establishing joint companies in which land will be the municipality's input. Other types of economic transactions and relationships, like concessions for instance, were not widely exploited in the local economy and more sophisticated schemes – such as diverse forms of Public-Private Partnership – were strongly limited because of the insufficient assets of the local government and the irrelevant legal framework (*The City* 2004 (15)).

However, the situation has been changing rapidly over the last few years. Many examples could be given, yet we should stress several important factors for this. A very important factor is the impact of the European programs encouraging collaboration between public bodies and private companies. Still, the new mighty processes of urban development are the factor with, no doubt, the greatest impact. This is obvious in the territories of tourist growth – the sea-side and the mountains resorts. After a decade of controversial and often inconsistent changes, now many municipalities in the tourist territories have adopted a much more open policy of collaboration mainly in the area of infrastructural development, but also for the development of local resources and social amenities. We should mention the local governments of Varna, Pomorie, Bansko Razlog and others for the established systems of co-funding of the street network, the electrical and water supply infrastructure, etc. The golf-courses in Razlog and Kavarna, the ski tracks in Bansko and Dobrinishte were developed through PPP schemes and they all made exceptional contributions to local economic growth.

Interaction and collaboration between public administration and the citizens in the area of urban development

The role of citizens is considered in two basic aspects:

- as end consumers in the urban market; and
- as active participants in managing the process of urban development.

These are respectively the two aspects that should determine the interaction between public administration and citizens.

As end consumers, citizens determine market demand, and, in this aspect, the main factors are the preferences of the population for different types of housing and housing traditions.

The analysis of preferences of the population in Bulgaria shows a definite preference for highly intensive residential forms. Despite this, most Bulgarians, like the citizens of many other nations, claim to prefer individual houses to apartments (52 percent – Gehnov and Gehnova 2000), but the market demand proves that they value the advantages of high-density residential forms in central parts of cities and towns higher. Eventually, these advantages should not be underestimated – faster communication, easier access to social amenities and services, money-savings due to denser infrastructure networks, less time for transportation, etc. – urban characteristics corresponding to the Principles of Smart Growth (APA 1998). Single-family houses amount to only 10 percent or a little more of the units in big Bulgarian cities (NSI Housing Report 2002), and more than 90 percent of the residential units sold in the country in 2002 were apartments (*Real Estate Index Magazine* 2004 (2)).

Another important feature of national tradition is related to the pursuit of home ownership. Data shows that 96.6 percent (NSI Housing Report 2002) of all housing units in Bulgaria are owner-occupied, which places Bulgaria among the three countries with the highest value of this index. This factor provides a certain amount of stability in the housing market by ensuring a minimal level of market demand even in times of economic crisis and stagnation.

The significance of these two factors for the urban policies of local governments and LPA should be summarized in the consideration that the housing market is viable even in periods of economic recession due to the specific high demand for owner-occupied housing. Next, the preferences towards highly intensive residential forms have delayed to some extent the demand for new single-family housing on the urban fringe, but, on the other hand, stimulate further intensification of inner cities and also weaken the emerging process of urban sprawl.

As direct participants in urban development, the role of citizens should be in what is called public participation. Public participation is, no doubt, a matter of the existing level of democracy (Ivanov 2003) and it should be regarded as a part of this fundamental issue in modern society. Therefore, the poor level of citizen participation in urban development in Bulgaria and, generally, in all Eastern European countries should be assessed as a major issue.

At present, not main problems are identified in the prevailing social attitude (citizens are not aware of the role they are entitled to in local affairs and the rights that they should exercise) and in legal provisions and regulations.

The first factor – the social attitude – is due to the patterns of social behavior inherited from the period of communism and also to the lack of democratic traditions characteristic of this part of Europe. The roots of this attitude can be traced back to the period of the Ottoman Empire when the social and national esteem of the conquered peoples suffered from the situation they were in. Yet, 19th century Bulgarian communities, though still suppressed, developed a democratic structure that had an adequate level of participation of all community members in taking decisions. Decisions concerning “planning” matters of greatest importance – such as the site for the school and the church, etc. – were taken in a most democratic manner. This trend had its influence after liberation in 1878 and during the first decades of the 20th century. However, along with it, one should take into account the mutual influence of Balkan societies, all poor in democratic traditions, and also the impact of class struggle before each of the two World Wars. Then, finally, the highly centralized soviet-type structure of socialist society did shape a pattern of social behavior that is still difficult to overcome.

Of course, this is relevant to all areas of social life, although the rates may vary. As was stated in the first part of this paper, social and democratic problems in the area of urban development and local affairs proved to be more difficult to identify and to combat than political and economic issues at the national political level.

The second factor – the legal framework – is also a reflection of the attitude of society but at a different level. Hence, the difference could be positive or negative. It is often negative because of the resistance that any changes have to surmount, but in the given situation in Eastern Europe, the difference is often positive (i.e. the legislation could be more advanced than the stage of development of the society) because of the influence and requirements of the European Union, etc.

This paper claims that the legal framework concerning local democracy in Bulgaria is not relevant to the current stage of society and is not working in favor of enhancement of public participation in local affairs. This fact requires special attention in view of the processes of participation that increasingly gain strength all over the world. While the technology of urban planning in Western Europe is becoming more democratic and participatory, the legal framework in Bulgaria is not being changed at the necessary rate. In fact, this issue is treated in the new legislation, but the provisions hardly have any practical meaning.

Here is a brief review of the legal provisions concerning citizen participation incorporated in the new Law on Spatial Planning of the Territory (ZUT).

- According to Article 121 of ZUT, Spatial Planning Schemes (the highest tier in the structure of spatial planning) should be a subject of public debate before they are examined by the experts at the Expert Planning Council. The institution assigning the elaboration of the scheme (in this case, the Minister of Regional Development or the regional governors) should determine the participants and the procedures of the debate. No other requirements (e.g., concerning the rights of the communities at the lower tier) are specified.
- Similarly, Article 127 requires that the General Urban Plans of municipalities and cities, towns and settlements be a subject of public debate before their examination at the Municipal Expert Planning Council. The public debate should be arranged in the manner specified by article 121; i.e. the institution assigning the elaboration of the plan – the mayor or the regional governor respectively – should determine the participants and the procedures of the debate.
- According to Article 130, the Order of Approval of a Detailed Urban Plan should be brought to the knowledge of all interested parties who then have the right to make objections. By “interested parties,” ZUT envisages all owners of plots that fall into the planned area or are adjacent to it. It should be noted that this provision also applies to partial alterations in the plans, including one or several plots (mentioned above), which is actually the most wide spread form of urban planning in Bulgaria at present. More than 98 percent of the plans examined by the Plovdiv Municipal Expert Planning Council in 2003 were, in fact, partial alterations of the existing (the adopted) plan.

Hence, it is evident that:

The legal provisions concerning public debate when spatial planning schemes and urban plans are to be adopted are too general and obscure. **No provisions are made about the way the public is represented in the “public debate” or who, and on what basis, may represent the population, the interested groups, etc.** Instead, **all power is given to the senior institution** “assigning the elaboration of the schemes / plans” to determine all parties in the debate as well as the procedures. Ultimately, **there are no guarantees that the public vision will be taken into consideration**, so the institution is free to adopt any plan that fits its interests without the sanction of the community. By “institution,” we should understand the mayor and the municipality, since spatial planning schemes and plans including more than one municipality (respectively assigned by the minister of regional development or a regional governor) have not been elaborated or adopted over the last decade in Bulgaria.

Actually, the only real right a citizen has is to participate in urban processes related to their own property. They are clearly and explicitly guaranteed by Article 130. Therefore, we can conclude that citizens in Bulgaria are able to influence local planning decisions only as far as their own (individual) property – its size, boundaries and the building itself – is concerned and also concerning the neighboring properties (adjacent and across the street). Anyway, in all other aspects of planning – **concepts, visions and policies concerning the neighborhood, the district or the settlement – citizens have no direct power to influence the decisions** of the municipal planning authorities except through the elected members of the city council. Indeed, this is a democratic mechanism, but it certainly is not enough to realize the vote of the citizens in the area of urban development.

Finally, if we want to enhance citizen participation in urban development, we need a systematic approach based on the proper understanding of the scope of forms of public participation and the scope of activities to ensure its realization (PUMA Policy Brief 2002). That means that measures should cover all forms of engaging the local community:

- Information and transparency of the activities of the local government;
- Consulting the people and all interested parties; and
- Active participation and partnership.

These activities should be provided by relevant:

- Legislation, codes and regulations;
- Institutions; and
- Strategies and actions of the local government.

As long as all these elements are not in place, we may not say that the work towards ensuring citizen participation in urban development has passed the preliminary stage and has entered the stage of realization.

Conclusions

Generally speaking, in many aspects, the system of urban development in Bulgaria does not correspond to the current stage of transition to a democratic market society. While the political system in the country is now thoroughly changed, the changes in the system at the local level have lagged behind. This is due to several reasons:

Firstly, the objectives at the local level were less obvious than at the national level. Issues concerning the political system are much easier to identify, while at the local level, many additional specific factors have their influence that often makes the proper direction of changes obscure and difficult to follow.

Secondly, the framework for local development, including urban development, is established at the national level. This means that because urban development is a process usually strictly regulated by relevant legislation, changes in this area follow the changes in legislation with some delay. It takes at least a few years for the changes in the system (delegating responsibilities and decentralized budgeting and funding) to have their effect in practice.

Thirdly, and this is especially important, at the beginning of the period of transformation, the property market did not actually exist, i.e. no free market relations existed in the area of urban property in the times of communist rule, unlike many other branches of the economy. Changes in the functioning of the property market take much longer than in other spheres of national market, because it is always a subject of the above-mentioned state regulations, and factors like traditions and experience are of greatest significance. Though, at present, the property market is quickly developing market schemes and mechanisms, the roles of the local governments and LPA and of the main market players are still far from an adequate level.

The main problems, as identified in this paper, are:

- The retained high level of centralization of the system of urban development;
- The poor level of market orientation of local governments and insufficient development of human resources;
- Widespread conflict of interest;
- Inexperienced development business; and
- The very low level of citizen participation.

All these problems are clearly observed in the practice of municipalities, of local planning authorities and in their interaction with the market players. They could be identified in the legal framework of urban planning and management of urban development, in the formulation and adoption of urban policies and strategies and in their implementation. Based on these observations the main directions of the necessary changes should be:

- Enhancing the level of decentralization and transfer of powers to local governments and LPA. Local governments should be highly independent and should exercise all powers they need to steer urban development in correspondence to the will of local population. Any extra control by the central government over municipalities is, in fact, limiting the powers and the rights of the local population.
- Promoting the powers and the abilities of local governments and LPA to act as the regulator of local urban development and the local market. They should be free to collaborate with the private business and enter into any types of public-private partnerships to the benefit of local citizens. Simultaneously, public control should be exercised through the local parliament, and special measures should be taken to ensure that the personnel of municipal administration is well qualified to manage the choice of market mechanisms and instruments.
- Enhancing the forms and schemes of public participation in urban planning and urban development. At the current stage of socio-economic development, it is crucial to promote the participation of citizens in local affairs and in urban planning and management in any possible direct forms and through NGOs.

Finally, we may assess that in the last few years, new positive changes are observed with regard to the role of public administration in urban development in Bulgaria. We should identify definite improvement in the abilities of local governments to collaborate with the private business and adopt a proper market-oriented policy. Simultaneously, we should note that market processes have become much more powerful and now require much higher competence by the local governments.

Still, the problems with the interaction between public administration and the citizens probably have greatest significance at the current stage. They are to a great extent based on the level of public awareness. The problems of public participation have become topical with regard to the elaboration of the new General Plans. Many public debates have started over the last few years on issues related to urban development (*The City* 2002 (14, 35), 2003 (23), 2004 (15); *FLGR Bulletin* 2002 (8), 2003 (2); *Bulgarian Architect* 2000 (4-9, 39) 2001 (11, 32, 38), 2002 (27), 2003 (17, 31, 50); etc.). NGOs and professional bodies are quickly adopting proper positions, and this is now becoming a strong trend in their strategies and public activities.

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Part II

Case Studies



Political Bias in Discretionary Funding for Municipalities: The Case of Slovakia

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Abstract

Despite fiscal decentralization, central governments in Central European countries continue to disburse large amounts of discretionary funding for regional and local governments. This paper investigates political bias in this discretionary funding in Slovakia and analyses whether there are any systematic differences depending on the institutional structure of the decision-making mechanism. In order to achieve this, four recent avenues of discretionary funding in Slovakia are analysed, representing decision-making from the governmental level all the way to mechanisms involving local stakeholders. The results confirm that the higher decision-making level tends to have a significant political bias while the local partnerships do not. On the governmental level as a whole, the bias is towards the government as a whole, whereas in the ministries, a specific bias favoring the incumbent party managing the ministry can be shown.

Introduction and methodology

In this paper, we investigate political bias in the discretionary funding provided by the Slovak central government to municipalities and analyse whether there are any systematic differences depending on the institutional structure of the decision-making mechanism. In order to achieve this, we are going to look at:

- the distribution of a special EUR 10 mln levy on US Steel based on the decision of the Government

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- the distribution of grants for municipalities based on ministerial decisions – the Environmental Fund and the project Let Us Improve Our House (Ministry of Culture)
- the distribution of small grants by the so-called local social inclusion partnerships of the Social Development Fund.

These four distributions will be examined for any specific political bias for a specific party or the government coalition. It is difficult, if not impossible, to look at the partisan or ethnic bias through the analysis of decision-making or other procedures for two reasons. One is that, generally, the official procedures generally do not admit such bias and claim that decisions are based on the merit of the project. The other one is that negotiations and reasoning behind many decisions are not publicly disclosed. Such problems are frequent when dealing with corruption and patronage.

However, there is a way around this problem based on the following reasoning. If grants are distributed to municipalities, for example – and there is a large number of municipalities (more than 2900 in Slovakia) –, one can compare the partisan structure of municipal authorities with the partisan structure of the municipalities receiving grants and subsidies. Since there is no reason to assume that mayors from government parties are inherently more or less capable than mayors from opposition parties, there should not be a statistically significant difference between the structure of partisan control of ALL municipalities and the structure of partisan control of GRANT-RECEIVING municipalities.

Therefore, if one finds that these variables differ significantly, there is a high probability of a partisan bias in how the funds are distributed. Of course, one can argue that some differences are perfectly normal even under a random distribution unless one approaches a very high number of municipalities involved. That is true; however, if the differences are statistically significant, then this argument cannot be invoked.

To capture this dynamic succinctly, we have created a simple index of party patronage, which measures the ratio of the number of municipalities headed by mayors from a given party to the number of municipalities that WOULD receive subsidies under a proportional share.

The US Steel Levy

As a part of the accession process to the EU, the US Steel plant in Slovakia had to pay a special levy of Sk 400 mln (EUR 10 mln) in 2005 to compensate for state aid provided by the Slovak Government. The Slovak Government agreed with US Steel that the proceeds of this levy would be used for specific projects for municipalities primarily in Eastern Slovakia, where the plant is located. On 13 July, 2005, the Slo-

vak Government decided to distribute the amount to 149 municipalities for projects in the areas of education, sports, culture, church and other small infrastructures. No rules or criteria were published or presented on how the allocation of the funds was decided.

Table 1 presents an analysis of the partisan bias in the distribution of this funding.

Table 1
Data on partisan patronage in the US Steel Levy

Political affiliation of mayors	Share in mayors elected in 2002	Number of municipalities receiving the subsidy	Share in number of municipalities receiving the subsidy	Index of party patronage
ANO	2, 02	20	10, 75	5, 32
KDH	7, 07	20	10, 75	1, 52
SMK	8, 00	49	26, 34	3, 29
SDKÚ	4, 36	7	3, 76	0, 86
Parties represented in the Slovak Government	21, 45	96	51, 6	2, 41
Independents	32, 66	36	19, 35	0, 59
HZDS	13, 19	2	1, 08	0, 08
KSS	1, 09	0	0, 00	0, 00
SDĽ	4, 39	1	0, 54	0, 12
SMER	2, 33	2	1, 08	0, 46
TOTAL of opposition	21, 00	17	2, 7	0, 13

Source: authors

It shows that while mayors nominated by government parties represent 21.45% of all Slovak mayors, municipalities headed by such mayors received 51.6% of the subsidies. At the same time, opposition mayors received 2.7% of the subsidies, but represent 21% of the municipalities. The party patronage index for the government parties in this case is 2.41 and only 0.13 for the opposition, providing an overwhelming evidence for a partisan bias.

The Environmental Fund

The Environmental Fund is a state fund under the control of the Ministry of Environment. It is supposed to distribute subsidies primarily to smaller municipalities for the purpose of improvement of their environmental infrastructure – water, sewage etc.

Since 1998, the Ministry of Environment has been controlled by the Party of the Hungarian Coalition (SMK-MKP), a political party representing interests of ethnic Hungarians in Slovakia. Therefore, the relevant issue is whether this control can be shown to cause a bias in the allocation of funds. Decisions about subsidies are made completely by the minister and individuals appointed by him without

independent scrutiny. Rules for the selection of successful projects are not publicly available

We have examined allocations for the years 2004 and 2005 for evidence of the partisan bias.

Table 2 presents an analysis of the partisan bias in distribution of this funding.

Table 2
Data on partisan patronage in the Environmental Fund

Political affiliation of mayors	Number of municipalities with projects approved	Share of municipalities with projects approved	Share in the number of mayors in Slovakia	Index of political patronage
NEKA	340	37, 23	32, 66	1, 1
SMK-MKP	151	16, 53	8, 00	2, 1
HZDS	74	8, 1	13, 19	0,6
KDH	40	4, 38	7, 07	0,6
SDKÚ	37	4, 05	4, 36	0,9
SDĽ	20	2, 19	4, 39	0,5
ANO	14	1, 53	2, 02	0,8
SMER	18	1, 97	2, 33	0,8
KSS	8	0, 87	1, 09	0,8
Others/coalitions	214	23, 43	24,89	0,9

Source: authors

It shows that municipalities headed by mayors from the SMK-MKP party were significantly overrepresented in the distribution, while municipalities headed by independents were proportionally represented and all the other municipalities were underrepresented. The index of party patronage for the SMK-MKP party is 2.1, providing strong evidence of a partisan bias.

Additionally, the ethnic nature of the SMK-MKP party allows us to examine also the ethnic bias in the distribution of subsidies. The Census provides information on municipalities with a “significant” ethnic Hungarian component – defined as a share of more than 20% of ethnic Hungarians in the population. We have conducted an analysis of how such municipalities are represented in the sample of municipalities receiving support from the Environmental Fund. The result is shown in Table 3.

Table 3 shows that ethnic patronage, in addition to partisan patronage, can be documented in the operation of the Environmental Fund as municipalities with a significant Hungarian population are overrepresented by 70% (an index of 1.7) among those successful in receiving the funding.

Table 3
Data on ethnic patronage in the Environmental Fund

Region	Number of projects approved	Projects in "Hungarian" municipalities	Share of projects in "Hungarian" municipalities in all projects	Share of Hungarian municipalities in all municipalities	Index of ethnic patronage
Bratislava	20	7	35	19, 17	1, 8
Trnava	74	55	74, 32	34, 66	2, 1
Trenčín	50	0	0	0	n/a
Nitra	166	79	47, 59	41, 24	1, 2
Žilina	70	0	0	0	n/a
Banská Bystrica	154	77	50	28, 68	1, 7
Prešov	213	0	0	0	n/a
Košice	166	48	28, 91	24, 54	1, 2
TOTAL	913	266	29, 13	16, 87	1, 7

Source: authors

Project "Let Us Improve Our House"

"Let Us Improve Our House" is a project run by the Ministry of Culture to support the renovation of historical and listed buildings. The Ministry of Culture determines who receives a subsidy in this project. Between 2002 and late 2005, the Ministry of Culture was run by a representative of the ANO party. Unlike the previous cases, the list of individuals who were in the board of the project and made awards is publicly available. Similarly to the previous cases, there are no clear, publicly available rules on how successful projects are selected.

To examine whether there has been a partisan bias in the decision-making on this issue, we analysed grants provided from this project in 2005 to municipalities. Because of the small share of mayors elected solely from the ANO party (2%), we analysed mayors elected from the ANO party or from a coalition including the ANO party (8.7% of all mayors).

The results are presented in Table 4. As we can see, even though ANO mayors in coalition represent only 8.68% of all Slovak mayors, they have submitted 19.51% of all successful projects and received 40.3 % of all funding. Even though the sample size here is small (41 projects), the index of political patronage is very high when measured by funding (4.6) and so is likely to indicate partisan bias in this case.

Table 4
Data on partisan patronage in the “Let Us Improve Our House” project

Political affiliation of mayors	Share in the number of mayors in Slovakia	Number and share of municipalities with project approved		Index of party patronage 1	Share in overall funding	Index of party patronage 2
NEKA	32.66%	10	24.39%	0.76	26.26%	0.8
ANO – coalition	8.68%	8	19.51%	2.24	40.3%	4.64
SMK	8.00%	5	12.19%	1.52	14.69%	1.83
SDKÚ	4.36%	2	4.87%	1.11	1.47%	0.33
SMER	2.33%	1	2.43%	1.04	1.98%	0.84
HZDS	13.19%	1	2.43%	0.18	2.2%	0.16
SDĽ	4.39%	1	2.43%	0.55	0.68%	0.15
KDH	7.07%	1	2.43%	0.34	0.39%	0.05
others/ coalitions	19.32%	12	29.26%	1.51	11.92%	0.61
TOTAL	100%	41	100%		100%	

Source: authors

The Social Development Fund – The Development of Local Infrastructure

The Social Development Fund (SDF) is a new organization under the Slovak Ministry of Labour, Social Affairs and Family established in 2004. It runs several programs, one of them is the Development of Local Infrastructure. Under this program, municipalities and other recipients can get small grants for local infrastructural projects related to poverty and/or employment. The decision on awards is not made by the SDF, but by regionally organized bodies of local stakeholders. The SDF checks whether due procedures have been applied and manages projects once they are awarded. The SDF has a detailed manual on rules for the selection of projects by stakeholder committees.

To examine whether there has been a partisan bias in decision-making on this issue, we analysed grants provided to municipalities from this program in 2005. The results are shown in Table 5 and because of the small size of the sample, they were analysed based on volume of funds rather than number of projects.

Table 5
Data on funds allocation in “Development of Local Infrastructure”

Political affiliation of mayors	Share in the number of mayors in Slovakia	Subsidies awarded in Sk	Share in overall funding	Index of party patronage
ANO	2.02	1,921,740	2.79	1.4
KDH	7.07	2,378,032	3.45	0.5
SDKÚ	4.36	4,359,937	6.33	1.5
SMK	8.00	4,891,740	7.10	0.9
Government parties	21.45	14,501,449	19.67	0.9
Independents	32.66	26,327,045	39.60	1.2
Opposition parties	21.00	17,872,764	14.82	0.7

Source: authors

There is no obvious political bias in this case either for the government as a whole or for any political party. Indices of party patronage fluctuate between 0.5 and 1.5, a range consistent with the absence of bias, given the small sample covered.

Analysis and conclusions

We have examined four cases of discretionary funding provided by the central government to municipalities in Slovakia. All four were similar in their coverage of investment needs of municipalities through small projects aimed at the local infrastructure. They differed however in the partisan bias of their distribution.

Funding decided by the Government as a whole or by individual ministries exhibited significant partisan bias towards the party whose representatives were making the decision or appointing those who made the decision. In the case of an ethnically-based political party, even ethnic bias could be shown. In these programs, no clear rules on the selection of projects were publicly available.

The only case out of the four examined where the partisan bias could not be documented was the Local Infrastructure Development program of the Social Development Fund. At the same time, this program had a different decision-making structure. Decisions were made by regional boards consisting of local stakeholders (mayors, representatives of offices of labour, social affairs and family, church, NGOs...) and the SDF only had a veto power. At the same time, the stakeholders were provided with detailed manuals on how to select projects.

Overall, it can be concluded that discretionary funding distributed by the central government towards municipalities exhibits strong partisan bias favoring mayors from parties controlling the decision. This does not prove that the money

is spent inefficiently, but a strong partisan bias indicates that concerns of efficiency and effectiveness are not of the highest priority.

At the same time, there are institutional mechanisms how to minimize the bias as the SDF experience shows. Delegating the decision to local stakeholders while preserving the overall oversight is shown, in this case, to remove the partisan bias. This does not prove that such institutional solutions guarantee the removal of the bias; nor does it mean that the money is necessarily spent more efficiently. It is, however, an interesting anecdotal evidence that institutional structures of decision-making can be an important factor.

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On the distribution of the US Steel levy:

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On the distribution of subsidies from the program “Development of Local Infrastructure” of the Social Development Fund: provided by the Social Development Fund

Contracting-out Local Public Services – Situation and Trends in Slovakia and the Czech Republic

Beáta Meričková¹, Juraj Nemeč²

Abstract

Demonopolization, decentralization and deregulation and the implementation of alternative service delivery arrangements contributed to a rethinking of the public sector's capacity as the public service provider. The public-private partnerships became part of the life of modern economics as the tool which enables the state or local government to carry their competences in a time that is ambitious to increase public need and decrease public expenditure.

The goal of our paper (case study) is to present a set of analytical data connected with local public services and how they are delivered by the private sector. The brief theoretical part of this paper highlights the most important benefits and possible risks of contracting-out, and the analytical part provides selected data on the use of contracting-out in Slovakia and Czechia, including trends, main problems of contracting out processes and outcomes.

This study uses a quantitative approach to investigate the research question. The study analyzes the original collected survey data from our own research and the data gathered by the research projects focusing on the research question. A survey was conducted for each of the selected local public services to collect data on the frequency of the use of contracting-out, the way/system of deciding for contracting-out and selecting the supplier and the efficiency and quality impacts of the contracting service.

The external delivery of local public services is a very frequent solution in Slovakia. However, the situation of selecting an appropriate procurement method is bad – in most cases, municipalities do not respect the public procurement law. Con-

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tracting out public services is apparently more cost-intensive than internal delivery of public services, because of inaccuracy in calculating the real cost of service, insufficient supply of public services produced by the private sector, the higher quality standard of contracted services and the non-systematic decision-making process in service delivery arrangement selection.

Solutions for this situation might be increased transparency, the implementation of regular testing of all existing arrangements of public service delivery and the implementation of accrual accounting in the public sector.

Key words: Public Service. Public Service Delivery. New Public Management. Public-Private Partnership. Public Service Contracting.

Introduction

Changes in the governance system of Slovakia and Czechia became one of the elements of the state transformation process. The early reform focused in particular on the establishment of a democratic system of government rather than public administration reform as such. The need for far-reaching administrative transformation became apparent especially within the frame of the accession process for the European Union membership, when most conceptual changes to adapt to modern governance principles were realized in both countries.

Public sector transformation is basically a social and economic reform and its implementation. The objectives of public sector reform also include operational rationalization of institutions providing public service. It means the selection of tasks which need to be performed by the government, ensuring rational, economic, professional, and modern operation without superfluous bureaucracy, whilst at the same time promoting alternative methods of public and social service delivery aimed to increase the efficiency, effectiveness, economy and quality of providing public services.

Most of the developed countries have implemented new principles of public sector reform – new approaches to the management of the public sector. A major feature of the new public management (NPM) is the introduction of market type mechanisms (MTM) to the running of public service organizations: the marketization of the public service. The marketization of public services aims at a continuous increase in public expenditure efficiency, continual improvements in public services quality, the implementation of the professional management tools in the public sector, emphasis on devolution and delegation, emphasis on audit and inspection and, last but not least, the plurality system of ownership forms in public service delivering and emphasis upon contracts and market.

Public services delivery in the form of public-private partnerships is a legal, economic and personnel-intensive process. The conditions for a successful realiza-

tion of this partnership have to be created: an appropriate legal environment for public-private partnership development, citizen participation in a transparent public decision-making process, measuring performance in the public sector, a modern form of public service delivery management, functional market mechanism.

1. Theoretical background

Literature directly relevant to contracting can be divided into four categories: the theory of contracting, conceptual models of the contracting process, measuring the performance of how public services are delivered, and the effect of contracting on the cost and quality of public services.

The theory of contracting addresses many aspects of the process and its outcomes, like the make or buy decision (Cooper 2003; Hirsch 1991; Chamberlin and Jackson 1987; Nemeč 2002; Prager 1994), problems associated with agency relationships³ (Arrow 1985; More 1984; Pratt and Zeckhauser 1986) and the theory of transaction costs (Ferris and Graddy 1996; Prager 1994; Hirsch 1991). The literature on contracting models (Kettner and Lawrence 1990; T. Kolderie 1986) provides information that gives a conceptual basis for two ideal approaches to service contracting. The literature on measuring performance (Engelbeck 2004; P.D. Epstein 1984) is important because it provides general insight on how local governments evaluate characteristics of service delivery and how performance of particular services might be measured. The literature on effects of contracting on service delivery (Shettely 1998; Engelbeck 2004) deals with research that has investigated the determinants of contractor performance.

Contracting public services with private for-profit and non-profit firms is one of the most prevalent types of privatization, mainly at the local government level. Under this arrangement, the “government retains responsibility for provision of the service but hires private firms to produce the service” (Nemeč 2002, p. 14). Contracting can also be explained as a binding agreement in which a public institution pays a private firm or non-profit organization to provide a specific level and quality of public service. Citizens as customers through their taxes or user fees pay the government, which in turn pays the contractor. According to Savas (1987, p. 88), since the provision function is retained by the government, contracting represents a conservative approach in terms of an increasing role for the private sector.

Contracting for services begins with the “organizational decision to make or buy a good or service” (Prager 1994, p. 176). As such, it is a fundamental decision faced by both public and private sector organizations. “To make or buy?” is a question faced by public organizations when considering how public services should be delivered to their citizens. Public organizations must decide whether to produce

3 i.e. agreements between governments and the private sector.

goods and services internally or to acquire them from external sources – contract out public service.

To contract out the public good (mostly public service) is the opposite of internalizing the production of a public good, which is very often used in the public sector of transitional countries. To put contracting out in perspective, it is necessary to consider pros and cons of internal and external forms of delivery.

Concerning the positive potential of contracting, the relevant literature proposes that contracting may, but need not, improve individual choice, cost-effectiveness and the quality of delivery, equity and to some extent also expenditure control (Bailey 1999, pp. 278-80).

On the other hand, many authors provide important arguments describing weak points of contracting. According to Prager, the general rule of public sector organization is to “internalize operations to the point where the costs of further expansion are perceived to be greater than the costs of acquiring the components or services in the market” (Prager 1994, p. 84). The next key reason is the need for close control of the process used to produce the good or service. The next reasons for the internalizing of public service delivery in transitional countries are that both the competitive market on the one hand and effective methods of public management on the other hand are not well-developed.

Finally, when expanding internal operations will result in more efficient operations or when control is considered important, internalizing production may be a desirable decision. However, at some point, greater size may not yield efficiency gains, and thus, contracting out becomes more attractive.

An important element of contracting is the process involved in establishing and maintaining a legal contractual relationship with a private firm. According to Shetterly (1998, p. 23), this process occurs in three phases; pre-solicitation⁴, contractor selection and contract management. Two problems occur when the action and information of the private partner are not directly observable by the public partner: “moral hazard or the problem of hidden action and adverse selection or the problem of hidden information” (Arrow 1985, p. 37).

Moral hazard occurs because the behavior of the private partner is imperfectly controlled. When behavior is imperfectly controlled, it creates a situation where either shirking in performance of duties or inappropriate actions by the private partner adversely impacts the goals of the public partner.

In the adverse selection problem, the private firm has some information that is not shared with the public sector organization and uses the information to make de-

4 The pre-solicitation phase begins when public officials first consider contracting for a particular service. These discussions focus on the probability of adequate market competition, the characteristics of the service in question, the potential political and social obstacles to contracting, and the fiscal or budget circumstances of the jurisdiction.

cisions that affect the public organization. However, the public organization cannot check to see if the information is serving the public interest. For example, the public sector organization wants to hire the best private partner. But the private firm will know more about their qualifications than the public sector organization leading to the problem of information asymmetry rendering ex ante evaluation of the private offers impossible. Bailey (1999, pp. 290-292) indicates this problem associated with contracting public services via negative aspects of contracting.

According to More, “The principal must weave these interrelated components into a contractual framework that, in mitigating the informational asymmetries and structuring rewards, prompts the agent to behave as the principal himself would under whatever conditions might prevail” (More 1984, pp. 756-757).

Besides problems associated with agency relationships, the theory of contracting solves the problem of transaction costs. The transaction costs associated with contracting out and the relationship of these costs should be included in the complexity of the contracting relationship. When contracting for services, governments incur contracting costs which are implicitly or explicitly part of the make/buy decision. The transaction costs of contracting are of two types: “those associated with the contract formation stage and those associated with the contract performance stage” (Hirsch 1991, pp. 56-57).

From all above, it is apparent that contracting may, but need not, improve the performance of the public sector. The final outcome depends on local conditions, including the capacity of the implementing body to execute the contracting process.

2. The research sample and methods

The paper is mainly based on our empirical work (research team in Banska Bystrica, focusing on contracting from 1999). We use original collected survey data from our own research realized in this field from the years 2001 to 2006. The following research samples are used in the text:

1. Our own research sample from 2001 (data demonstrate the situation in 2000), including 55 Slovak municipalities (from about 2800) and 53 Czech municipalities (from about 5000) – different size categories;
2. Our own research sample from 2006 (data demonstrate the situation in 2005), including 17 Slovak municipalities of the same size category;
3. Data gathered by the research project (including our team) of Transparency International Slovakia; focusing on the relationship between the local public service delivery arrangements and costs efficiency of service delivery realized in 2006 (data demonstrate the situation in 2005, research sample includes 100 Slovak municipalities);

Data collected by Pavel (2006) with the support of Transparency International Czechia in 2005 (data demonstrate the situation in 2004, research sample includes 100 Czech municipalities).

We are fully aware about factors limiting the validity of research results. The problems are the number of municipalities in the research samples (mainly samples mentioned in points 1 and 2 above) and the low quality and reliability of the data provided by the municipalities.

Taking into account possibilities to obtain necessary dates, we focus on the following selected services:

- Maintenance of local communications;
- Maintenance of public lighting infrastructure;
- Management of cemeteries;
- Waste collection and waste disposal;
- Management of public parks and green areas.

The main issues included in the analysis are:

- I. The frequency of use of contracting-out;
- II. The way/system of deciding for contracting-out and selecting the supplier;
- III. Benchmarking of efficiency and quality impacts of contracting local public services.

3. Contracting out public services in Slovakia and Czechia – situation and trends

This part of our paper presents the results of an empirical analysis of contracting local public services by municipalities in the Slovak Republic and the comparison of data, where possible, with the situation in Czechia.

3.1 The scale of contracting-out and its development during the latest period

The following table compares the scale of contracting-out in Slovakia and the Czech Republic and its development trends. We use the research methodology described in part 2 of this study. Percentages in table 1 represent the scale of contracting-out of selected local public services among all used service delivery methods.

According to the collected data comparing the Slovak and the Czech Republic, external delivery of local public services (excepting maintenance of public lighting infrastructure) was already used to a medium degree in Slovakia in 2000, and was even more frequent in Czechia. The scale of local public services contracted-out by municipalities (excepting management of cemeteries in both countries and public green area maintenance in Czechia) has apparently increased in the latest period.

The data clearly indicate that external delivery of local public services is a very frequent solution both in Slovakia and Czechia.

Table 1

Scale of external forms (contracting-out) of delivery of selected local public services in Slovak and Czech municipalities (%)

Service	Slovak Republic			Czech Republic	
	2000	2005	2005 TI	2000	2004 TI
Waste	49	64	69	71	80
Cemeteries	27	12	16	42	26
Public green areas	16	18	33	45	24
Communications	21	41	45	31	38
Public lighting	30	35	40	23	60

Source: original research based on the data obtained from selected municipalities related to the local service delivery in 2001 and 2006, and data gathered from results of research projects of Transparency International Slovakia and Czechia realized in 2006 and 2005.

3.2 The system of deciding for contracting-out and selecting the supplier and its development

In theory, the decision to contract (to achieve the “best value”) “shall be based on careful analysis of all available choices, especially on the systematic assessment of existing alternatives (ex-ante audit). The selection of the external supplier shall also respect relevant legislative norms” (Medved, Mericková and Nemeč 2004, p. 8).

As it is fully apparent that the ex-ante analysis of the most appropriate form of delivery is not effectively realized in Czech or Slovak municipalities – if nothing else, municipalities do not have data on real costs allowing them to compare; in the next text we focus on the second aspect of contracting – Table 2 presents data on methods of contracting-out of selected local public services used by analysed municipalities.

Several problems are visible from the table. Many municipalities in Slovakia were not willing to provide information about the procurement method used, although they were to do this (law on free access to information). The “willingness of municipalities to provide information” was not the problem in samples collected by Transparency International, because of the “power” of this body and because they invest more resources to direct questioning.

Table 2
The use of procurement methods in the selection of external suppliers (%)

Procurement method used	Slovak Republic			Czechia
	2000	2005	2005 TI	2004 TI
Open procedure	16	17	27	12
Restricted procedure	5	0	5	40
Negotiated procedure	0	13	30	-
Price bid	0	0	0	-
Direct purchase	31	17	38	48
Municipality was not willing to provide information	48	55	-	-

Source: original research based on the data obtained from selected municipalities related to the local service delivery in 2001 and 2006, and data gathered from results of research projects of Transparency International Slovakia and Czechia realized in 2006 and 2005.

The situation of selecting an appropriate procurement method is bad in both countries. Open tendering is relatively rare, direct purchase, including the negotiated procedure, too frequent. This situation is alarming; in most cases, municipalities do not respect the public procurement law. There is no significant improvement in this area.

3.3 Benchmarking of efficiency and quality impacts of contracting local public services

The unit costs are the simplest benchmark of efficiency in service delivery. However, to be able to understand the data obtained, we have to respect several factors determining the complexity and character of the obtained data:

1. In some cases, we cannot calculate the unit costs. The reason is that the service extent can be hardly quantified and the unification of service delivery does not exist. There are no official standards of local public services delivery; we can only assume that the level of quantity and quality of the service in different municipalities of the same size group is similar;
2. The other problem is that the monitoring of this measure by the local self-government is by no means complex. There is no accrual accounting at the level of local self-government and no possibility to find the real cost value of service delivery⁵.

5 In case of internal service delivery, the accounted service costs are mostly lower than the real costs of service delivery and it contains only the direct costs, because there is no accrual accounting at the local self-government level in Slovakia. We can consider the data of the costs of service delivery realized by the municipal employees, brutto-budgetary and netto-budgetary organisations of the municipality as disvalued.

The results of our efficiency benchmark are presented in Table 3 comparing unit costs of internal delivery with contracted services.

Table 3
The efficiency of contracting (internal form = 100%)

Service	Slovak Republic			Czech Republic
	2000	2005	2005 TI	2004 TI
Waste	94	94	125	137
Cemeteries	64	13	67	95
Public parks	82	192	150	86
Communications	70	109	119	142
Public lighting	100	138	128	118

Source: original research based on the data obtained from selected municipalities related to the local service delivery in 2001 and 2006, and data gathered from results of research projects of Transparency International Slovakia and Czechia realized in 2006 and 2005.

The data presented in Table 3 show very different benchmarking results. Contracting-out public services is apparently more cost-intensive than internal delivery of public services in 7 cases, where the index is above 120 %. On the other hand, it seems to deliver higher cost-efficiency in 9 cases. There might be several reasons for this result and we cannot pick just one of them:

1. The mentioned inaccuracy in calculating the real cost of service delivery by the local self-government. In any case, as indicated, because there is no accrual accounting at the level of local self-government and thus no possibility to measure the real costs of service delivery, internal delivery costs are underestimated. This means that in cases where the index for external delivery is below 120%, contracting should be cost effective. However, recent experience from the latest Transparency International Slovakia sample clearly indicates that data provided by municipalities are in some cases (cemeteries in Slovakia in 2005) unreliable;
2. Insufficient supply of public services produced by the private sector in the territory of the municipality or monopoly position of a private producer of public service – it creates a situation where an inappropriate price for service production is charged by the private partner;
3. Different local characteristics, different citizens' requirements for services;
4. Higher quality standard of contracted local public services obtaining is cost-intensive;
5. The unsystematic decision-making process in the selection of service delivery arrangement and large potential for corruption in external service producer selection – unprofitable contracts for the public sector have been signed.

Concerning local public service quality, we follow the research methodology of several studies realized in this area (Löffler 2002; Wisniewski 2001; Potůček 2005). The citizens' satisfaction with local public services is the benchmark of local public services quality in these studies. We can provide data only for one research sample (our own sample – 17 municipalities of the same size group) from 2005. Data on the quality service are provided by the users – citizens of different municipalities through the questionnaire (the sample was small, thus we accept that our summarized data are of very preliminary character).

Citizens have evaluated the service quality by expressing their satisfaction with the quality of the local public service on the following scale:


Absolutely satisfied	100 %		Rate of satisfaction
Satisfied	80 %		
More satisfied than unsatisfied	60 %		
More unsatisfied than satisfied	40 %		
Unsatisfied	20 %		
Absolutely unsatisfied	0 %		

Table 4 presents the quality comparison of contracting-out and internal delivery arrangements of the analyzed local public services in the selected municipalities.

Table 4
The quality benchmark (%)

Service	Evaluation of the quality of internal delivery	Evaluation of the quality of external delivery
Waste	62	68
Cemeteries	65	50
Public parks	63	80
Communications	31	48
Public lighting	61	58

Source: original research based on the results of the public meaning monitoring in the area of citizen satisfaction with provided local public services in 2006.

According to the data shown in table 4, we can mark a higher average rate of citizen satisfaction with contracted local public service quality in three of five analyzed service cases. The differences in the average municipal budget expenditure of local service delivery per citizen and in the average rate of citizen satisfaction with local public service quality between different service delivery forms differ from service to service. Generally, the citizens are most satisfied with service quality in case of external contractors.

Conclusions

Our case study tries to confront the theory of contracting with the real situation of contracting-out local public services in Slovakia and Czechia. The main issues included in the analysis are data describing the frequency of the use of contracting-out, data describing the system of deciding for contracting-out and selecting the supplier, and a preliminary assessment of efficiency and quality impacts of contracting local public services.

The findings of this study are relevant to selected local services. The results empirically demonstrate that the scale of contracting-out local public services among all used service delivery arrangements in Slovakia and Czechia was increasing in most of the analyzed services during the time period 2000 – 2005.

However, the findings also indicate that the potential positive impacts of contracting on the delivery of public services identified by the theory of contracting cannot be fully proved in Slovakia or Czechia. The main problems of contracting, prohibiting positive outcomes, are connected with contractor selection and contract management phases. The problems also occur in the pre-solicitation phase because of the unsystematic decision for the “best value” delivery of local public services and the problem of corruption.

Possible solutions for this situation might be increased transparency, the implementation of regular testing of all existing arrangements of public service delivery; the implementation of accrual accounting in the public sector, which make the development of modern financial management approaches in the public sector possible; the implementation of actions proving public procurement ethics, and support of effective training of public servants in the area of modern public management methods.

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Methods of Selection of External Suppliers of Local Public Services and the Impact of the Quality of the Selection Procedure on the Per Capita Costs of Local Public Service Provision in the Czech Republic

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Abstract

Public procurement is a very important instrument to guarantee the effective use of a great share of public expenditures. Because of its importance, guarantees of a transparent and professional system of public procurement should exist in any developed country. In the last few years, the size of the public procurement market increased in the CEE transition economies. We estimate that public procurement in CEE represents more than 10 % of GDP today (in the Czech Republic even 17 % of GDP). Because of decentralisation, a large proportion of public procurement is implemented on the level of local governments, and not only for simple procurement of goods and services, but also to cover costs of delivery of local public services produced by external suppliers (contracted/outsourced services).

In the first part of the paper, I will try to estimate by several methods the value of the real public procurement market in the Czech Republic for the 1995 – 2003 period. The main tool used is the system of national accounts, the theory of institutional economy and the concept of transaction costs. We can show that calculated values are significantly different from official reports on public procurement; this means a large part of procurement is not realised by competitive methods.

The second part of the paper provides empirical data concerning the situation of local public service delivery in the Czech Republic. I will sort data according to the form of delivery. The analysis of the awarding strategies of the municipalities will highlight main factors of decision-making – namely the size of the municipality, the character of service and the procurement legislation.

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The third part of the paper focuses on the evaluation of the relation between the awarding method used and the outcomes (costs of the service). I suppose that competitive awarding should lead to lower unit costs of the service delivery of given quality.

The last part will provide synthetical conclusions. It will highlight the fact that the public procurement legislation and principles are abused in many cases of external delivery of local public services, with negative impacts on the costs of the delivery. I also provide several suggestions how to improve the existing situation.

Key Words: Czech Republic; Effectiveness; Public Expenditure; Public Procurement. Transaction Costs

JEL Classification: H57

1. Introduction

Public procurement is a very important instrument of the public sector to increase effectiveness. On the municipal level, this institution is used to contract out the provision of some public services when the municipality decides not to supply them directly but to award them to an external contractor.

Transparent awarding methods are a precondition for the utilisation of its benefits. But this is still not self-evident in transition economies due to the insufficiently developed institutional environment, which has negative impacts on the effectiveness of the public sector and on general economic effectiveness, Ochrana (2001).

The objective of this article is to analyse the use of the institution of public procurement on the local level in the Czech Republic in the sector of public services. In the framework of this analysis, the volume of funds expended for these purposes is estimated, and a detailed analysis of the relationship between the awarding method and cost effectiveness of a provided service is made. Based on the findings, recommendations are formulated in the final chapter, the implementation of which should increase the effectiveness of this institution.

2. Estimation of the size of the public procurement market on the municipal level

A great part of public expenditure is allocated through the institution of public procurement, and it is not simple to determine its volume exactly because of many methodological problems (Pavel 2005). Considering data availability, the use of OECD (2001) methodology based on statistics of national accounts appears to be the most suitable. The results, i.e. the estimation of the size of the public procure-

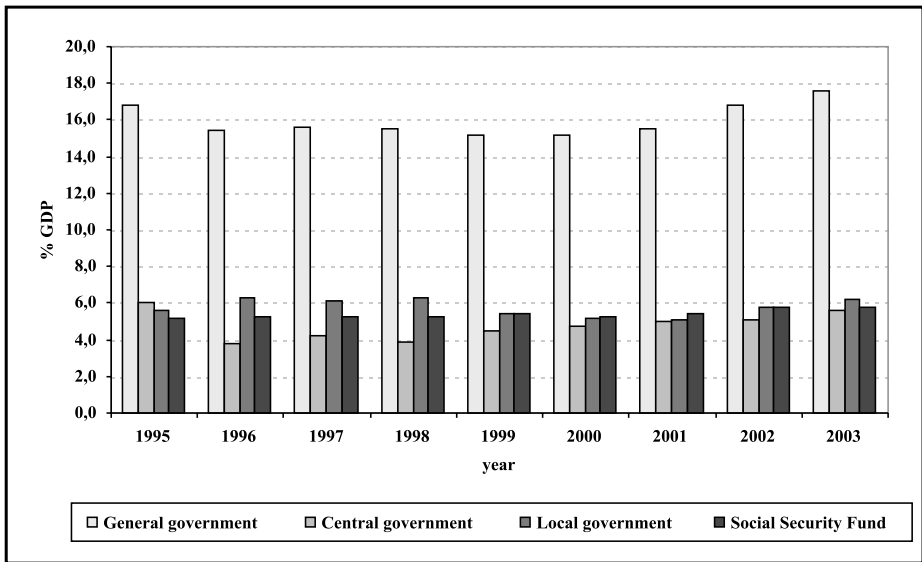
ment market in the Czech Republic in 1995 – 2003, are shown in the following table and graph.

Table 1
The value of the public procurement market in the Czech Republic
in 1995 – 2003 as % of GDP

General government	16.8	15.4	15.6	15.5	15.2	15.2	15.5	16.8	17.6
Central government	6.0	3.8	4.2	3.9	4.5	4.7	5.0	5.1	5.6
Local government	5.6	6.3	6.1	6.3	5.4	5.2	5.1	5.8	6.2
Social Security Fund	5.2	5.3	5.3	5.3	5.4	5.3	5.4	5.8	5.8

Source: own calculations

Figure 1
The value of the public procurement market in the Czech Republic
in 1995 – 2003 as % of GDP



Source: Table 1

On the basis of my calculations, It can be stated that the volume of funds expended by the public sector on the purchase of goods and services from the private sector, expressed as % of GDP, did not change very much in 1995 – 2003. In the examined period, a certain decrease can be identified when the value of the public procurement market decreased from 16.8% GDP in 1995 to 15.2% GDP in the years 1999 and 2000. Then, there was a change in the trend, and in 2002 and

2003, a substantial increase occurred when the resultant value rose up to 17.6% GDP. From the aspect of disaggregation between the particular government levels, a decentralisation tendency slightly prevails in the CR when more funds for the purchase of goods and services were expended on the level of local budgets than on the central level with the exception of 1995. It is also necessary to take into account that a part of the funds expended on the central level (ca 1.3% GDP according to OECD 2001) is spent in the army sector; many times, these funds are allocated in a specific regime of restricted tenders. If the above-mentioned values were translated into 2003 absolute figures, it would show that the government spent almost 450 billion CZK on the purchase of goods and services: 143 billion were expended on the central level, 159 billion on the local level and almost 148 billion CZK on the level of Social Security Funds.²

In the Czech Republic, a higher volume of public expenditure is allocated through the public procurement market than in the OECD countries (Pavel 2005a). But the transparency of this market, which may be expressed as the volume of this expenditure, the awarding of which was published on the Internet or in another form, is problematic. Based on the analysis of data sources from 2001 – 2003, only about 33% of the calculated theoretical volume of the public procurement market was evidently announced publicly. It is a very low figure, documenting that not enough attention has been paid to the transparency problem of the public procurement market in the CR (Pavel 2005a).

3. Provision of public services on the local level

As stated above, municipalities may provide public services either as their own production or by means of external provision, i.e. through the institution of public procurement. The extent of external provision may be estimated from the calculated size of the public procurement market on a municipal level. But we are facing a methodological problem because the expenditure for the purchase of goods was also included in this macroeconomically estimated market. Therefore, a sampling survey carried out on a representative sample of municipalities seems to be a better alternative.

An analysis of the provision of public services on the local level will be done by looking at four exemplary types of public services in the Czech Republic: road maintenance, municipal waste collection, maintenance and operation of public

2 According to OECD (2001) data, the value of the public procurement market in the Czech Republic is 17.03% GDP. The difference from the above-mentioned results stems from the fact that OECD calculated the value of the public procurement market as an average of the values for a definite time period. Moreover, the values of fixed capital consumption and indirect taxes were not available to OECD, these values were estimated on the basis of average values in the other countries. Therefore, the public procurement values in the particular subsectors are different from the OECD calculations.

lighting and care of the appearance of a municipality, especially maintenance of public greenery. The data presented below were acquired by a pilot collection of data from 100 municipalities in the CR in 2005. In the framework of this data collection, municipalities were inquired about the methods of providing the above-mentioned public services. The costs of their provision were taken over from the ARIS database³ of the Ministry of Finance of the CR, which contains data on the expenditure of local authorities categorised according to the functional aspect. The sampling survey was carried out accentuating the size and regional diversification of the sample in order that its structure will correspond to the structure of municipalities in the CR from the aspect of their size. The municipalities of non-traditional character, such as mountain or spa resorts, were not included in the sample because large deviations from average values can be assumed in them.

Table 2 contains the research results on the methods of providing public services of selected types. The first column shows the frequency of these methods, in the second column, this data is adjusted to acquire data on the relative proportion of expenditure allocated in this way. Such an adjustment is necessary to prevent data distortion by virtue of the municipality size. The data indicate what volume of national expenditure for the provision of these services passes through the particular types of operators. The capital of Prague was not considered in this analysis because it is highly specific from these aspects.

The presented data document that distribution according to the type of public service provision is largely variable. The highest proportion of direct, i.e. internal provision of service was found in the care of the municipality while the lowest proportion was found in the municipal waste collection. It corresponds with findings concerning the institutional approach to public procurement (Brown and Potoski 2002) that accentuates the negative correlation between public service measurability and suitability to external provision. The 'care of the municipality appearance' service is an example of a service where the measurement of an output is very problematic because its utility value mainly has a qualitative aspect. On the other hand, the collection of municipal waste is quite easily measurable.

Based on our research, it is possible to identify the fact that the type of provision of the given service (in the sense internal x external provision) is influenced by the size of the municipality and capital intensity. In general, small municipalities tend to provide the majority of public services as direct production except for the capital-intensive ones, for which they do not have the necessary financial capacities. Among the services analysed in this study, the preferences of small municipalities are to provide directly first of all the cleaning of roads and streets, lighting and the care of the municipality appearance; on the other hand, the external provision is preferred in the municipal waste collection. As stated above, the last example

3 <http://wwwinfo.mfcr.cz/aris/>

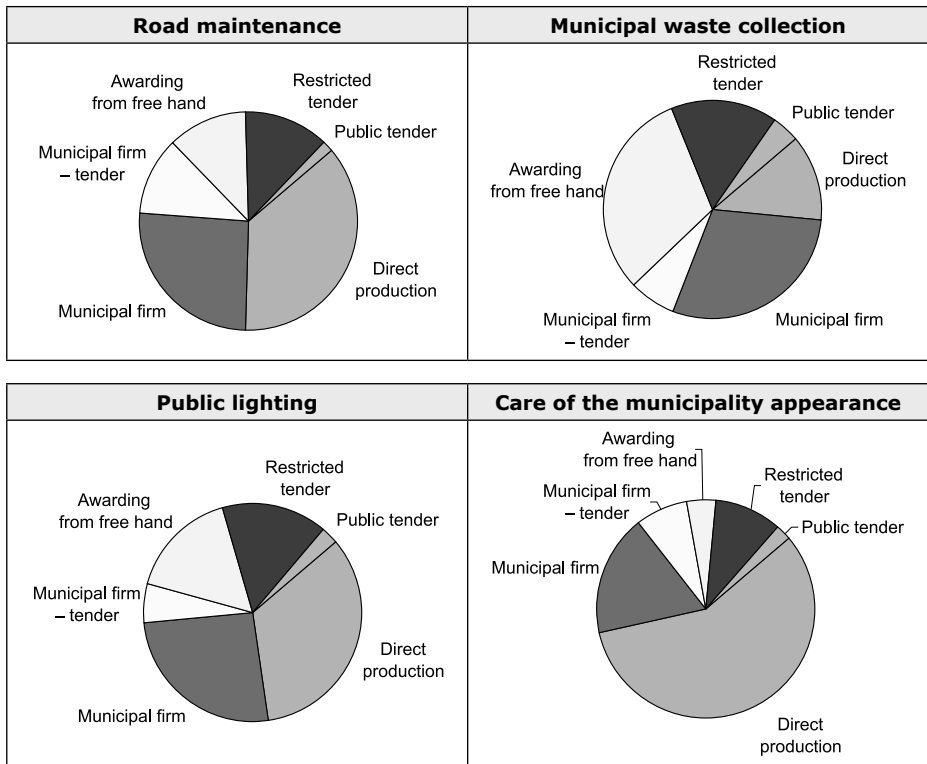
Table 2
Methods of the provision of selected types of public services in the CR (data in %, 2004)

Method of provision	Public service									
	Roads		Waste		Lighting		Greenery			
	Freq.	Volume of expenditure	Freq.	Volume of expenditure	Freq.	Volume of expenditure	Freq.	Volume of expenditure		
Direct production	50.4	36.4	11.6	12.8	43.4	33.7	76.0	57.4		
Municipal firm	12.6	25.9	13.0	29.1	7.5	25.7	9.8	18.1		
Municipal firm – tender	3.3	11.7	3.0	6.8	3.1	5.8	4.4	8.0		
Awarding from free hand ⁴	19.4	11.9	54.8	31.1	28.2	16.5	4.4	4.2		
Restricted tender ⁵	14.2	12.5	14.6	15.9	17.6	15.9	5.3	10.1		
Public tender ⁶	0.2	1.7	2.9	4.1	0.2	2.4	0.2	2.2		

Source: own calculations

Figs. 2 – 5

Public services funded from municipal budgets, expressed as proportions of the particular types of realisation in total expenditure (2004)



Source: own calculations

may be influenced by the capital intensity of this service. A certain role will also be played by the economies of scale.

The question arises of what is hidden under the preference of direct provision in small municipalities. Based on the existing theory (Pavel 2006), it can be explained by an insufficient administrative capacity of these municipalities that could not ensure effective monitoring and high-quality public services. In general, the abuse risk of incomplete contracts is higher in smaller municipalities (Nemec, Meričková and Vitek 2004). If small municipalities decide on external provision, they will mostly choose the method of awarding from free hand. It is in accordance with the law because the value of these contracts is relatively low, not exceeding the limit above which it is necessary to call a public tender. Another factor is the insufficient administrative capacity of these municipalities that avoid labour-consuming selection procedures.

The existence of so-called municipal companies is a specific problem of public service provision in the CR. In the text below, this term is taken to mean artificial persons established in accordance with the Commercial Code in which the municipality and/or administrative region or voluntary association of municipalities holds a majority property control (i.e. they hold more than 50% of shares or property share). In practice, these are limited companies and joint-stock companies while the former form is substantially more frequent because its establishment and subsequent management are administratively less complicated and smaller capital participation is necessary.

The existing municipal trading companies can be divided into two groups on a general level. The first group comprises companies founded by the respective municipality primarily to do business in the “classical” competitive market; their objective is profit and the provision of additional sources of funds for the municipal budget. The other group of municipal trading companies, which will be dealt with below, is artificial persons founded by the municipality in order to provide certain public services that should otherwise be provided by the municipality at its own cost or that should be awarded to an external contractor in the framework of public procurement. In general, a part of the activities is separated from the local authority. Contrary to the classical external awarding, the proprietor remains the same.

As the proprietor remains the same in municipal firms, it is necessary to answer the question whether the existence of competition or the change in ownership when a public service is provided externally is the primary cause of effectiveness growth. Many empirical studies tried to answer this question, but the results were not unambiguous. While e.g. Domberger, Hall and Li (1995) stated that the importance of private ownership was negligible compared to the admission of competition, Szymanski (1996) did not agree and proved that by contracting greater savings were achieved if a private subject was chosen as a partner. If Szymanski was right, this would mean that municipal trading companies would be less efficient than the private external contractor, and their establishment would automatically be a waste of public funds.

The presented data document that in the Czech Republic, municipal trading companies play a very important role in the provision of public services on the municipal level. In all four presented examples, they have a share in the market higher than 25%. If a more detailed analysis of collected data was done, a clearly positive relationship could be found between the size of the municipality and the probability that the service would be provided by a municipal firm. E.g. in municipalities above 20,000 inhabitants, municipal firms provide more than 50% of all public services.

The data presented in Table 2 is alarming because it reveals that 75% of the expenditure for the provision of public services by municipal trading companies did not undergo the institution of a tender. This fact, which arose either before the respective legislation entered into force or as a result of direct violation of the

present contemporary legislation, shows that the majority of expenditure does not undergo the competition test, and so it is possible to have justified doubts about its effectiveness.

4. Relationship between the provision of public services and per capita costs

Based on data presented in the preceding chapter, the method of providing public services on the municipal level obviously shows a high variability not only from the bipolar aspect of external vs. internal provision but also with respect to the method of awarding to an external contractor. A key question arising in this context is about the influence of the type of awarding on the per capita costs of the provision of the given service. Table 3 shows a comparison of the level of per capita costs for the above-described three types of public services while the comparative base level is the internal provision of a service within the local authority.⁴ The presented data clearly indicate that direct production is the most effective form of public service provision, but such a conclusion cannot be accepted because the presented values do not include overhead costs, which logically leads to their underestimation. For the above-mentioned reasons, this level should be taken as a benchmark.

The presented values document that a municipal firm charged with the production of public service without a tender is undoubtedly the most expensive solution. Only in the collection of municipal waste are worse results obtained by the awarding from free hand. But the difference is on the boundary of statistical significance. The results unambiguously confirm an opinion that the absence of competition and public ownership do not provide sufficient stimuli for the effective allocation of resources.

Is it possible to conclude on the basis of the above information that a municipal trading company is automatically ineffective? Of course not. If we focus on data from municipal trading companies that received a contract in a certain type of tender, we will see a significant decrease in costs. On average, it is 16% of the above-mentioned services. This value can be considered as potential savings that may be reached if competition is allowed to enter into the given market.

Except for the 'road maintenance' service, the presented data confirm an assumption about the ineffectiveness of the institution of awarding from free hand. The price level is very high due to the absolute absence of any competition pressures.

4 Data on the "care of the municipality appearance" service were not included in the cost analysis because we did not manage to collect data of sufficiently high quality.

Table 3
Relative level of the costs of public service provision in 2004
(direct production = 100)

	Road maintenance	Waste collection	Public lighting
Direct production	100	100	100
Municipal firm	161	142	138
Municipal firm – tender	139	137	102
Awarding from free hand	119	149	136
Public or restricted tender	149	117	93

Source: own calculations

Based on the data presented in the above table, it can be summarised that the existence of competition in the external provision of a public service has positive impacts on its cost effectiveness. On the contrary, the type of ownership (public vs. private ownership) appears not to be significant.

5. Conclusions

In the Czech Republic, a large volume of public funds is expended on the municipal level (ca 159 billion Kč in 2004), whereas a portion of these funds is spent on the provision of public services. They are provided either externally or internally; the conclusion can be drawn that the smaller the municipality, the more probable the provision in the form of internal production. An exception are capital-intensive services, in which the opposite relationship can be identified. The legislative environment also influences the fact that the method of awarding from free hand is chosen if a small municipality decides on external provision, i.e. the selection is done in the absence of competition pressure.

The choice of the awarding method also has a significant influence on the per capita costs of service provision. In case no competition is admitted in external provision either in a municipal firm or in an external private contractor, costs are very high. On the contrary, the type of ownership appears as an insignificant factor because after the admission of competition, municipal firms reach a cost level comparable with external contractors.

These recommendations are formulated on the basis of the above findings:

- Transparency of the public procurement market should be increased on the municipal level by increasing its volume allocated through open public tenders.
- The administrative capacity of small municipalities should be increased so that they will be able to award public services to an external operator

through a public tender even though the value of the contract does not exceed the legally set limit.

- Municipal firms established to provide public services should receive the contract through an open selection procedure. It is necessary to terminate the illegal situation existing in many municipalities.
- When inviting to these tenders, it is essential to avoid a temptation to set such selection criteria that the victory of the controlled trading company will be ensured. This completely eliminates the advantages of an open selection procedure.

All the above-mentioned measures are aimed to increase competition pressures in this market, which will have positive impacts on the effectiveness of provided services as documented by the analysis in the preceding chapter. Finally, it will contribute to an increase in the effectiveness of public expenditure as well as in total economic effectiveness.

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Communication and Electronic Public Administration: Some Issues in the Context of the Czech System of Public Administration

David Špaček, Jiří Špalek¹

Abstract

This paper analyzes the relationship between electronic public administration and the present public administration system as developed during the reform in the Czech Republic. This paper is based on the empirical research (survey) that focused on the critical analysis of the communication between regional offices and municipality offices of municipalities with extended competence, particularly in the field of state administration activities. The principal conclusions stress six recommendations that reflect the perceived needs of municipal officials: continual analysis of existing expectations, enhancement of methodological help and its unification, unified visual appearance of central authorities' websites, unification of communication management, continual monitoring and evaluation of results, analyzing the information/computer literacy of officials and political representatives.

Introduction

Communication within the system of public administration is considered a crucial factor for making the whole system functioning effectively and economically as a specific institutional tool for the implementation of public policies. The quality of information relationships between individual subjects of public administration is determined by a number of factors, and it influences the overall systematic structure of the whole public administration organization. Further, it also affects the quality of information flows carried out within the whole public authority system of a state (i.e. including the legislature and judiciary), as well as the characteristics of external relationships with subjects outside the system. The quality of communica-

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tion can be (however it need not be) significantly influenced by the utilization of modern information and communication technologies (ICT).

This paper analyzes especially the relationship between electronic public administration and the present public administration model as developed during the reform of public administration in the Czech Republic, which has a significant impact on information flow (communication) and certainly on electronic public administration in the Czech context. The authors deal with issues that may occur in the so-called “mixed” system of public administration activities on the municipal and regional levels (i.e. in the Czech context, state administration activities as well as self-governmental activities may be exercised by the same bodies of municipalities/regions) and also refer to expectations to utilize ICT for purposes of improving communication within the system. The paper is based on the analysis of related theory and on the empirical research that focused on the critical analysis of the communication between the two youngest components of the Czech public administration: regional offices and municipality offices of municipalities with extended competence, particularly in the field of state administration activities. Results of this research contain recommendations for the whole communication system within the state administration in the Czech Republic.

The content of the paper is organized as follows: the first part summarizes the relationship between public administration and its electronic form, the second part introduces the basic theory of communication within the public administration system, the third part describes the Czech administrative context, and the fourth section summarizes key results of the survey.

1. Public administration vs. electronic public administration

Public administration represents a significant social phenomenon that has been an object of research probably since its beginning and that will as such always be topical. It can be considered to be one of the institutional instruments for fulfilling state functions or functions of self-governmental units. It is hard to stipulate a perfect definition of public administration; however, the majority of the definitions and approaches of various scientific disciplines agree that, in general, public administration is a specific kind of purpose-built activities.

The context of Czech administrative law and administration science differentiates public administration defined in the “material” (or functional) way and public administration covered by the “formal” (sometimes “institutional”/“organizational”) definition. Neither of these ways of defining public administration is claimed to be perfect; however, they are mutually linked and cannot be strictly separated. In the *material way*, public administration is defined as a complex of all administrative activities that relate to governance on all of its levels (these activities are closely related to the so-called “public interest”/“public affairs” content). This approach de-

finer public administration as a specific type of social management activities without any regard to an institutional form. Thus, the group of related activities may be quite large. In the *formal way*, public administration is defined as a complex of individual institutional subjects of public administration (authorities/offices/administrative bodies etc.), whose activities differ significantly from activities of legislature and judicature (the so-called negative definition of public administration). Sometimes, the government as a central state administration authority consisting of political leaders is put next to the public administration system. Administrative activities of these individual subjects, particularly of those on the territorial levels are furthermore separated into the group of “state administration” and the group of “self-government”.

During the development of information and communication technologies, ideas of their practical utilization in the administrative practice have appeared. Nowadays, such ideas are covered especially by terms like e-government or e-governance. The specific usage of these terms is probably unified only within individual research groups and separated units of international organizations. OECD 2003 traditionally works with the term e-Government that is defined as the use of ICT, and particularly the Internet, as a tool to achieve better government. The potential improvement relates to improvement of efficiency, enhancement of service quality, more effective outcomes, forwarding the reform agenda, improvement of trust etc. Although the term “governance” is differentiated among many other older documents of this organization (e.g. Sigma’s European principles for Public Administration), the term itself is not utilized for the purpose of differentiating between the terms with “e-” here as it is done for example by UNESCO – E-Governance defined as the public sector’s use of information and communication technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective. Unesco 2006 (although UNPAN’s traditional e-readiness evaluation activities work with the term e-government) *UN Global E-Government Readiness Report 2006*. Some authors (e.g. Sakowicz) consider e-governance to be a higher form of government electrification, particularly due to the emphasis on the participation potential that may enhance the legitimacy of representative forms of democracy by mixing them with the forms of direct democracy instruments. It is possible to claim that both terms are linked to attempts to utilize ICT for the purpose of overall quality improvement particularly by simplification, speeding up, reduction of costs, inclusion enhancement, making the necessary interaction more comfortable etc. Such improvement relates to

- a) the activities within public administration – this aspect has two dimensions – it relates to:
- the inner world of a single administrative subject (individual authority)
 - the interrelation of multiple administrative subjects within the public administration system,
- b) external relationships between a subject of public administration and an addressee of its activities.

Such claims are based on the prerequisites that have not all been fully empirically verified yet.

Besides the terms e-government/e-governance, e-democracy is a part of the modern terminology. This term is used in respect to miscellaneous attempts to democratize the democracy through the utilization of new ICTs. Such content may be found in the elements e-government/e-governance. Definitions here always express attempts to create a more transparent and inclusive electronic space that should serve as an intermediary of a dialogue between stakeholders and public authorities and that may make the form of the representative democracy closer/mixed with the form of direct democracy (see for example web pages of the DEMO-net project, the UK's eDemocracy National Project or The International Teledemocracy Centre). The main aim of these new forms of democracy is to “to break down the virtual Berlin Wall which has traditionally existed in constitutional democracies between the represented and their representatives” (Coleman).

For the purpose of this article (and in relation to the Czech administrative terminology), the content of the international terms like e-government and e-governance or e-democracy will be used; however, the phenomenon of ICT utilization is covered here with a different name: *electronic public administration*. This term may be defined in compliance with the above-mentioned approaches as utilization of ICT, particularly the Internet, for the activities within the public administration system and in external relations between a concrete public administration authority and stakeholders. This again complies with the instrumental character of the phenomenon. Also, *functions of electronic forms of public administration* derive from functions of a state or a self-governmental unit. Electronic public administration is therefore supposed to function in accordance and for purposes of objectives that have been stipulated by legal norms. This term refers especially to the mentioned material definition of public administration. However, it cannot be separated from the institutional definition because of accountability issues that may blur in cyberspace. Within public administration, its electronic form is linked to a group of regulation activities or to those that facilitate the service for the public on the non-profit basis. Between definitions of public administration in its classical as well as its electronic form, analogies may be found – for example the generalization of Stillman 2005 may be utilized here: electronic public administration is (1) an important

part of the executive branch of government (yet it is related in important ways to the legislative and judicial branches); (2) the result of a formulation and an implementation of public policies; (3) a part of the involvement in a considerable range of problems concerning human behavior and cooperative human effort; (4) a field that can be differentiated in several ways from private administration; (5) the production of public goods and services; and (6) rooted in the law as well as concerned with carrying out laws. (Stillman 2005)

2. Specifics of communication within the public administration system – theory

In general, the term communication is defined as a transmission of information between two or more subjects within a certain time and a certain place, or as a transmission of various information contents within various communication systems by the utilization of various communication media, particularly through language. Within the process of communication and for the purpose of effectiveness, it is important to answer the following questions:

- Who is the recipient of my information?
- What information does this recipient demand? What information may I/do I have to give to him.
- Which way of transmission does he or she prefer?
- What do I want to achieve by providing the recipient with the information?

Without any regard to the form of communication, the process of communication itself plays a very important role in public administration. Every member of an administrative organization needs certain information for making a decision. Characteristics of information flows determine features of the communication within the public administration system. The above-mentioned basic questions are applicable in the field of public administration, which is represented by a very large group of formal organization within which many formal and informal relationships exist. According to Herbert A. Simon, who is known for his theory of administrative behavior (bounded rationality concept), “without communication there can be no organization” (Simon 1965, 154). In his concept, communication in organizations is a two-way process: it comprehends both the transmission to a decision-making center or orders, information, and advice; and the transmission of the decisions reached from this center to other parts of the organization. It is a process that takes place upward, downward, and laterally throughout the organization. The organization provides channels of communication running in all directions, through which information for decision-making flows. These channels are both formal and informal. The formal channels are partly based on, and partly separate from, the lines of formal authority, and the informal channels are closely related to the informal social organization. The communication must reason, plead, and persuade, as well

as order if it is to be effective. Communication exists across the whole system of public administration. It is a sectional issue. It always relates to the ideas of intergovernmentalism. According to the OECD document (OECD 1997), this phenomenon comes in response to the twin pressures of budgetary deficits and calls for better quality democracy. In this context, the main concerns underpinning this work are:

- to facilitate the achievement of national objectives, e.g. fiscal strategy;
- to remove unnecessary duplication and overlap;
- to obtain better value for taxpayers' money;
- to make services more responsive to local needs; and
- to empower citizens to participate more often in decision-making.

The basic problem of complex organization (which is a case of public administration) relates to the *fact that not all information relevant to the decision-making is in the hands of a subject of the decision-making*. That is why communication is considered a necessary part of the more complex form of cooperative behavior – coordination. According to Simon, failure in communication results whenever it is forgotten that the behavior of individuals is the tool with which an organization achieves its purposes. “The question to be asked of any administrative process is: How does it influence the decisions of these individuals? Without communication, the answer must always be: It does not influence them at all” (Simon 1965, 104). In the simplest situations, the individual participant can bring his activities into coordination with the activities of others through simple observation of what they are doing. In most situations, however, the successful performance of a task by a group of persons requires a slightly higher degree of coordination. According to Simon, the process of coordination in these more complicated situations consists of at least three steps: (1) the development of a behavior plan for all the members of the group (not a set of individual plans for each member); (2) the communication of the relevant portions of this plan to each member; and (3) a willingness on the part of the individual members to permit their behavior to be guided by the plan (Simon 1965, 106-107). The mentioned requirements are applicable not only on individual behavior, but also on the organizational behavior as can be seen in many benchmarking-like analyses.

Máša says: “the importance of an efficient communication system of an organization is clear – of both, the formal as well as the informal. Particularly, it is necessary to prevent the overburden of a communication system and the consequent danger of information content distortion.” (Máša 2001) He distinguishes two forms of this distortion – intentional and unintentional. The *possibility to unintentionally distort information content* also exists due to the complexity of organizational relationships, especially within multilevel organizational structures. According to Máša, the non-intentional distortion of information content is also related to attempts of finding the optimal *span of control*. In a situation with a lot of management layers, the central managing body has to refocus from its own mission – the stipulation of

perspective goals and objectives – to operational activities that should be exercised by lower units. In the multilayer system of management, however, these lower units may not have enough remit to make a complex decision in the field of their competencies. This may lead to a reduction of initiatives and in a broader sense to a habit of comfortableness, routine and lack of innovation process development.

The *lateral character* of communication and its feedback aspect are often stressed in theory. According to Garnett, key functions of lateral communication include task coordination, information sharing, multidisciplinary problem solving, and mutual emotional support. (Garnett 2005, 262) The lateral character of communication is a prerequisite of the communication network – a “process whereby decisional premises are transmitted from one member of an organization to another”. This network has a potential to be an integrating device for bringing together frequently conflicting elements of an organization to secure cooperative group efforts. However, as crucial as it is to organizational health and performance, lateral communication has historically been undervalued, receiving less scholarly attention than have upward and, particularly, downward communication.

In public administration, the process of communication may often be blocked due to many circumstances. For example *Long* speaks about the following **critical types of communications blockages**: barriers of language, frames of reference, status distance, geographical distance, self-protection of the individual who reports actions, the pressures of work and censorship. (Stillman 2005) It is also necessary not to forget what Weber already claimed that modern communication (“written” in his context) was one of the factors of the increasing bureaucratization of societal life (Weber 1997, 76).

The following text will try to reflect the above-mentioned theory in the practice of the communication process in the current public administration system of the Czech Republic.

3. Introduction to the Czech public administration system

Communication characteristics within the system of public administration always relate to an administrative system of a state. Legal reflections prescribe competences of individual subjects of the communication processes and determine the complexity of communication relationships (particularly the number of individual communication levels and the relevance of the information of individual levels). The number of individual levels of the public administration system is an important determinants of communication quality.

In the Czech republic, the model that has been created during the public administration reform may be described (with a certain level of simplification) in the

diagram below.² For the area of **state administration** activities (“the transferred/delegated competence” as it is defined by legal documents), the legal provisions define the basic (top-down) vertical of central level – regional level – (district level) – municipal level that determines the general trends of communication, but does not necessarily exclude concrete specifics in the form of horizontal communication within an individual level or skipping of an in-between level. In the area of self-governmental activities, this vertical formally does not exist, and individual levels (the regional and municipal levels in the Czech context) are not in a relation of subordination. In practice, however, the situation may differ, for example due to financial flows. The diagram also shows the so-called mixed model of territorial public administration when the state administration as well as the self-governmental activities may be exercised by the same municipal/regional body. This may lead to the complexity that is hard to coordinate and that also causes conflicts of roles inside such bodies.

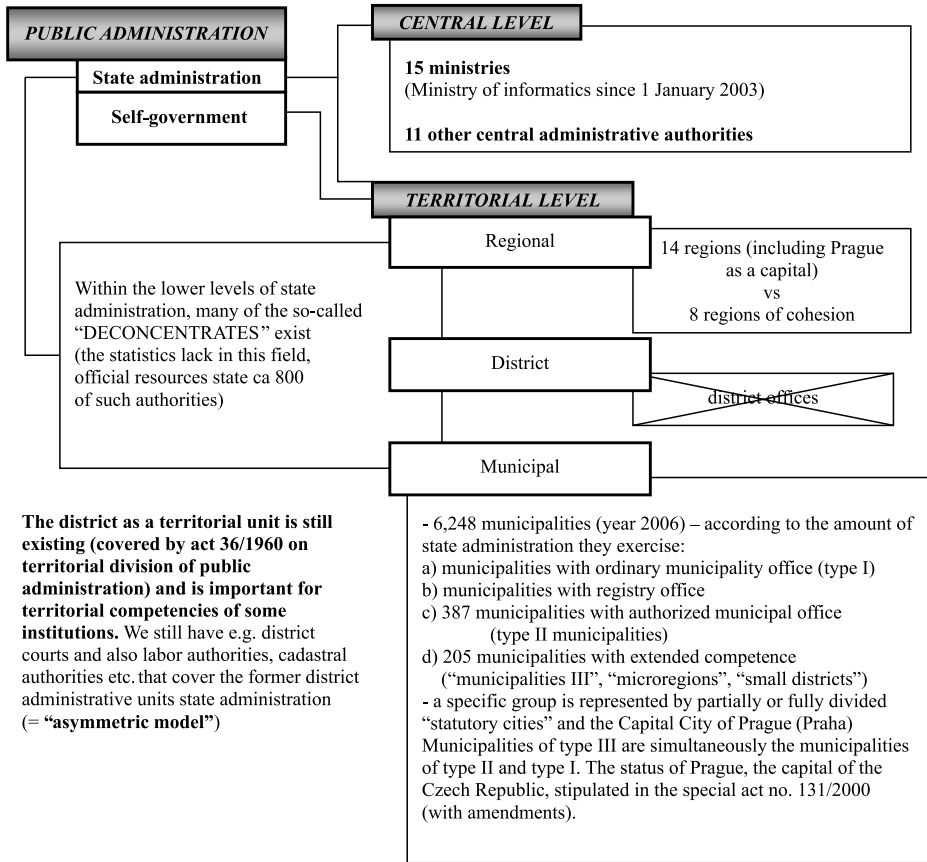
Communication within the public administration system above refers to the very large set of administrative activities. The perfect definition of this set is hard to make even in the case of the state administration context. The concretization of possible objects of administrative communication in the Czech Republic may be depicted by Table 1, which is based on the analysis of organizational structures of authorized municipal offices (municipality of type II) and municipal offices of municipalities with extended competence (municipality of type III). The amount of state administration they both exercise does not itself reflect significantly in the form of an organizational structure. The main areas of depicted processes may also be found within the regional level of state administration that is exercised especially by the regional offices.

Self-governmental activities are those fields of activities where a municipality may significantly adapt the way of their management to local specifics, e.g. in compliance with the European charter of local self-government that was incorporated into Czech law in 1999. Activities of the “state administration” group are those fields of material administration that have been transferred to self-governmental bodies from the State by legal documents; in this area of competence, the adaptation to local specifics may be in opposition with the concern of the State to ensure unification within the state territory (i.e. a certain level of centralization can always be found here). It is sometimes not easy to separate activities into the two groups in the mixed system. Activities that may overlap are listed in the group c activities. **The following text will refer to group b – state administration, where it is necessary to ensure the systematic nature – particularly mutual consistency – of individual level activities.**

2 The diagram draws on information from the Statnisprava web page and from the data of the Czech Statistical Office.

Diagram 1

Administrative model of the Czech Republic (without the European level)



Comment: “Municipalities with extended competence” is the youngest category of municipalities that has been created in relation to the abolishment of district authorities and the transfer of their competencies to the municipal level). Categories of municipalities in c) and d) are specified in act 314/2002 that has come in force since 1 January 2003. Further English information may be found in Ministry of Interior CR 2006.

Table 1

Examples of typical areas of activities within the two branches of public administration in the Czech Republic

a) SELF-GOVERNMENTAL ACTIVITIES	b) STATE ADMINISTRATION ACTIVITIES
<ul style="list-style-type: none"> • investments and building-up (including territorial planning and territorial development) • administration of municipal properties • local fees • education • culture and care of historical monuments • healthcare • sport • tourism and municipality promotion • local social affairs (including local library, domiciliary services, rest home for elderly people, cemetery etc.) • legal documents of municipalities in the self-governmental area • municipal police and public order • cooperation with other municipalities • cooperation with regional authorities • over-frontier cooperation 	<ul style="list-style-type: none"> • registry office and register of inhabitants • personal IDs and traveling documents • construction authority and the registry of allotments • Trades Licensing Office • state administration in the area of social allowances • social and legal protection of children • offences • road and traffic authority office • environmental protection • legal documents of municipalities in the state-administration area
c) AREAS OF INTERDIGITATION	
<ul style="list-style-type: none"> • economy and finance (budgeting) • accounting • human resources management • legal advices • archive of the municipal office • informatics (including municipal web pages) • control • management of crisis 	

Within the state administration system of the Czech Republic, the communication process includes both the transmission of information towards the decision-making center and the transmission of a consequent decision from this decision-making center to other parts of the system. In this area, **the Czech legislation creates more centers than are important for state administration activities exercised by the lowest level of the system** – at the same time, municipalities may be subordinated to responsible ministries and other central administrative authorities, regions and sometimes the so-called deconcentrates (special territorial deconcentrated state administration authorities) in the territory of districts (or other) (if we abstract from relationships between different types of municipalities that are differentiated according to the amount of state administration they exercise). This fact predestines the **complexity and comprehensibility** of the communication processes and may significantly influence the **information distortion** (intentional or unintentional). It also determines the effectiveness and efficiency of the communication process and may lead to duplications in the system. Also, the mentioned **blockages**

are relevant in the Czech context (particularly the frames of reference when speaking about the view of the municipality and the view of the superior authority that may also reflect the status distance, geographical distance may be also relevant). The existing system of state administration may face the basic problem of the complex formal organizations as defined by Simon. In the Czech administrative context the failures of communication may result from the situation when it is forgotten that the behavior of lower levels (particularly those from the lowest) is a tool with which the whole system achieves its purposes (*the principle of subsidiarity*) whatever they are. This issue is of prior relevance in the Czech context particularly due to the high number of municipalities and the situation when almost 60 % of them have less than 500 inhabitants (and even almost 80 % less than 1,000 inhabitants). It brings up **the question about the capacities of small municipalities** (particularly the knowledge and financial capacities) **necessary for access to the information and communication technologies**. Empirical research that has been realized within the period from June to September 2005 and that confirmed the existence of some of the above-mentioned negatives is described briefly in the text below (Point 4 of this paper).

The public administration processes that are described in Table 1 are the object of communication both in its classical and in its electronic form. Communication functions here as a vital instrument of coordination. Since the way of transmission of a decision of the center to an individual lower or horizontally equal part of the system plays a significant role, the fragmentation of **coordination and management competences on the central administrative level** was discussed. However, the results of the political situation have coped with this issue. For the organization and functioning of the central state administration in the Czech Republic, the act no. 2/1969 on the establishment of ministries and other central state administration authorities (with amendments) is vital. This act gives the *Ministry of Interior* the power to act in the field of *general coordination of public administration* that presupposes the coordination with other central authorities. In accordance with article 2 § 12 of this act, the Ministry of Interior also has the duty to secure the communication networks for territorial state administration authorities. Its *Department for public administration informatization* plays a significant role in the field of electronic public administration. The *Ministry of informatics* (which still exists although the ministers are now – since autumn 2006 – the one person, and the “take-over” of activities by the Ministry of Interior is under political debate) is a central state administration authority in the field of information and communication technologies, telecommunication and postal services. Since 1 January 2003, it has been trying to be the coordinator of electronic public administration in the Czech Republic. This ministry has taken over the competences of the former Office for public information system, the division of communications of the Ministry of transport and communications and competences in the field of electronic signatures that were in the hands of the Office for personal data protection. Recently (since autumn 2006), it

has also gained some former competences of the *Office of Government* – the central authority that had gained the competences in the field of “reform and modernization” of the central state administration since spring 2004.

In the public administration system, **regions** represent the important intermediary-type level. On the basis of foreign and Czech experience, for example Grospič 2004 defines the following *general functions* of this middle component of the territorial public administration: a) integrating function in relation to other institutions, including the civil society, that exist in the region, especially in the area of policy-making; b) coordinating function in relation to public administration institutions, both in the horizontal (towards another region) and the vertical direction (towards the basic level of the territorial administrative institution); c) supervising function, particularly service supervision and expert supervision; d) advisory function that is related to the expert and methodical help for the basic level of territorial public administration; f) function of financial resource allocation or distribution; g) legal advisory function as a very important part of the advisory function; h) regional planning and large territorial units planning function; i) regional management of crises function; j) function of coordination of environmental protection in a region (Grospič 2004, 29-30). Within the communication system, the regional office plays the most important part. In reference to the aims of this paper, the following competences of this body appear to be most relevant: a) revision of decisions made by municipal bodies in certain fields of activities, b) sanctions stipulation, c) provision of expert and methodical help for municipalities, d) securing the coordination of building and maintenance if the information system is compatible with the public administration information systems; e) organizing the realization of controls in the selected fields of activities of regional bodies, it evaluates results of these controls and prepares solution proposals for the responsible ministry or the Government; f) controlling activities of municipal bodies in the field of state administration, g) in accordance with special act, exercising supervision upon the state administration as well as self-governmental activities of municipalities.

4. Electronic public administration as an instrument of quality communication: selected results of the empirical research

During the last 15 years, the public administration of the Czech Republic has changed significantly. The creation of regions can be considered to be the latest highly significant change in the public administration system. They serve particularly as a middle level that exercises both the state administration (since 1 January 2001) and the self-governmental activities (since the elections to regional assemblies in November 2000). It is undoubted that the starting position of new established regions was somewhat different than the position of new municipalities at the beginning of the 1990s. The regional level was perceived to be a redundant component of the public administration system by the public and also by many officials. At their

beginning, regions had been functioning simultaneously with district offices. After the abolishment of district offices at the end of 2002, the opinion that the regions had replaced them insufficiently could be heard.³

That is why our research focused on the analysis of the current position of regions, particularly on one of their bodies – the regional office, within the public administration system. The research project was carried out on the basis of the order of the Czech Ministry of Interior (in relation to the intended communication strategy proposal), related to the field of communication in the sphere of state administration between municipalities with extended competence and their superiors – regional offices. The research was carried out in the form of an electronic questionnaire survey addressed to the senior civil servants of municipal offices. From the sample of 2000 officials in this position in the Czech Republic, 499 respondents took part in the survey.⁴

The questionnaire was designed to point at communication features with regards to the coordination requests within the mentioned field of Czech public administration where legal norms define the mentioned that determines the general trends of communication. The related research questions directed at the municipal officials were following:

- What is the overall quality of the mutual communication perceived by municipal and regional senior civil servants?
- With whom do they communicate most often?
- What is the most frequent object of the communication and on what should the communication focus?
- What barriers and negatives do the regional and municipal senior civil servants perceive in the communication process?
- What are their concrete proposals for solving the problems of the communication (between the municipal and regional levels, but also with reference to communication with the central level)?

The aim of the research was to discover possible negatives of the communication relationships within the mention part of the public administration and to propose recommendations if needed. The analysis of the possibilities of modern information and communication technologies to solve potential problems was comprised.

3 Districts as “decentralized bodies of state administration with general competence” (act 425/1990) or later as “administrative authorities that exercise state administration within administrative territories that are called districts” have been abolished by 31 December 2002.

4 That means a 25 % return rate. With respect to the fact that the survey took place in the summer (June to September 2005), it can be regarded as more than satisfactory. One possible reason should be the form of survey – an electronic questionnaire placed on a website was used. Similar questions were addressed to the officials of regional offices. The return rate was a little lower here: from a sample size of about 250, we gathered 45 responses.

On the basis of the questionnaires, the **following selected conclusions** may be stated:⁵

Officials of both components of the public administration system perceive the mutual communication as beneficial, conductive, and they are generally **satisfied** with the overall communication quality (67 % chose the highest two levels of satisfaction).

As a main source of information necessary for state administration activities, the municipal civil servants named the relevant regional office (44 % of cases) and the relevant ministry or another central state administration authority (30.4 % of cases). The regional office was considered to be the dominant source of information for the majority of municipal office departments (most of all by the departments of education and the departments of social affairs), however markedly less by the departments for transportation (in only 10 % of cases) – here the perceived predominance of central sources is apparent (in 70.5 % of answers); this is most probably the determinant of the lower satisfaction of the perceived lower overall satisfaction with communication relationships. The analysis of open-ended questions shows that the municipal level often uses the information from web pages of relevant ministries, other central state administration authorities and also of courts.⁶ It was criticized that there is no official source of complex and binding information that is necessary for state administration exercising in general and even on the level of concrete branches. The discussion of ICT-solution implementation is relevant. Also the level of business of regional civil servants was perceived as a barrier to efficiency by the municipal respondents (31 % of answers).

Although the general satisfaction prevails in the answers to the first questions of the questionnaires, answers to other questions uncovered some *problems of systemic character*. The main perceived barrier to efficient communication within the state administration field of activities does not relate only to the two discussed territorial levels of public administration, but has implications for the system itself. According to respondents in comparison with regional information (the first dominant source of information), the more reliable information is that from the central level (35 %). As another important barrier, the large utilization of regional officials has been stated (31 %), and also their knowledge incompetence (25 %). Only a low level of the perceived barriers that would originate from the unwillingness to communicate with each other was expressed – such a deficiency was perceived by 10 % of the municipal respondents. Both components of public administration consider the effort to find a solution and the effort to communicate to be the most *positive* element of mutual communication. Operativeness, speed and up-to-dateness of in-

5 Because we gathered 499 questionnaires with answers from the municipal level and only 45 questionnaires from the regional level, the answers from the municipal level were more relevant for the consequent generalization and possible recommendations.

6 Compare with Simon 1965.

formation is also perceived as very positive (this probably refers to the dominant use of e-mail as a communication instrument). Only 5 % of the municipal officials do not know where to find the information of the regional office. Those municipal civil servants who were most satisfied with the overall communication characteristics (Region Karlovarský) expressed the barriers rather in the form of legislation (25 %) and the level of business of regional officials (37 %) than in the unwillingness to communicate (0 %). The least satisfied (Region Královehradecký) named in a large number of cases the unwillingness (almost 30 %) and the uncertainty in regards to the knowledge with whom to communicate (12 %).

Operational contact is the *prevailing purpose* of communication in both selected components of public administration of the Czech Republic. Furthermore, municipal officials search for and consult information related to legislation in force with the regional level. In accordance with this, another conclusion may be stated – regional officials rank the receiving of questions and remarks in second place within the communication purposes.

It is possible to find the answer to the question “*What information does the recipient of information require?*” in the gathered data. According to the preferences of the respondents, particularly methodical help, expert consultation and information about legislation in force should be the object of communication.

Among the *ways of communication and possible instruments*, the officials from both levels identically prefer the modern forms like e-mail or web pages. As Table 4 shows, this conclusion was also confirmed by results of a different research that concentrated on the opinions of mayors and secretaries of municipalities within the South-Moravian region (“*Jihomoravský*”) (Lukašová and Špaček 2006). However, it does not necessarily mean that the traditional communication means are not demanded.

The last part of our research tried to capture the perceived level of computer literacy of the respondents. As Table 5 shows, Czech public officials consider themselves to be highly advanced users. This statement corresponds with the high usage level of modern communication tools mentioned above.

As shown in Table 6, the personal computer is basic work equipment for almost every official. They use it daily (95 % of answers). It is also hard to imagine the communication of officials with citizens or elected representatives of a region without using e-mail (almost half of the officials use e-mail several times a week). Also, the intranet plays an important role. However, the research confirms the slow utilization of “purely” electronic communication that is based particularly on the use of **electronic signature** (80 % of the respondents from the municipal level of the “*Jihomoravský*” region have not used electronic signature yet). The present project

Table 4
 What communication means do the municipal officials prefer for gaining information from the regional office (%)

	methodical help	expert consultation	educational programs	grant schemes	general information	EU policy	project realization
telephone	41.6	37.1	3.7	5.7	3.2	2.9	39.6
fax	1.2		0.4	0.4	0.4	0.4	1.6
post office	20.4	11.0	21.1	13.8	41.1	18.1	8.6
e-mail	80.0	55.9	77.6	58.7	89.1	56.4	44.9
web pages of the "Jihomoravský" region	51.2	19.6	44.3	68.4	16.5	61.7	18.4
personal appointment with the concrete official	36.8	65.7	3.3	15.4	1.6	17.7	81.2

Source: Lukašová and Špaček 2006.

of the Ministry of informatics that offers the free use of electronic signature for one year to municipalities may change this situation.⁷

Table 5

Some characteristics of (perceived) computer literacy of municipal office officials

	certainly	quite certainly	half-and-half	more likely not	certainly not
a) I can find information that I need for my work within a municipality body on the Internet.	53.3	33.3	9.5	3.2	0.5
b) I can send an e-mail with an attachment.	90.6	5.2	2.6	0.9	0.5
c) I can open the attachment of received e-mail.	92.7	4.0	0.5	1.9	0.7
d) I can save a received attachment of e-mail on the hard-drive of the PC.	83.4	7.8	4.8	1.9	1.7
e) I can find the saved attachment on the hard-drive of the PC.	81.1	10.0	4.1	2.2	1.9
f) I can fill in and send the web form.	75.4	12.2	4.5	4.3	1.4

Source: Rektořík, Špalek and Špaček 2005.

⁷ This project was launched in 2004. The act on electronic signature was passed in the year 2000.

Table 6
The rate of modern communication instrument usage

	daily	not daily, but several times a week	not more than once a week	rarely, less than once a week	never
PC	95.4	3.1	0.5	0.5	0.5
e-mail for communication with citizens	29.3	21.5	15.9	27.6	4.2
e-mail for communication with officials/elected representatives of municipalities within the "Jihomoravský" region	20.2	23.9	26.3	26.3	2.7
e-mail for communication with officials/elected representatives of other regions	8.4	16.9	20.6	35.5	15.9
e-mail for communication with officials of the corresponding department	3.7	4.7	11.0	54.9	22.3
information on the corresponding department web page	7.9	26.2	29.6	31.5	4.1
information on the web page of other municipalities	2.7	11.7	26.0	49.0	7.5
information on the "Jihomoravský" region web page	6.1	16.8	35.5	35.3	4.6
internal information system	44.0	24.1	12.2	9.5	5.8
electronic signature	1.7	1.5	3.2	9.2	79.1
Portal of public administration (www.portal.gov.cz)	4.6	11.8	21.8	45.3	13.7

Source: Lukašová and Špaček 2006.

Conclusions and Recommendations

This paper introduces the analysis of the utilization of ICT within public administration, particularly in the field of communication. This analysis is placed in a broader context than traditional texts usually do. Practical usage of the potential of ICT is always significantly limited by the form of the public administration system of a state and by characteristics of this system. These circumstances may be omitted by creators of communication strategies and information policy strategies, although such analysis should be a part of the preparatory phase of these documents, that means *ex ante*. The importance of the demand for electronic public administration from the side of the public, but also from the side of officials should be stressed. During public administration reforms in the post-communist countries that were

sometimes characterized by speed, fashion and the transfer of foreign experience without deeper analysis of the national context, such requirements might not have been fulfilled. Reformers on the central, regional or municipal level thus look for ways of *ex-post* adaptation of their activities. A partial description of the Czech case was given in this paper.

From our research, some recommendations that document the possibility of ICT utilization in public administration follow; they are stated below. They should be considered as groundwork for the potential conception of communication improvement, not as the conception itself.

a) Ensuring of quality communication based on the needs of officials

The first conclusion and recommendation comes directly from the empirical research. On the basis of the opinions of regional and municipal officials summarized above, it is possible to claim that officials (especially from the municipal offices of municipalities III) recognize the importance of communication – they often said that there is no communication that can be redundant. In the gathered answers, it is possible to discover general characteristics that officials assign to a quality communication process in public administration. These characteristics should be taken into account when preparing the communication strategy. Namely, the officials emphasize the importance of the following characteristics of information they require:

- speed/timeliness of communication,
- comprehensibility,
- up-to-dateness,
- proficiency,
- relevance in relation to the needs.

b) Methodical help enhancement and unification

The insufficient methodical help and its heterogeneity are one of the most mentioned and criticized deficits within the communication in the field of state administration in the Czech Republic (not only within the relationships between regions and municipalities, but within the whole of the above-mentioned vertical). Municipal officials often face the disunited, sometimes contrary interpretation of the methodical issues that is provided by the regional or central state administration at the same time. This situation is caused by non-coordinated information flows within the state administration system and by the fragmented competences in the field of methodical help. Due to this fact, there is no official single source where officials may find comprehensive and particularly binding information required for exercising state administration activities in the Czech Republic, even in the concrete administrative activities – i.e. according to individual resorts of administrative activities. Especially here, the **potential of modern ICT** should be underlined and can be utilized.

That is why it occurred to us to recommend that **it is necessary to create infrastructure that would unify the methodical procedures employed**. Such infrastructure can be represented in the first step by the **Internet application of a portal- and discussion-forum-type**, where each step of individual state administration activities on each level of state administration (for example in the form of questions and answers) would be described. The creator of the methodical help should be logically the primary source of information of this application – according to the municipal officials this is a case of a responsible ministry. The decisions of administrative courts should also be part of such an infrastructure. The target situation is the factual ensuring of the principle when the creator of methodical procedures is simultaneously informed about their realization and is able to flexibly solve the potential problems. It would be unquestionably suitable to link such infrastructure (advice center) with the existing institutions and also with the academic environment.

c) Unified visual appearance of web pages of central state administration authorities

In reference to the above-mentioned recommendations, the possible benefits of visual appearance unification of web pages of central state administration institutions are visible. We recognize the difficulty of implementing such a recommendation. However, foreign experience can be built on in this field.⁸ The present state of heterogeneity of central state administration Internet presentations makes the costs decrease, particularly those related to users' (the significant percentage is represented by the officials themselves) comfort.

d) Unification of communication management by utilization of existing institutions of central state administration

From the above-mentioned, it is apparent that it is necessary to somehow coordinate the communication in the state administration system (in its classical as well as electronic form) in order to harmonize the communication of individual parts of the system in a way that facilitates the maximal contribution of state administration functions. These functions should be clearly defined by law without a space for duplicities. The aspect of positive cooperation – when individual parts of the system mutually cooperate and help each other and do not do harm to others – (that are in contrast to actual “resortism” of state administration) must be stressed here, as well as the important link to communication (in its classical and electronic form) and feedback issues. In order to improve the coordination of the system, officials were clearly against the establishment of a new institution. They demanded the utilization of existing institutions (particularly the Ministry of Interior).

⁸ Similar projects have been launched in Canada, Great Britain and Ireland within the government on-line activities.

e) Continual monitoring and evaluation of results

Monitoring the real practice and the process of control – comparison of the real practice with the intended/planned results – are necessary parts of all management activities. The recommendation to ensure continual monitoring and evaluation of results is interlinked with the recommendation mentioned above. The utilization of ICTs may improve the transparency of an institution that is controlled and also the transparency of the control process itself. In relation to the mentioned principle of positive cooperation, the appointment of a special commission appears to be suitable. This commission would comprise the members from all levels of the administrative system. The utilization of ICT (for example e-consultation, e-discussion, etc.) may be beneficial here and may enlarge the space for the external control of public administration.

f) Ensuring the information/computer literacy of officials

Acceptable **information/computer literacy** of officials is an important prerequisite for effective attempts in the field of electronic administration. The analysis of this issue was also a part of the mentioned research project that concentrates on the situation in the “Jihomoravský” region. The results can be understood to be a bit distorted because of the probable propensity of officials to overestimate (or underestimate) their skills. Nevertheless, it is apparent that the continual increase of ICT in the public administration of the Czech Republic is positively perceived also on the civil servant side. Also, the need for perpetual improvement of the related knowledge must be stressed.

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Major Changes in the Romanian Public Utility Services and the Main Actions

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Abstract

This paper discusses the main changes that have occurred in Romania in the national and regional utility services system, especially in the electric power and natural gas sectors. It also explores the effects of these changes on the following period, when Romania becomes an active player on the European market of services.

The main *strategic objectives* for the progressive implementation of the EU Directives in the service sector in general, and in the electricity and gas sectors in particular, are: creating a framework that ensures an integrated management of the town management public services; reaching compliance with all provisions of EU legislation for all categories of town management public services; promoting the market economy principles and a transparent privatization process; facilitating public participation and the active involvement of the private sector; promoting an integrated development of the town management public services and monitoring action plans based on the participation of all parties involved; reaching the institutional and financial stability of the local communities. All these objectives require a systemic and coherent process of coordinated actions such as the Romanian services system to serve domestic needs and to be responsive in content with the European free market of services.

Key words: market model, privatization of utilities, restructuring.

1. Introduction

Not so long ago, almost every utility was fully integrated vertically. That is, the company owned and ran all aspects of the process of producing and selling its product. Sometimes, the government controlled the manufacturer of the utility's equipment,

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the utility's fuel supplier (if it was an energy utility), and the utility itself. That was another sort of vertical integration. Nowadays, policy makers believe that competition protects the public against exploitation more effectively than regulation. Therefore, policy makers advocate breaking down the utility into components, keeping the parts that are natural monopolies under regulation and turning towards a competitive market. To most people, "privatization" means the sale of a government-owned asset or company to private investors. Governments considering privatization may have other reasons to contemplate breaking down the utility (the government needs money, the utility system must expand, but the government lacks the funds to finance the expansion, the government believes that private management is inherently more efficient than a government bureaucracy, the government wants to restructure the industry in order to eliminate monopolies, and encourage competition between suppliers, the government desires to build capitalism by encouraging widespread share ownership, a.s.o.).² Furthermore, the government may wish to retain control of the utility but not of all utility functions, so it splits off non-strategic functions and sells them. On the other hand, economists have analyzed the choice between the public and private provision of goods and services on the basis of potential "market failure". The concept of potential market failure is helpful in identifying situations that may generate economic disfunctions and that may call for serious consideration of the appropriate role of government in the provision of utility services. The economic literature describes five situations in which private markets cannot necessarily be relied on to provide the most efficient and appropriate pattern of services:

1. when natural monopolies exist;
2. when increased production is associated with decreasing costs;
3. when substantial externalities exist and are not reflected in the accounts of private suppliers;
4. where it is difficult to charge for a service or to exclude those who do not pay, and
5. where merit goods are involved (Roth 1987, 138-141).

All five situations can be found in the case of public utilities, especially in electricity and gas distribution (Henney 1987, 210-213).

2. Research Findings

The electricity market involves all factors, elements, involved in generating, transmitting and distributing energy to users.

² Several authors discussed public utility privatization in their papers : Lord 1994 discusses and analyzes annual privatization on a country-by-country basis; Clarke and Pitelis 1993 discuss the political and organizational issues related to privatization around the world.

Before electricity can be switched on – whether in factories, in people’s homes, or in the systems lighting the streets – it has to be generated, transmitted from a power station, and distributed to users. And that means: “electricity market”. The local distribution part of the business retains all the characteristics of a regulated, local, natural monopoly. These characteristics should be listed here. The new question is whether the local distribution utility can function differently than before. For instance, rather than selling electricity to consumers, the utility could rent its lines to suppliers who would compete against each other to sell their electricity to consumers (Stanciulescu 2002, 27-28).

3. The Electricity Market – the Case of Romania

As mentioned in Romania’s Energy Policy for 2006 – 2009, at the end of 2005, the number of power consumers was 8,600,000, out of which 8,040,000 were household consumers. The creation of a functioning power market in Romania was based on the following **assumptions**:

- Energetic sector restructuring by dividing the production, transport and distribution/delivery activities;
- Market liberalization by granting free access to transport and distribution networks, linked with consumers’ eligibility, thus fostering competition in the delivery and production sectors;
- Implementing a coherent and transparent legal and energy-trading framework;
- Translating the provisions of the 2003/54/CE and 2003/55/CE Directives.

Romania adopted the **decentralized electric power market model**, where producers and suppliers are free to perform electric power purchasing-selling transactions. This market model is founded on the development of bilateral contractual relations between producers and suppliers, with a progressive decrease of the regulator’s intervention in the competition market.

The regulation of the natural monopoly-based activities (transport and distribution) was carried out based on transparency principles, unbiased access to the network and the acknowledgment of justified costs.

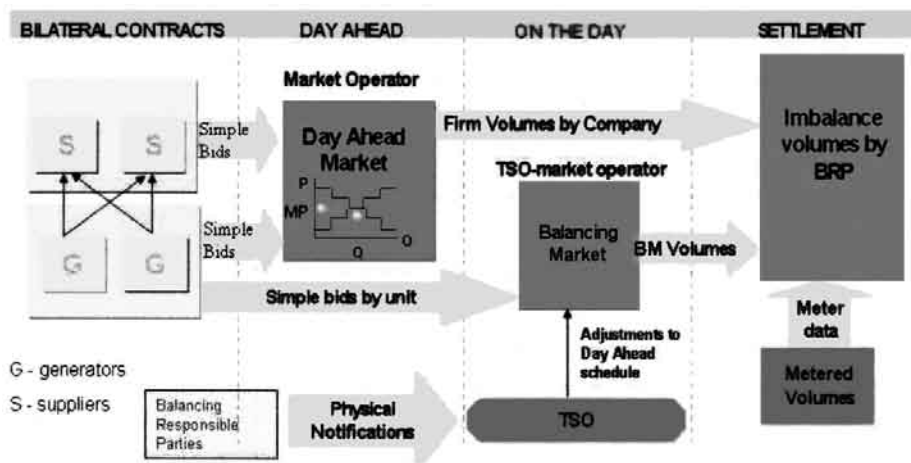
Beginning in 2005, the tariffs regulated for the usage of networks are calculated based on ceiling-type methodologies. The stage currently achieved meets the world-wide requirements in this area, making the integration of the national electric power market possible at the regional and European levels. The electricity market has been expanded and upgraded with the introduction of **four new transaction platforms** in 2005: *Next Day Market*; *Balancing Market*; *Bilateral Contract Centralized Market*; *Green Certificates Centralized Market*. Most of the European countries have adopted this model.

As is written in Romania's Energy Policy for 2006 – 2009, promoted by Minister Order no. 408/2006, the main events in the development of the Romanian Wholesale Electricity Market during the last eight years are presented below. All of them come on the initiative of the Romanian Government, as mentioned below. That means an important influence of the state on the energy market and also on the price policies for the consumers.

- GD 365/1998 – vertically integrated monopoly – RENEL – is split into separate distribution and supply companies (SC Electrica SA), and generation companies (SC Termoelectrica SA and SC Hidroelectrica SA) were established within a new company – CONEL SA. Two other electricity generators (SN Nuclearelectrica and RAAN) were separately established;
- transmission, system services and market administration are separately organized, within CONEL SA;
- the relationship between parties within the electricity sector are settled based on contracts;
- GD 122/2000 – the electricity market opens at 10%;
- GD 627/2000 – CONEL holding is dissolved;
- September 2000 – the compulsory electricity spot market is launched in Romania, administered by OPCOM and organized based on the pool model;
- GD 1342/2001 – SC Electrica SA splits into 8 subsidiaries for electricity distribution and supply;
- GD 1524/2002 – SC Termoelectrica SA reorganizes in several separate legal entities for generation;
- July 2005 – the new market model is launched, based on:
 - voluntary spot market, with offers from both sides and bilateral settlement;
 - compulsory balancing market, with TSO as single counterparty;
 - financial responsibilities for the balancing are allocated to the Balance Responsible Parties (BRP);
- GD 644/2005 – electricity market opens at 83.5%;
- November 2005 – the green certificates market is launched;
- December 2005 – the centralized market for bilateral contracts is launched.

Starting from 2006, all available wholesale electric power is going through the centralized market for bilateral contracts. Figure 1 presents the structure of the wholesale electricity market, as it is now in Romania. The content of this figure was a subject for analysis in the content of the Report on Monitoring Results of the Electricity Market prepared at the end of the third semester of 2006.

Figure 1
Structure of the wholesale electricity market



As is presented in the above figure, the wholesale electricity market is divided in four components. All of them are influenced by the Ministry of Economy and Commerce and also by the National Energy Regulatory Authority.

Statistical data (Romanian Statistical Yearbook 2004, 573-574) regarding installed capacity, production and consumption of electric power reveals the dynamic during the period 1997 – 2004 illustrated in *Table 1*:

Table 1
Installed capacity, production and consumption of electric power

	MU	1997	1998	1999	2000	2001	2002	2003	2004
Installed capacity of electric generating sets	Thou kW	22843	22557	22236	21905	20863	19659	19368	19626
Electric energy production (thermo and hydro power plants)	Mil kWh	57148	53496	50713	51935	53866	54935	56645	56482
Gross domestic electric energy consumption	Thou tones of oil equivalent	1526	1665	1503	1212	1172	1136	962	1320

Currently, under the ongoing “Electricity Market” Project, the institutional framework is being finalized, including the electricity market Operator, which should function as the *national power exchange*, the services needed for the implementation of the *regional power exchange* being under contracting arrangements.

Until its total opening, the electricity market consists of a regulated market and a competition market. Following the Government Decision no.644/2005 from 2005, the electricity market opening level has been 83.5%. On the competition market, there is a freely established, supply and demand-based price. On the regulated market, prices and tariffs are set by the National Energy Regulatory Authority (NERA), according to their own methodologies.

As regards electric power, the price and tariff system has developed from a one-tariff system regulated for end consumers to a system with prices according to activity and service, able to respond to the sector’s new liberalized structure. Regulated prices will be administered to the eligible consumers. There are:

1. prices on the liberalized market (established through competition mechanisms),
2. tariffs for the network services (transport and distribution),
3. regulated prices based on the justified costs principle, and
4. (partially regulated) competition prices of the system services and of the balancing energy.

Until the complete opening of the market, a characteristic of the regulation system adopted in Romania is the establishment of the electric power purchasing prices (production) for the market of eligible consumers by the NERA. The electric power price has had an ascending evolution due to the need for the regulators to raise prices, which reflect rationally justifiable costs because of the fuel price increase at the international level and the progressive removal of direct and crossed subsidies.

As mentioned in Romania’s Energy Policy for 2006 – 2009, in 2005, the average price of the electric power delivered to household consumers was of 92.1 Euro/MWh. The social protection was carried out through the promotion of the unique national tariffs, with the same offer of tariffs regardless of the consumer’s geographical location, and through progressive tariffs by consumption trenches for the vulnerable household consumers (social tariffs). The value of the crossed subsidy for 2004, between the social tariff and the other tariffs for the household consumers, was about 1,764 billion ROL (ROL means Romanian lei – traditional Romanian currency till 2005), amounting to 7.5% of the total sales to household consumers. A detailed description of the tariffs for the household consumers, valid starting with 1 December 2006 as regulated by NERA, is presented in *Annex 1*. All information in this annex is in RON (the name of the heavy Romanian currency; in use since 2006; the relation to the traditional Romanian currency is the following: 10,000 ROL = 1

RON). It can be noticed that in Romania, the electricity price for household consumers is low as compared to other European countries, while the prices for industrial consumers are comparable with the EU-25 prices. Important steps have been made in the privatization of the electricity distribution sector:

- S.C. Electrica Banat S.A. and S.C. Electrica Dobrogea S.A. – in July 2004, the privatization agreements were signed by S.C. Electrica S.A. with Enel SpA – Italy. The privatization process was finalized on 28 April 2005 by carrying out the ownership transfer of over 51% of the share capital of each of the two companies to Enel SpA.
- S.C. Electrica Oltenia S.A. and S.C. Electrica Moldova S.A. – the privatization Agreement of S.C. Electrica Moldova S.A. was concluded by S.C. Electrica S.A. with E.ON Energie – Germany on 4 April 2005, and for S.C. Electrica Oltenia S.A. it was executed by S.C. Electrica S.A. with CEZ a.s. – Czech Republic, on 5 April 2005. For S.C. Electrica Moldova S.A., the final transaction was achieved on 27 September 2005 and for S.C. Electrica Oltenia S.A., the transaction pre-finalization stage is completed and transaction finalization will be in progress (transfer of the ownership rights) with Czech corporation CEZ.
- S.C. Electrica Muntenia Sud S.A. – the privatization process is ongoing, based on the company's privatization strategy. In order to take part in the privatization process, the interested investors were invited to submit Expressions of Interest until 15 September 2005. Until this deadline, 10 companies had submitted Letters of Interest, and in 2006, the Commission for negotiations selected 8 pre-qualified investors for the Short List. In July 2006, just 2 of them, Enel SpA Italy and Iberdrola SA Spain, participated in negotiations. After that, the former obtained a higher total score than the latter and was been declared winner. Following the process, the Romanian Government, especially the National Authority for State Assets, started the preparation of the Governmental Decision containing the procedure for finalizing the privatization contract of Electrica Muntenia Sud. In the first part of January 2007, the Governmental Decision project was completed and now, it is submitted for review to the involved institutions.
- S.C. Electrica Muntenia Nord S.A., S.C. Electrica Transilvania Nord S.A., S.C. Electrica Transilvania Sud S.A. – the privatization strategy has been prepared and submitted for endorsement by the parties involved.

4. Gas Market – Case of Romania

Natural gas is produced at wells. Gas gathering systems, which are small pipelines, take the gas from the wells to the big pipeline that will carry it to populated centers. The local distribution utility is a regulated natural monopoly. As in the case of the electricity distributor, nobody wants to duplicate the existing delivery network. Usually, the local gas distributor arranges to buy from producers, pays the pipeline

to transport it, and then sells that gas to its own customers. Integration from the wellhead to the consumer may have been the model in the past, but is becoming less and less prevalent. An industry of brokers can find the gas, arrange transportation, and assure the right price for those consumers who cannot do so themselves (Stanciulescu 2002, 132-135).

The domestic market of natural gases of Romania consists of:

- *A competition segment*, comprising the commercialization of natural gases among providers, and between providers and eligible consumers. In the competition segment, prices are freely established, based on supply and demand;
- *A regulated segment*, which comprises natural monopoly-type activities and delivery at a regulated price and based on framework-contracts. Regarding the regulated market segment, price and tariffs systems are set by the National Regulatory Authority in Natural Gas Sector (NRANGS), according to their own methodologies.

As mentioned in Romania's Energy Policy for 2006 – 2009, at the end of 2005, the total number of gas consumers was 2,412,640, out of which 2,345,853 were household consumers.

The activities related to the regulated segment comprise: gas delivery to consumers at regulated prices and according to the framework-contracts, management of the commercial and domestic market balancing contracts, natural gas transport, underground storage of gases, gas distribution, except transit through specialized main networks (transit through specialized main pipes is subject to the regime of international agreements, on which these networks were built).

In order to ensure a structured framework concerning the allocation of domestic and imported natural gases in a fair and non-discriminatory manner, the Market Operator function organized within the National Gas Desk of Bucharest, from in Transgaz S.A. Medias structure, was set up.

The Romanian gas market was gradually opened:

- Starting on 1 July 2001, Romania has declared an opening level of the gas market of 10% – by accrediting a number of 17 eligible consumers;
- From January 2002 on, the opening level was increased to 25%, which reflected a higher compliance with the Directive provisions. The real (actual) opening level, after the completion of accreditation procedures (on 1 May 2002) was only 20% because the number of accredited eligible users was smaller than estimated. The increase of the market opening level was made possible due to the relaxation of the eligibility criteria.
- For 2005, the gas market opening level was set at 50% of total consumption.

- Starting on 1 January 2006, the opening level of the domestic gas market has been 65% of the total domestic consumption, and it is expected that in July 2007, the opening level will be set at 75% out of the total domestic consumption.

Structure of the Domestic Natural Gas Market

There are 4 natural gas producers:

- 2 major national producers – Romgaz and Petrom (98% of total domestic production), and
- 2 private producers – Amromco and Wintershall

- 54 suppliers
- 28 distributors (two of them – Distrigaz Sud and Distrigaz Nord – have 97% market share)
- over 500 eligible consumers (49% of total consumption)
- 3 operators of storage systems
- 1 operator of the transport and transit system
- importers of natural gas (3 licenses)

In accordance with the commitments made in the European Union integration process, as well as with the Memorandum concluded in 2005 between the Government of Romania and the International Monetary Fund, the wellhead gas average price for 2005 was US\$ 90/1000 m³, a price which covers costs and stimulates investments in this sector. The final regulated price is calculated by the NRANGS, according to a gas-purchasing cost, calculating an average between the domestic gas price and the imported gas price.

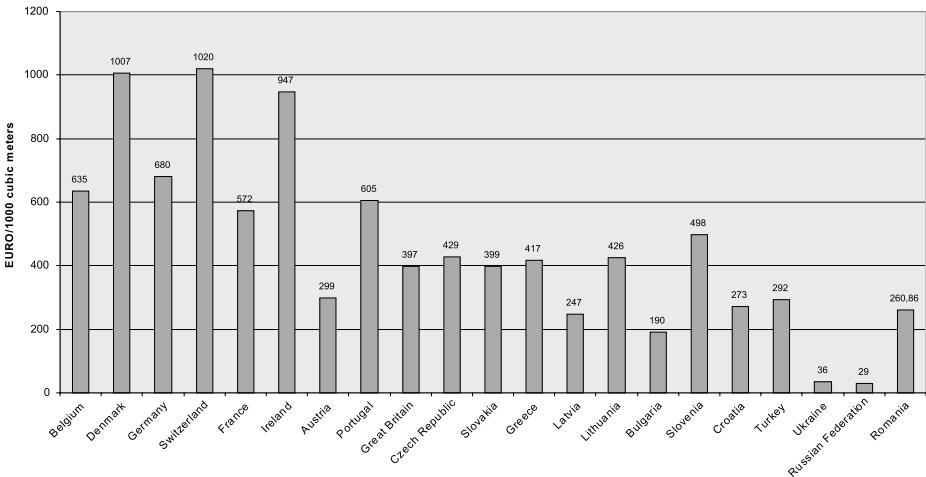
The justification of the regulated prices and tariffs is based on the recognition of costs justified by the gas distribution operators. Thus, the final regulated prices for natural gas delivery cover all costs incurred by the provision of natural gas to the end consumer.

In 2005, compared with 2004, the final price of natural gases increased by an average of 35% for all kinds of users, which led to the introduction of the social aid system for disadvantaged categories of people who use natural gas for heating. In the official database of the Ministry of Economy and Commerce, as shown in *Figure 2*, the price of natural gas for household and industrial consumers is lower in Romania than in other European countries.

In 2000, Romania started a restructuring process in the gas industry, aiming at replacing the old organization system based on vertical integration with a system characterized by vertical separation. According to the new system, the production, transport through pipeline and distribution are no longer managed by one integrated, monopoly-type company. Although the vertical integration of the natural gas industry is not necessarily against consumers or producers (helping the latter to

reduce the risks of new investments), this generally narrows the development of a competition environment and of free access to markets.

Figure 2
Average natural gas prices for household consumers in Europe (Q4 2006)



The vertical separation of monopolies does not only create competition by itself but also administrative transparency. In 2001, within the National Desk administrative structure of Transgaz S.A. was created, with the purpose of overseeing the fairness of the resource allocation process, in order to establish the “gas basket”.

In 2002, the number of gas suppliers licensed on the wholesale market increased to 23 in Romania, most of them being independent intermediary companies; competitively speaking, the role of these intermediaries was to a great extent irrelevant, as their contribution was to increase the market liquidities. The National Gas Regulatory Authority (NGRA) was created in accordance with the European Gas Directive provisions. The basic principal ruling the activity of this body is that the regulator must be independent.

The trend in European markets is, however, towards using different tariffs based on consumer type. The main source for distortions on the Romanian gas market was the policy of artificial lower prices for households (as compared to the industry ones) which, together with the arrears problem, led to the steady de-capitalization of the producing companies. Romania initiated a pricing reform in 2001, by evening out the price levels used for household consumers and industrial ones, with a value of 82.5 \$/1000 cubic meters; this led to a significant increase of the gas price for the population and a decrease in the industry price. But the pricing reform will have to be carried out in a way as to achieve a progressive alignment of the domestic gas price to the international level (illustrated by long-term import-export

contract prices used by Western European countries), because in an economy producing and consuming energy efficiently, the energy's relative price needs to be at a level which can ensure the recovery of production and distribution costs as well as equipment amortization.

The energy price is determined by the dominant market (for gas, the crude-oil price, based on which the gas price is being indexed). Maintaining the gap between the internal price and the ones used by external markets requires big subsidies, encourages consumption waste and production ineffectiveness. Romania is about to reduce this gap between prices. Crossed subsidies should be progressively removed by applying different tariffs according to the consumer type and the technical connection solution (to SNT or distribution network). Although it is not something required by the Gas Directive, privatization is seen as a component of the gas sector reform, and the "National Strategy for Energy Sector Development 2001 – 2004" approaches privatization as an instrument needed to create a certain competition level on the energy market. The privatization process of the gas sector is ongoing. In the last five years, some changes occurred on this market, as shown below, but there are several major changes which must happen in the next few years.

S.N.P. Petrom S.A. – after running through all negotiation stages with every bidder, in July 2004 Petrom the Privatization Agreement with OMV , and the deal was closed in December 2004.

S.C. Distrigaz Nord SA and S.C. Distrigaz Sud S.A. closed the transaction with Gaz de France for SC Distrigaz Sud SA in May 2005, and for SC Distrigaz Nord SA in June 2005 with EON Ruhrgas.

S.N. Romgaz S.A. – the privatization process is carried out with the assistance of international consultants.

In October 2006, the Romanian Government decided to stop the privatization process in the gas and energy sectors. They want to revise the status of privatization processes and also to define the new strategy for the energy sector, taking into account the EU strategy in this area and also the strategy of Ukraine and the Russian Federation.

5. Main Difficulties In The Romanian Energy And Gas Sectors

The main difficulty in the Romanian energy and gas sectors is the **high level of arrears**. Strengthening financial discipline in the enterprise sector is seen as fundamental not only for establishing a market economy, but also for consolidating macroeconomic stability. Despite considerable progress over the last three years, much of the state-owned enterprise sector remains unprofitable and un-restructured, and depends on quasi-fiscal subsidies in the form of non-payment of utilities and taxes to continue operating. Arrears often appear in circular links, with public enterprises

incurring arrears to utility companies, utility company arrears to power companies, and power company arrears to suppliers (for example, to mines).

The build-up of state enterprise arrears has been attributed to a number of **reasons**:

- Liquidity squeeze in the absence of a payment discipline. Public enterprises experienced a sharp drop in liquidity as demand contracted following transition and directed credits were cut. In an environment of weak contract enforcement and poor corporate governance, most enterprises responded by resorting to barter and arrears rather than restructuring.
- Protracted privatization. Managers of enterprises that remain in the pipeline for privatization for long periods of time have little incentive to reduce arrears. In Romania, firms under the portfolio of privatization authorities have enjoyed protected status from creditors.
- Implicit subsidies by the state. The state contributed to growth of arrears by accepting non-monetary tax and utility payments, using tax offsets in procurement, and tolerating payment arrears. These practices have been prevalent at all levels of state and local government, as well as state utility companies.
- Chain effects. The industrial structure inherited from the Ceaușescu era had strong vertical links as a result of isolationist policies. Even for profitable enterprises in the chain, there were few opportunities to transact in cash if principal trading partners resorted to non-monetary payment settlements. This is especially the case where energy sector companies are involved; for example, mining companies offset their utility bills with coal deliveries.

Over the last three years, total arrears in Romania remained stubbornly high, at just under 40% of GDP, despite some success in addressing SOE (State Owned Enterprises) arrears. Inter-enterprise arrears account for about half the total arrears, of which about 40% are owed to energy suppliers. Arrears to the central budget and social security funds account for about a third of the total. Arrears to banks are low, at about 4% of total arrears in 2003, reflecting a successful reform of the banking sector. Arrears to other creditors, mainly wage arrears, account for about 12% of the total, and remain relatively low compared with other transition economies. Information on local authority arrears is difficult to obtain, and is not included in the above total. A recent USAID-funded study suggests local authority arrears could amount to as much as 1 – 2% of GDP. Inter-enterprise arrears have risen steadily, partly as a result of the accumulation of interest and penalties. Public sector arrears increased sharply in 2002 and remained roughly unchanged in 2003. Arrears to banks have continued to decline. Wage arrears also appear to have become less of a problem, partly as a result of the restructuring of state-owned enterprises. At first glance, it would appear that the share of arrears accounted for by the private sector

has risen sharply, those of the mixed state sector have fallen, and the wholly owned state sector remained fairly constant.

The arrears problem is concentrated in the energy sector. The payment discipline of consumers has been weak, particularly in the heating sector, where suppliers have been prevented by law from cutting off consumers in the heating season. This has contributed to the weak financial condition of the sector, where in the past, prices had been set administratively below production costs. In addition, while households have been relatively reliable in payment of electricity and gas, enterprises and local governments have been less disciplined. Large loss making public enterprises are among the worst payers. Attempts by the distributors to cut off suppliers have often been hampered by political or social considerations, and in some cases, the need to maintain a minimum technological level of supply (for example, to prevent the permanent shutdown of large furnaces).

While arrears to the energy sector are large at about 6 – 7% of GDP, the problem is still important. In the gas distribution sector, state enterprises account for over 45% of total overdue accounts payable, followed by Termoelectrica, the largest thermo producer, and the externalized heating plants, the two accounting for about 25%. The 50 largest enterprises in debt to the gas distribution companies account for about 30% of total arrears (excluding heating companies). In the electricity sector, the 30 largest debtors of Electrica account for about 20% of the total debt. At the same time, the 4 largest debtors amongst the heat distribution companies had accumulated arrears of lei 9.5 trillion to Termoelectrica, or 170% of Termoelectrica's turnover in 2003. This has led to a complex chain of arrears in the energy sector with the heating companies in arrears to Termoelectrica, Termoelectrica in arrears to the gas and electricity companies, and the energy companies in arrears to the budget. The need to resolve the arrears of the utility companies in advance of privatization has been a major challenge for privatization efforts in the sector.

The main policy instrument to address energy sector arrears was an aggressive disconnection of non-payers of gas and electricity. The credible threat of disconnection has been relatively successful in inducing the majority of large debtor companies to pay at least their current bills. The collection rate of the two gas distributors has increased from 87% in 2000 to 99% in 2003, with the bulk of the payments in cash. The collection rate for Electrica has increased from 82% to 98%. The risk that the companies divert payments has been addressed by direct payment of utilities from the budget. Under the new arrangement, the policy of aggressive disconnection will continue, but in tandem with an acceleration of the privatization of the sector. In the preparation of the companies for privatization, discussions with potential investors have already led to a strengthening of regulations to enforce collections, and the ability of the companies to disconnect for nonpayment.

In the heating sector, performance has been less convincing. Collections have weakened, reflecting shifting government policies and the inability of heating dis-

tributors to cut off consumers. The collection rate for Termoelectrica heating was only 83% in 2003. Several attempts have been made to improve the financial situation of the heating sector, including raising the heating price for producers toward cost recovery (from 58% in 2000 to over 90% in 2003). Subsidies for households and heat generators have been better targeted and made more realistic. In some cases, the subsidy that was meant to be paid by local authorities to heat producers exceeded their revenue and could not be implemented. Despite these efforts, the heating system remains highly inefficient, with heating plants operating at low levels of efficiency, and distribution networks with high losses through leakages (up to 40%). In May 2004, the government approved a strategy for the heating sector in consultation with the World Bank. This strategy involves a shift to heating contracts or conventions with individual households, the installation of thermostatic valves and heat meters, and the introduction of a split-tariff structure. In addition, subsidies and delivery of fuel by state-owned companies are being phased out for inefficient heating plants, together with measures to assist the few remaining connected households to switch to individual heating systems.

Other main difficulties might be presented, like the fact that termo power groups in Romania have been installed between 1970 and 1980, and normalized lifetime has been exceeded. Regarding hydropower units, 37% of them exceeded their normalized lifetime. In the last few years, some capacities have been rehabilitated, amounting to 25% of total hydropower installed, which is about 900 MW. Electricity distribution networks (EDN) present a high degree of physical and moral wear. In 2004, own technological consumption within EDN (including commercial losses), although following a descending trend, was 12.6% on average as compared with 7.3% UE average.

In the gas industry, about 69% of the total length of the National Gas Transport System exceeded their normalized lifetime. 25% of the adjustment and metering units have been operating for over 25 years. Gas distribution networks present a high wear degree of the pipes and connections, about 40% of them exceeded their normalized lifetime. It is characterized by increasing dependence on hydrocarbon imports, especially in the gas sector, where there is only one supplier and low efficiency in the production-transport-distribution-final consumer chain.

The electricity-producing sector is organized according to the technological approach, with state-owned energy companies performing under potential; distortions in the prices to the final consumers and a part of the electricity producers do not comply with the EU environment requirements.

6. Solutions Recommended

In 2003, Romania signed the Athens memorandum of understanding whose objective is to create regional electricity and gas markets in South Eastern Europe, based on the principles of the internal energy market.

In the electricity sector, the adoption of the Electricity Law is a welcome development. However, it has still to adopt implementing rules in the gas sector. At the same time, Romania has achieved a measure of preparedness for the internal energy market through restructuring, including privatization, price developments, alignment with the *acquis* and strengthening of institutional capacity. The current restructuring of the gas and electricity sectors, especially privatization, is still not complete. During this transitional period, additional efforts are required to make the energy sectors more competitive, particularly for bill collection and reduction of arrears. Moreover, Romania must continue restructuring the coal industry following the reduction of mining activities. In addition, legislation should take account of provisions in the new *acquis* and address issues such as legal unbundling, access to the network and to storage, the role of the regulator, and total market opening in 2007. It is also essential that the two new national regulatory bodies (NERA and NRANGS) should have their administrative capacities and independence increased.

The Romanian electricity sector is rapidly transitioning from a centrally planned and government-controlled to a more diverse and market-oriented structure. This reflects attempts to reform inefficiencies and misdirected centralized state policies of Romania's past and its desire to take full advantage of its human capital, natural resources and the nation's strategic geographic position, which will enable Romania to be a key player in the evolving southeast European power market.

New steps must be taken to open up markets, having regard to the schedule envisaged for the creation of an energy community (electricity and gas) in South Eastern Europe.

We can propose some *scientific and also practical solutions* for passing the transition period in the Romanian energy and gas sector.

1. Defining the interrelation between contracts and day-ahead markets by developing a (real time demand-supply) *balancing mechanism*

The balancing mechanism is a market tool that works according to market rules, intended to contribute to the safety of the power system and to provide a reference price for the settlement of imbalances.

The power network is constantly affected by a range of unforeseen factors that can disrupt the balance between supply and demand for electricity and gas. These are mainly compensated for by automatic control systems, which are installed directly at generating facilities. However, some such unforeseen factors can be

major (e.g. the sudden shutting down of a generating facility). To re-establish the balance between supply and demand for electricity a real-time backup energy reserve is needed. This reserve is obtained by calling upon generators and consumers connected to the network to modify their operating schedule on short notice. This is the role of the “balancing mechanism” introduced by RTE (Réseau de Transport d’Electricité) in 2003, after the approval of its project by the Energy Regulation Commission. Romania must follow the experiences of Great Britain, France, Spain and Switzerland.

2. Developing a capacity obligation – or other investment support – mechanism

Romania’s energy intensity (total primary energy supply per unit of GDP) and greenhouse gas (GHG) intensity (CO₂ emissions per unit of GDP) are among the highest in the region and are about 5 to 10 times higher than in the UK, France, Germany or the United States. Inefficient energy utilization exists in all sectors of the economy, notably in the industrial sector, which accounts for more than 60% of energy consumption, but only 33% of GDP. To a large part, such high intensity in Romania is a consequence of aging equipments and antiquated technologies, and is an impediment to improving the competitiveness of Romanian industry. That means that there is strong support for investments to build an effective and efficient mechanism.

3. Defining the relationship between the Romanian and other market operators

Romania plans to become a large regional electricity exporter by targeting neighboring countries; possible markets include Greece, Turkey, and Italy. Regional energy market development poses three key **sets of challenges** for Romania:

- (i) moving to economic and financial viability of the energy industry without government support;
- (ii) providing institutional reform through industry commercialization/restructuring and regulatory development; and
- (iii) mobilizing finance for investments.

4. Developing a mechanism for the protection of residential consumers in a liberalized power market context

The Romanian government must support the residential consumers and especially poor people with low income. That means a coherent social policy is needed to diminish the strong impact of the energy and gas markets liberalization.

5. Working with other countries in developing a common cross-border transmission tariff methodology.

Transmission systems are an essential link between the producers and consumers of electric power within Europe. With the increase of competition in the European electricity market, costs and prices of transmission systems should be identified appropriately when dealing with cross-border exchanges.

Cross-border exchanges of electricity are only of interest to market participants when sufficient transmission capacity is available to engage in commercial deals.

This “available transmission capacity” may require both dedicated lines and larger equipment. In other words, cross-border exchanges imply both capital and operational costs. These costs can be either charged to the network users in the country or to the market participants that benefit from the available transmission capacity between countries and within the country.

There are many *other initiatives* expected in the energy and gas sector; among them: in the power sector, power tariffs will have to increase over time to support the financing of investments; in the gas sector, the main challenge is to increase tariffs to reflect border prices; in the gas sector, further restructuring will be required, large increases of the prices are required in order to meet import parity. Targeted social safety nets for gas and heat will require additional financing if affordability risks are to be mitigated; part of the increased finance could be unlocked through the rationalization of the current blanket subsidy to the district heating sector. Government action is required, through allowing the disconnection of large SOEs (state owned enterprises) and through developing an industrial policy for their restructuring/privatization. Continuing to implement price increases as necessary in power and gas, and moving towards the introduction of tariff setting on a long-term basis (see Annex 1). Regarding industry restructuring, the challenges include the need to commercialize the of generation subsidiaries and the need to introduce the private sector in the unbundled gas structure.

Closing unviable thermal generation units, and implementing institutional reforms, together with undertaking the necessary investments, should bring about a domestic competitively priced energy as well as export opportunities.

These solutions overlap with those deriving from a macroeconomic perspective: financial viability of the industry would reduce the energy sector's quasi-fiscal deficit and would support increased macroeconomic stability; institutional reform should lead to increased efficiency in the energy industry, which in turn would support the increased competitiveness of Romanian industry; the securing of finance and the undertaking of investments would improve the security of the energy supply, a pre-condition for GDP growth.

7. Objectives And Main Directions For The Romanian Gas And Electricity Sectors

Romania's accession to EU implies an active involvement in the *common energy policy*. Under the circumstances, three **main objectives** should be adopted:

1. increasing energy supply security,

**2. increasing competitiveness in the energy sector, and
3. reducing environment impact.**

Given these objectives, **the following directions** should be considered as top priorities – maintaining national sovereignty over primary energy resources; maintaining import dependence at acceptable levels; diversifying supply sources and developing transport networks; improving energy efficiency in the production-transport-distribution-final consumer chain; continuing the nuclear program by means of investments in new production capacities to guarantee nuclear safety and radioactive wastes storage, in compliance with the international rules (the nuclear power program is seen as the most effective way to reduce Romania's energy dependence); promoting cross-border inter-connection projects in the electric power, crude-oil and gas field, special interest should be given to NABUCCO and Constanta-Trieste Projects; promoting energy based on regenerating resources (by 2010, electricity produced based on regenerating resources should reach 33% of domestic electricity consumption).

Other future actions and goals for the gas and electricity sector should be considered, such as improving the legal and ruling framework in force in order to meet the conditions of the free movement of goods and services in accordance with the Energy Charter Treaty and South Eastern Europe Energy Community Treaty; upgrading market mechanisms in order to eliminate current errors; more effective regulation of natural-monopoly activities, on transparency, non-discriminatory and fair bases, by independent ruling authorities; carrying on mining sector programs, concerning the closing of profitless mine excavations, to render these areas ecological and open new capacities; transforming the state-owned companies in the energy sector from consumers of state budget funds into major budget taxpayers; maintaining energy system safety by carrying out programs of technological investment and of fulfillment of the commitments with regard to environment protection; complete liberalization of the electricity and gas markets; continuing the reorganization process of the electric and thermal energy production activities; state support to medium- and long-term research/development programs for nuclear activities; continuing energy sector privatization by taking into account the medium- and long-term energetic safety; active participation in the electricity and gas markets implementation, as well as sustaining the establishment of the Regional Electricity Exchange in Bucharest; strengthening the Green Certificates Market; implementing the mechanism of trading carbon emission licenses; investing in the energetic efficiency increasing and the promotion of white certificate trading; continuing the cooperation with international funding bodies, which is a key element in sustaining the restructuring and effectiveness of the energy sector; promotion of the research/development activity, especially by supporting the development of technologies that capitalize domestic primary energy resources, including regenerating resources; ensuring an affordable level of the electric power, thermal energy

and gas prices for the consumer; involvement of the local authorities to define the energy sizes of the urban and rural localities and implementation of their energy infrastructure development and effectiveness plans; developing and building some energy supply networks in agreement with the European Union strategic projects and with Romania's interests in the Black Sea area; rendering import energy supply secure by broadening energetic resources and supply sources.

Obviously, major changes will still occur in the Romanian utility services system of Romania in order to strengthen the energy market in particular, both by reducing the regulators' intervention in the competition sector and by increasing the role of national and, for the future, of regional energy exchange.

8. Conclusions

In Romania, the reform of the electricity sector is underway. Romania has made great progress in the electricity sector de-monopolization and economic and legislative separation of the electricity generation, transmission, distribution and supply activities. The main companies in the sector are state-owned, which limits the level of competition in the electricity market. Romania's National Strategy for the Energy Sector development in the medium term aims at accelerating privatization in the electricity production and distribution sectors so that in 2004, the distribution activity be entirely privatized, as well as about 25 – 40% of energy production in thermal power plants.

At the same time, an institutional and regulatory framework aligned to the EU requirements for introducing market mechanisms in the electricity sector and developing commercial relationships in the electricity market have been created. The electricity market has been gradually liberalized up to 33%.

In the context of Romania's integration into the EU, it is necessary to continue the process of the electricity sector restructuring and gas and electricity markets liberalization.

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Annex 1

Household Consumer Tariffs (Not including VAT and Excise Tax)

(valid from 1 December 2006)

For Meaters with post-consumption payment

Voltage level	CS Tariff – social type ¹			CD Tariff - monomial type	CRTariff – monomial type with reservation		CR2 Tariff – monomial type with reservation, differentiated by two time intervals			CR3 Tariff – monomial type with reservation, differentiated by three time intervals			
	Tranche 2 kWh/day (RON/kWh and subscriber)	Tranche 2 – 3 kWh/day (RON/kWh and subscriber)	Tranche over 3 kWh/day (RON/kWh and subscriber)		Reservation Price (RON/day)	Energy Price (RON/kWh)	Reservation Price (RON/day)	Energy Price Daylight time (RON/kWh)	Reservation Price (RON/day)	Energy Price Night ² time (RON/kWh)	Reservation Price (RON/day)	Energy Price Rush-time (RON/kWh)	Energy Price Normal-time (RON/kWh)
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Low voltage (0 – 1kV)	0.1600	0.3840	0.7572	0.3840	0.1386	0.2880	0.1386	0.4587	0.1493	0.1386	0.6506	0.3626	0.1707
Medium voltage (1 – 110kV)	-	-	-	0.2987	0.1386	0.2240	0.1386	0.3626	0.1173	0.1386	0.5120	0.2880	0.1280

CI Tariff – monomial type with included consumption		Energy Price (RON/kWh)
Voltage level	Subscription ³ RON/day	
1	2	3
Low voltage (0 – 1kV)	0.3978	0.2880
Medium voltage (1 – 110kV)	0.3402	0.2240

CTP Tariff – monomial type			
Voltage level	Maximal contracted power (kW)	Reservation Price (RON/day)	Energy Price (RON/kWh)
			1
1	up to 3 kW	0.1386	2
			3
Low voltage (0 – 1kV)	3 – 6 kW	0.2987	4
			0.2347
	over 6 kW	0.4480	0.2347

Annex 1 (continued)

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For meaters with prepayment

Voltage level	CP Tariff – monomial type			CP2 Tariff – monomial type differentiated by two time intervals			CP3 Tariff – monomial type differentiated by three time intervals			
	Rezervation Price (RON/ day)	Energy Price (RON/ kWh)		Rezervation Price (RON/ day)	Energy Price Daylight time (RON/ kWh)	Energy Price Night 2 time (RON/ kWh)	Rezervation Price (RON/ day)	Energy Price Rush - time (RON/ kWh)	Energy Price Normal-time (RON/ kWh)	Energy Price "Empty"-time (RON/ kWh)
1	2	3	4	5	6	7	8	9	10	
Low voltage (0 – 1kV]	0.1317	0.2735	0.1317	0.4357	0.1419	0.1317	0.6181	0.3445	0.1621	
Medium voltage (1 – 110kV)	0.1317	0.2128	0.1317	0.3445	0.1114	0.1317	0.4863	0.2735	0.1216	

1. Starting on 1 November 2005, the social tariff is applicable only to household consumers with a monthly net income per family member lower than or equal to the domestic minimum wage.
2. The price is also applicable for the interval Friday 22:00 – Monday 07:00.
3. The subscription includes reservation costs and a daily consumption of 1kWh.

Part III

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The Role Patterns of Ministers' Personal Advisors in the Politico-administrative Dichotomy. Comparative Case Study of Two Estonian Ministries

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Abstract

The relations between politicians and civil servants, especially on the level of decision-making, have been under constant discussion for at least a century. The high level of attention and interest for the topic has developed because of the general recognition of a core role of these two actors in the policy-making process. Historically, different patterns and types of interactions have developed between politicians and bureaucrats that can apply and appear in practice, but do not have to necessarily, because of important adjunctions and numerous factors of real life (Aberbach et al., Hood, Page, Peters etc). One of them, which is getting more and more importance, is the establishment of advisory bodies at the ministerial cabinets or individual advisors to the particular minister within the state hierarchy. Whatever institutional arrangement they take (it rather depends on the particular country's general institutional arrangement and historical reasons), these institutions can be the third part in a policy-making process in addition to the original two, respectively politicians and bureaucrats. As a result, a number of questions arise: what is their role in a politico-administrative dichotomy, is their performance making any difference, when is the time to make a decision or, for instance, who has the last word in taking decisions now? Although the questions of this type are very theoretical and probably do not have exact answers at all, it seems to be essential to *try* to answer them and many others coming along with the topic, as the starting point of a discussion.

From a general perspective about the advisory body type institutions, we can already find an interesting point to mention. Indeed, the actual position of advisor between the minister and civil servants can bring about a "difficult life" for him or her. On the one hand, there is a necessity to be loyal to the minister and being

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“political” in the sense of understanding and implementing the minister’s or, rather, the party’s strategies “rightly”. On the other hand, the interactions with civil servants, who supposedly should be implementing decisions in the way the “minister desires”, are no less important. As a result, when we talk about advisors, we mean both an extension of political executive and parallel bureaucracy; political and administrative tasks (Pelgrims 2001).

The general aim of this article is to explore the main roles of ministers’ personal advisors in the politico-administrative dichotomy. We concentrated on their political and administrative roles; roles in policy formulation and implementation, and position in the communication process. We see the roles of an advisor as independent, but also as possible supplements to those of politicians and bureaucrats.

Two ministries, the Ministry of Justice and the Ministry of Environment, are under exploration; the authors conducted interviews there. They form the main empirical data for the analysis. As their methodological instrument, the authors use a comparative case study method.

The main conclusions are the following: as for the one ministry, the advisor is taken as a civil servant – her tasks as a mediator, a bridge between politicians, confirms this. The other advisor’s interactions with civil servants are weak. He is rather keen on giving general political guidelines without an active way to control them. However, for both ministries, it has been agreed that the advisors’ role has more political background information. It is also a common view that the position of the minister’s personal advisor is adequate and much needed.

1. Introduction

This paper will focus on the roles of ministers’ personal advisors at the central level of governance. We are mainly going to examine a personal advisor’s status and roles within a particular ministry with regard to its impact on politico-administrative relations as well as the decision-making process. It will, however, in some point include a slightly broader analysis of his/her general role at the central executive level. Thus, before talking about it and also the formal status of personal advisors at the ministries in Estonia and whether it would be appropriate to see them from the institutional point of view, it seems to be reasonable to give a brief overview of Estonia’s main political and administrative institutions, their emergence and evolution. Thereafter, it will be possible to place the advisor’s position in the examined context.

1.1 Estonian institutional structure of governance

National Parliament – Riigikogu

The main constitutional institutions of the three branches of power – legislative, executive and judicial – their roles and relations toward each other are determined by the Estonian Constitution, which was adopted in June 1992. According to it, Estonia represents a typical liberal democracy with the executive branch politically accountable to the Parliament (Riigikogu). The national Parliament shares the right of legislative initiative with the Government and has a wide range of discretion in amending the technical aspects of draft bills. The Parliament also adopts the budget. Elected for a period of 4 years, the Parliament authorizes the candidature of the Prime Minister, who then forms the Government. According to the Constitution, the *Riigikogu* possesses the right to express mistrust towards the Government, to the Prime Minister or individual ministers, through the vote of non-confidence. In the case of a non-confidence vote to the Prime Minister, the whole Cabinet is to resign.

President

The candidature of the Prime Minister is presented for approval to the Parliament by the Head of the state – the President. In Estonia, as in many others parliamentary democracies, the President has symbolic and mostly representative functions. Formally, he or she has the right to refuse to proclaim the law that was previously adopted by the Parliament, but this right is not frequently, or actively, used. The President is trying to act above everyday politics and is developing into the institution that represents the public interest and public good in the way and manner that is most legitimate in the eyes of the public (Sootla 2001).

Government

The current Government as the official institution of top executive authority consists of 14 members and may not comprise more than 15 members as a rule set by the Government of the Republic Act. Ministers are divided between ministers who are the executive heads of the ministries and ministers without portfolio (The Minister of Population and the Minister of Regional Affairs). The Head of the Government is the Prime Minister, who has the right to appoint ministers or to dissolve them. The Prime Minister himself has no special area of responsibility within the cabinet.

Party system

Estonia is a typical state with a multi-party political system. The system itself is very fragmented (there are 17 parties registered, in addition to those which have been deleted or are in the process of liquidation.) The number of those political forces which could be considered potential parties to enter Riigikogu is five to six and the number of parties needed to form the majority coalition is, in most cases, 2 – 3.

With a few words about the inside structure of Estonian parties, it can be said that in addition to the fact that parties are relatively small, not well-structured yet and not deeply rooted, the local caucus are as a rule inactive with volatile membership.

Normally, because of the fragmentation described above, no party can form the Government alone or even hardly together with only one other. As a result, the normal situation for Estonia is that three parties form the Government. As an unwritten tradition, the chairman of the party which won the elections or, in the Estonian case, received the most support in the elections, will get the proposal from the President to form the Government. However, there have been examples of minority Governments, and the mentioned rule is rather applicable according to the existing political situation – it does apply when there is silent agreement on the Prime Minister candidature between the political elite.

Administrative structure

The main body to provide support services to and operate functions of the Government as well as the Prime Minister is the State Chancellery (Riigikantselei). It carries the main responsibility to manage the relations between the Government on the one hand and the Parliament along with other state institutions (ministries, local governments etc) on the other. All administrative support structures of the Prime Minister are formally units of the State Chancellery.

The State Chancellery is also in charge of the training of state officials and local government officials. However, personnel management is decentralized in Estonian public administration. Each ministry or executive agency is responsible for organizing the work of its civil servants within the common framework of the Public Service Act.

1.2 The current political situation in Estonia

The last elections of the National Parliament – Riigikogu – were held in March 2003. Three parties formed the so-called “3 R” Government: Res Publica Party (right-conservatives), Reform Party (right-liberals) and People’s Party (Rahvaliid, central-right conservatives). The “newcomer” to the political arena was the populist Res Publica Party, which gathered the most votes among all government parties, and its chairman Juhan Parts became Head of the Government. Despite the fact that there was one party (Central Party, central-left) which got the same number of votes as Res Publica did (28% each), the political situation required Parts to become the Prime Minister. The Government lasted until March 2005 when former coalition partners and the opposition voted non-confidence to the minister of Justice from Res Publica. Res Publica was replaced by the Central Party and the new Prime Minister came from the Reform Party. So far, he has remained in office with relatively high support rates.

The given brief overview of the institutional structure of governance in Estonia has formal-legal character and is focused on the factual aspects. There is also a need to look further at the state concerned and this time from a historical perspective. Firstly, this should provide a better understanding of administrative traditions and their impact on institutions and patterns of behavior, and secondly, provide a link between historical circumstances during transition on the one hand and specific patterns of state core institutions on the other hand. It aims to provide a reader with a generalized and key-points overview that will give a deeper knowledge of the state in order to see and actually understand what is behind Estonian administrative culture.

2. Estonian administrative culture and its impact on institutions

We will distinguish two periods in Estonian evolution of state institutions: the Soviet era and the independence period, which started in 1991. We find that these two periods had the most impact on forming current institutional arrangements in Estonia.

The purpose of this distinction is also that during the Soviet period, Estonia was ruled and governed by methods that are common to authoritarian or totalitarian rule – this still has its impact nowadays, and it is the background reason for so many reforms that have been implemented during a decade or two and will still be implemented in the future. The “Soviet experience” was so strong that from 1991 on, significant changes needed to be made, and they have proceeded until the current moment, including at the same time two types of reforms: normative (constitutional) and positive (concentrated on improving effectiveness and professionalism).

After centuries of being governed by different states (Sweden, Germany, Denmark, Imperial Russia), it would be true to say that the Soviet period was the most essential in influencing the building of administrative and government institutions. Nevertheless, it should be kept in mind that administrative culture is formed also by the customary attitudes and values of citizens. The impact of the Soviet period is relatively short compared with centuries-long traditions of German accuracy, spruceness and correctness (Roots 2000). Along with other values, i.e. individualism and independence, they were never eradicated or even damaged by Soviet rule. It should also be kept in mind that during Estonia's first independence period (1920 – 1940), many features of administrative arrangement were found. In 1991, some of them were tried to restore, but without significant success due to Soviet period influences that forced other types of reform. In short, in 1991, Estonia got an administrative culture and a civil service system that can be described as the legacy of the former regime despite the fact that civil society values differed from those coming along with the Soviet system (Roots 2000).

2.1 Evolution of the civil service system in Estonia

Estonia as a state and its civil service system have a relatively short independent history of evolution. It would be correct to say that the present institutional order is the result of the previous administrative orders of the states that have been (over)ruling the state. Estonia itself did not design or shape its administrative order; it was the other states that did it. Repeating the fact already mentioned above, (Soviet) Russia and Germany were those states with the greatest influence in the formation of the current Estonian administrative system (Sootla and Roots 1999, 216).

The civil service system in Soviet Estonia was so untypical that on the one hand, it causes many difficulties to explain it from the contemporary perspective, and on the other hand, it was significantly modified later when Estonia got its independence back in 1991. As a result, it cannot be taken as a starting point for explaining the current civil service system's structure and functioning as there is no formal consistency coming from the Soviet-oriented system. However, we are referring to informal indicators coming along with the Soviet period that seriously influenced the present system: corruption, a low image of the state as well as civil service in public, a deficit of morality and twisted political culture, unclear and complicated relations between senior officials and politicians etc.

After 1991, there have been many structural changes in the civil service system but in Randma's (2001, 122) opinion, the civil service itself stayed clearly unchanged until 2000.

In Estonia, the Public Service Act (PSA) came into force on January 1, 1996. Major amendments were adopted in 1999, 2000 and 2001. The act provided a legal framework for the public service and civil servants; public sector officials now have an independent judicial position. However, there were some conceptual weaknesses in the legal framework, and important relations were not regulated by the law.

Consistently, several civil service system reform programs and concepts have been developed. For example, the government that took office in 1999 had public administration reforms at the top of its agenda, and went on to develop a new and more comprehensive and coordinated Program for Public Administration Reform, which was adopted by the government in April 2001. Among the central principles were a legitimate and fair administration, openness and transparency, protecting the rights of individuals, efficiency and effectiveness, and the subsidiarity principle. The concrete reforms included: Local government reform, optimizing functional divisions and co-operation, budget reform and strengthening financial management and internal audit, developing a citizen-oriented public administration and developing the civil service. The civil service reform focused on determining the scope of the civil service, reviewing recruitment policies and the selection system, training, reorganization of the pay system and motivation mechanisms and on developing human resource management. The principles were those of professional-

ism, political neutrality, merit, and transparency, but also performance and contract regulation. The recruitment and promotion processes that were established in the Estonian civil service came close to a Weberian ideal with recruitment by public competition and selection based on merit (Randma 1999). Changes continue also in 2004, when a new public administration development conception was adopted by the Government of the Republic. This time, “flexible management, more competent civil servants and more result-oriented motivation system” were the key-words (State Chancellery).

By now, a civil service development is thus still under permanent construction and neither of the mentioned conceptions were approved by the Parliament. Reform is not complete yet and there are still many efforts to be made. Problems in implementing planned actions are caused by political instability and by the fact that there is no clear understanding of what type of civil service Estonia really needs. For example, the Civil Service Act of 1995 refers both to career and open civil service systems, and there are features of both in it, but on the basis of the Act, the open civil service system has emerged in the end. The general tendency towards an open system is also emphasized by, for example, Bossaert: “The ability to use one or another model is in close relation to the traditions of the state, type of thinking, culture and institutional order. Estonia is the country with the most open career civil service system in European Union”. (Bossaert 2002, 19, 37).

There has been a slow but steady increase in the number of public servants throughout the late 1990s despite the declared intention of the governments to downsize. The number of civil servants rose from 19,977 in 1997 to a maximum of 20,472 in 2000 (Ministry of Finance 2004). Then, the government succeeded in breaking the curve, and by the end of 2003, the number of civil servants was down to 18,998 (Ministry of Finance 2004). The privatization program continued throughout the 1990s as the government privatized a large part of the industrial sector, utilities and infrastructure companies and initiated land reforms. Despite the high level of privatization, the Estonian government still launched further privatization with the 2001 reform program, which focused on transferring the functions that were not inherent to the central administration to the private and third sector, thereby further reducing the state (State Chancellery 2001).

Estonian civil service is also characterized by the already mentioned decentralization in terms of personnel management. It gives the impression that in the process of decentralization, the co-coordinative roles were also distributed and not only vertically, but also horizontally. The actual problem does not lie in task distribution, but rather in the fact that no concrete institution is given resources, obligations or the formal responsibility to coordinate civil service area. However, it is much better to reform something which has a clear institutional order and coordinative mechanisms.

2.2 The role of the state in society (state versus civil-society centered)

During the Soviet period, for the Estonians, state meant foreign rule (Moscow's commandments), foreign traditions, language and values. Overall, it led to a negative attitude toward the state, its administration and civil servants. In addition, there was a very big gap between ordinary people and "people in power". As a result, the state stayed apart from the society, it was regarded as something above the citizens, not coming from their initiative. Also, if we consider the state to defend national interests or to mediate them, it is hard to verify that these features were true for the Estonians in the Soviet period. Independent Estonia's heritage from Soviet Russia is a clear separation of the state (public) and civil-society (individual) spheres. Individuals are in service of the state, not state in their service.

During the transition period, some attitudes have changed. For example, it is believed that state is to defend national interests. In everyday life, many people still experience the so-called "learnt helplessness syndrome" when everything good and bad derives from the state; people are looking for someone to blame, and it is generally the state (as an institution without concrete faces). People hope that someone (i.e. the state) is to come and give them what they want (Roots 2000). As a result, in the eyes of the ordinary citizens, state power is relatively strong: state is good or bad, but everyone acknowledges its right of existence. Estonian society can be called state-centered, as hopes, expectations etc toward the state are strong. The state has the authority to dissolve conflict and to guide people's lives. In short, the state has uncontested legitimacy to act in its role to express common interests.

The last developments show a tendency toward "minimum" state. It means less bureaucracy, less state power.² Such slogans are a bit populist; above, we have indicated that the Estonian civil service system is not large, the main focus is on professionalism. So, the state's core source of authority is not overwhelming centralized bureaucracy. It is rather representative bodies like parties, Parliament etc from where the power of the state is emerging. Slogans of "minimum state" rather express a wish to bring a state closer to the citizens, as a gap between those two stays. The former then confirms once again that state and civil society spheres are separated and need to be in closer cooperation.

2.3 Egalitarianism versus hierarchy

We find that Estonian society is based on egalitarianism. There are no such *a priori* formal advantages of origins of birth or wealth that give an individual more access to a better job or whatsoever. The principal thing that really counts are an individual's personal abilities. All individuals must be treated equally, and state should guarantee this through, for example, common education. There is an equal starting

2 For example one of the slogans of the Res Publica party during the elections campaign was "less state". Also, a liberal reform party carries the ideology that "there should be as little state as possible, and as much as needed".

position for everyone. However, a certain hierarchy is present, but it is the result of a process, where differences are achieved due to individual talents. For example, referring to the civil-service system, there are base, medium and senior civil servants. The higher the position of a person is, the more access to amenities he/she will potentially have. Nevertheless, no one is forbidden from getting a higher post, the only condition within Estonia's position-based open system is professionalism and knowledge (Randma 1999).

As the Estonian public service is a post-based system, progress on a career ladder can be (and in several cases has been) very fast. As the Estonian public service is very small with only three basic categories of posts, the possibilities for promotion are limited. Although most state institutions would like to promote from inside the organization, they often lack qualified candidates and have to recruit from outside the organization. Criteria for promotion differ from one organization to another, but they are mostly based on previous performance, communication and leadership skills, commitment and formal qualifications (Randma, 1999).

2.4 Individualism (as liberalism) versus corporatism (as collectivism)

The principal issue here is the role of a citizen in a primary community. In Estonia, individual interests are protected by the community, whereas those individual interests are submitted to a community purpose (for which one gets protection). Corporatism, determined as the interaction of interest groups and the state, serves to elaborate coordinated policy. The priority is an interest consensus, not a rivalry between different ones. It should be added that as the state has strong legitimation and authority power, it is mostly its initiative to involve civil-society structures into the decision-making process. The state is concerned to be the one to guarantee the citizens' wealth, and so they expect it from it. At the same time, guaranteeing individual wealth is a state duty and a purpose of its function.

It can be assumed that because Estonia is a small state, the corporative culture is highly present. For example, Estonian public service was established as an open position-based system with only few restrictions for entering the service (Civil Service Act 1995). This has led to extensive mobility between private and public sector employment. But there are only few institutionalized links between society and the state administration. A study made by Norgaard and Winding (2005) shows that when asked in 2001 about how concerned interested were incorporated or consulted in the decision-making processes, 44 percent indicated that there could be informal forums, whereas only 26 percent answered that there actually were institutional forums for discussion and cooperation. This shows that corporatist structures are very weak in Estonia. It comes closer to the contractual – or at least Scandinavian – tradition with a clearer separation between the state administration and organizations in society” (Norgaard and Winding 2005).

2.5 Process-Result and Tradition-Convention-Rule

Two dimensions refer to the decision-making process to a certain extent. On the tradition-convention-rule dimension, we will find Estonia a typical rule-governed country.

Estonia is a country where rules, norms and regulations co-ordinate and organize individuals' lives; they are codified and formulated by experts (Roots 2000). Codes of rules are formal, rationality-oriented, and they get their legitimacy through formulation and publication by authorities. Generally, these norms are not a subject of interpretation, but they are made to be followed strictly and forthrightly. All that was mentioned above is a result of the strong German law culture tradition in Estonian society and its legal system. However, when the normative basis is built on a principle of formal rationality, but at the same time, one of the features of administrative culture is result-oriented as it is in Estonia, then legislation and implementation of the normative system is somewhat problematic. It is especially detectable when the decision-making process is highly politicized and unstable, where some particular social groups have more access and power to make a decision. The more unbalanced decisions are, the more subjective interpretations are.

The Soviet period is a clear example, on the one hand, of how highly regulated and bureaucratic the norms were, and on the other hand, of how they could be politically and subjectively interpreted.

After 1991, due to rapid reforms, many legal acts and norms were not co-ordinated or just missed. So civil servants find it hard to resolve possible problems using only general regulations, as many things are just not in there. Shortly, where strong law-obeying traditions are present, there should be a well-developed legal system. In Estonia, we have the former, but not the latter. There should be more freedom of interpretation in that case, but at the same time, it leads to a subjective interpretation of norms.

Just to conclude in short our previous observations, we summarize in key words: Estonia is a state with a strong tradition of rules and norms, state-oriented, where the state has strong power, also of civic initiative (institutionalization of state authorities and civil society cooperation derives from regulations formed by state authorities); process-oriented; egalitarian; state with professional and not large civil service.

3. Politico-administrative relations at core support structures

From the formal or legal point of view, there is not so much evidence concerning the relationship between politicians and civil servants. The principal legal acts which oversee it to a certain degree are the Constitution, the Civil Service Act and the Republic of the Government Act.

Concentrating on the level of the executive and its support structures, we will find in the Constitution a definition of a Government only by its administrative functions as the top of the administration (art. 86). An important thing to remember is that in Estonia, the term “Cabinet” refers to unofficial meetings of Ministers and heads of its support structures. Cabinet meetings play a significant role in policy coordination and formulation³. Besides other obligations, the government has a duty to submit draft legislation to the Parliament, at the same time, a definition such as “policy formulating” or just “policy” is missing in Estonian legislation (Sootla 2001).

The politico-administrative dichotomy is also not clearly, if at all, set in legislation. The specific roles of politicians and bureaucrats are not defined, and so far, they have largely been shaped ad hoc therefore. Thus, among the central goals of the reforms was to redefine the roles of politicians and civil servants (Norgaard and Winding 2005). There have been intense fluctuations – towards politicization at one time and towards neutrality at another (Sootla 2001).

According to the Public Service Act, some posts can be filled by way of political appointment. The Public Service Act introduced a distinction between career civil servants and state servants appointed by parliament and president and those working for politicians during their term in office. An example of the former are those personal advisors to the ministers who are our main topic. Hence, there are neutral civil servants and politicized state servants. Furthermore, politicization has been more pronounced towards the top as higher officials, who can be appointed politically, are involved in policy-making and have close working relationships with ministers. There is still a very wide scope for administrative discretion within the framework of the law. But in order to ensure the legality of the administration, the judiciary is charged with controlling the use of administrative discretion (Randma, 1999).

The fact briefly mentioned above of neutral professionalism of Estonian civil servants is widely true despite the fact that there is a lot of politicization at the top. Civil servants try to ensure their neutrality by following formal rules and laws. In a way, it causes problems as bureaucrats prefer to be uninvolved in the sense of being not responsive. The so-called “policy ownership” is not present in the system as a value. In Estonia, the attitude of many civil servants is that they implement policy, but do not form it. The latter is the responsibility of politicians. For example, the Code of Ethics of Public Service requires public servants to follow the legitimate will of politicians (Randma 1999).

The Constitution requires impartiality and professional independence of public servants. A special reference is made regarding the State Audit Office (§ 132), the Legal Chancellor (§ 139) and the courts (§ 146). For others, the Public Service

3 Another main organ for dissolving conflicts is the Coalition Council.

Act imposes a restriction in § 70 on political party membership, where state officials, except advisors and assistants to the Chairman and Deputy Chairmen of the *Riigikogu*, advisors and consultants to factions of the *Riigikogu*, and advisors and assistants to the Prime Minister and ministers are not permitted to belong to the permanent directing body or permanent control or audit body of a political party. It also requires in § 59 that a public servant perform his/her duties in an accurate, timely and conscientious manner and without self-interest. The duties of a public servant are determined by laws, regulations and job descriptions, and by other legislation (Randma 1999).

Concerning the role of civil servants in policy-making, there are no specific provisions in Estonian legislation about policy advice. These functions may be assigned to officials as professional responsibilities (through legal Acts, job descriptions or service-related orders). Often, officials have working relationships with different interest groups (such as trade unions) and different political parties through parliamentary committees and expert commissions, which is considered joint decision-making, with the participation of both politicians and officials (Randma 1999).

Further, we will concentrate on the category of public servants, where personal advisors and assistants to the ministers belong, their status and their roles between politicians and the administration as a minister's supportive institution within a ministry.

3.1 General structure of the position of the minister's advisor

Formal standing

In Estonia, the formal position of the minister's advisor is regulated, just like the position of civil servants, by the Public Service Act. It makes the advisor's position a part of a state bureaucratic administration and it applies most of the regulations that apply for other civil servants to the advisor. The most significant difference between the minister's advisor and other civil servants in formal terms is the fixed term of service – the minister's advisor is appointed to the post and leaves the office with the minister. Another significant difference between the minister's advisor and other senior civil servants concerns the way they are appointed to the post – as a rule, senior officials come into office through open competition but ministers' advisors are solely appointed by the party or the minister.

The minister's advisor is not only formally a civil servant, he or she is also very often required to act as one. On the other hand, the advisor has to be loyal to the minister and follow strictly political guidance. The field of action of an advisor can therefore be described as an overlap of politics and administration.

Although the Estonian Public Service Act does not directly define the number of advisors per minister, it is now usual for a minister to have a maximum of two

or three advisors who form the minister's *political* back-up team. This number is comparable also with other European countries. As opposite examples, France and the United States can be named, where the number of politically appointed civil servants is much higher. The difference is rooted in the historical and traditional evolution of the civil service system. With politically appointed civil servants, there is an attempt to bind political intentions and administration into an integrated picture (Peters 2001, 88).

Today, most of the ministers in Estonia have two advisors, they are directly subordinated to the minister, though there are some known cases where also the secretary general is allowed to give tasks to the advisor in order to allocate the resources more effectively. Two advisors within one ministry have different responsibilities; the distinction can be brought out most clearly when we look at the main directions of communication of an advisor. Usually, one of the advisors can be described as a party advisor who helps the minister on political issues and acts as a communication bridge with the party and he/she is also the one to communicate with the public when needed. The other advisor is active on ministerial and policy issues; he/she is competent, loyal and helps the minister on issues that require deeper understanding of ministerial issues. The latter advisor is also the one whose position is examined in this article.

4. General framework and configurations of advisors' roles

At first, we are going to develop the general, theoretical framework. We concentrate on advisors' political and administrative roles; roles in policy formulation and implementing; position in the communication process. We see an advisor's roles as independent, but also as possible supplements to politicians' and bureaucrats' ones.

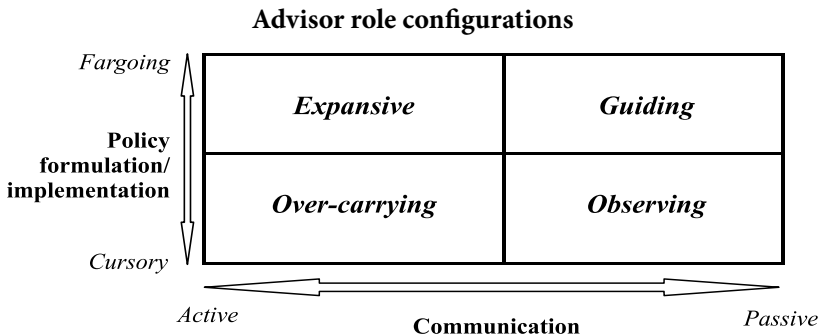
According to the *two main dimensions* of a) advisors' functions in policy formulation and implementation and b) their position in the communication process, four theoretical role configurations have been developed. The third dimension of political and administrative roles serves rather as an essential contribution to the previous ones in terms of a supplement to the general context by showing the advisor's functions fluctuating between being more or less political or administrative in dependence on those functions in, accordingly, policy formulation and implementation and the communication process.

Roles in policy formulation and implementation are determined by the advisor's ability and delegated authority to control and guide the work of the administration. It also comprises the power to make bureaucrats change the policy in a desired way as well as give them orders to make those changes. No matter how professional and competent an advisor is, it is not possible to actually take control over everything. Rather, it would be clearer to distinguish here how far the advisor's knowledge of a particular policy goes and how much she/he is concerned with having all back-

ground information. On the one hand, we can observe very general and cursory inspection; however, it will also allow for the implementation of the political agenda on the administrative level. On the other hand, the advisor’s control power can reach very far: he/she makes acquaintance with ministry policies, prepared draft acts etc very carefully. It gives more power to, for example, filter information and so refers to policy formulation in an active way. Two perspectives of a general guidance or active policy formulation are also somewhat dependent on the advisor’s own perception of him-/herself to be more or less political and also on the minister’s will.

Position in the communication process refers to the advisor’s functions as a bridge between politicians and bureaucrats. We can also call it in-betweener, mediator, moderator, third force etc. The difference lies in whose mediator the advisor is: more the minister’s – then there is much need for the minister’s politics to be “sold” to the bureaucrats – or more one for civil servants – in this case, the focus is on bringing feedback from the administration to the minister for a better policy formulation. The position in the communication process is also much determined by the fact how intensive the communication is: does it end with just a formal correction of some technical issues, or does it try to prevent possible misunderstandings and conflicts. In short, is it reactive or proactive?

Together, two dimensions give four theoretical models or advisor role configurations. As all ideal typologies, they should be taking accordingly.



I Expansive. This role pattern comprises strong political and administrative powers of policy formulation and implementation from the one side and an active position in the communication process from the other. It requires the advisor to be the communicator of the minister’s and the bureaucrats’ mutual viewpoints, and at the same time to have a far-reaching self-acting area due to careful knowledge and professional competence.

II Over-carrying. This type of advisor does not have intentions to control the work of the administration; this and an active implementation of the political agenda are the responsibility of other channels, so in this function, the advisor is not much

needed. However, through an active role in the communication process, he/she takes a responsibility to bring politicians and bureaucrats together and forward statements to both of them.

III Guiding. Despite a strong potential to control the work of the administration, the advisor is rather satisfied with giving general guidance and advice. She or he is not actively involved in the everyday business of the administration; the focus is on the final result, which is a subject to be changed according to the advisor's view. Communication is passive and starts from the end, where and when the bureaucrats' policy results need to be corrected.

VI Observing. The work of the ministry is mostly done without the intervention of an advisor; information which the administration needs about political intentions is obtained from somewhere else (directly from the minister or chancellor). The ministry's role is strong enough to control bureaucracy where needed him-/herself as well as to give political guidelines. The advisor is rather in a function of being the minister's personal assistant.

5. Empirical study description and data analysis

This article is based on an empirical study conducted in Estonian ministries in autumn 2005. Specifically designed interviews were held in order to investigate the role of the minister's personal advisor. Two ministries were involved: the Ministry of Justice and the Ministry of Environment. Among the interviewees, there were two chancellors, senior civil servants (Heads of department) and ministers' personal advisors (one from both ministries). There was also a study of documents concerning responsibilities of ministerial staff and the work order in the ministry that contributed valuable data for understanding the advisor's formal position inside the ministry. So, now we are turning to the empirical evidence analysis based on the previously developed theoretical framework.

5.1 Competence and functions

Both interviewed advisors hold a university degree to allow them to feel competent in their post, even though one of the advisors does not actually have the relevant educational background in the field the ministry is responsible for (environment). They see their position as valuable because of the professional experience and knowledge they can obtain doing this job. These are more worthy than the sacrifice of neutrality they make. It means that being in service of a particular minister is being associated with a particular party as well as concrete party politics. Nevertheless, one of the advisors does not see any problem in this respect, while the other emphasizes at the same time that due to such associations, many doors in the civil service career can be closed. However, both agreed that they have been chosen for

this post (by the minister himself or via the proposition of a party's secretary-general) not for political loyalty but conversely for their professional background.

The commonly used practice in European states is that politically appointed persons are not integrated into the general structure of a ministry, and they constitute a separate unit or department. In this respect, Estonia constitutes a difference due to the fact that advisors usually form a part of the ministry's board. The personal advisor is accountable directly and only to the minister. Firstly, it is to diminish possible position-based formal and informal power of an advisor that he or she could have within a normal ministry department and, secondly, it leaves a possibility for the minister to use his advisors where it is required according to the current need (Peters 2001, 88). Although advisors do not have subordinates, it has become normal in some ministries for them to be allowed to give ad-hoc tasks to the highest civil service ranks at the ministry.

The most overall understanding about the advisor's functions can be developed on the basis of the position manuals. These state that the advisor has to prepare the minister's meetings in essence, gather information and materials, propose opinions, compile articles and speeches and implement many other ad-hoc tasks.

The missions of the support unit and competence requirements are not formally constituted, and they are formed on an ad-hoc basis. According to formal rank, an advisor belonging to the board of the ministry is the person with the smallest amount of power, though he/she also formally is a senior civil servant. The first impression about advisors' functions gives a formal list of duties and responsibilities that is very comparable to the ones of an apolitical civil servant. It is quite general and, as a result, for both ministries, it gave a range of similar functions for the advisor, such as: preparations of the minister's meetings, conferences and consultations, opinions reporting, providing the minister with essential information, speech and article writing, lots of ad-hoc duties etc. The essential difference between two advisors is that the Ministry of Environment (ME) advisor is doing all of the just-mentioned things in all areas, which can be described as horizontal responsibility. The advisor of the Ministry of Justice (MJ) is only committed to the legal policy area, and therefore, he can be said to have narrowed functional responsibility.

According to the opinions of the advisors themselves, the advisors' function can be more or less described as a list of certain activities. They both have a responsibility to prepare the government's cabinet meetings, coordination inside and outside the ministry, gathering information, doing analysis, communicating with bureaucrats. The special roles of the ME advisor is, according to her own and the chancellor's opinion: to hold active the topics that are important for fulfilling the coalition agreement, initiate discussions (this allows her to influence agenda-setting in the ministry). The ME advisor formulates her main duty – "to bring together different views and opinions, mediate information, communicate and negotiate." At

the MJ, there are fairly different views on the advisor's role; more emphasis has been put on the expert knowledge of the advisor.

5.2 Relations in the policy process

Position on an axis of communication

An advisor also has a meaningful role to play in the communication processes directed to the administration. At the MJ, the communication process is formalized, and the administrative hierarchy is mostly strictly followed, the advisor does not get involved in the bureaucrats' work; problems requiring solutions are brought to a board meeting. At the same time, at the ME, the role of the advisor in a communication process is much more-encompassing and stronger. On the one hand, political opinions are brought to bureaucrats through her, and on the other, she is also an information-resource who helps civil servants to solve problems without getting the ministry's board involved.

The communication directed from the bureaucrats to the minister also runs via the minister's advisor at the ME; the advisor was also described as a mediator who contributes to problem-solving and conflict management and balances the interests between politicians and bureaucrats. One of the bureaucrats said that "although civil servants can discuss different issues among themselves, the minister's advisor is needed to take the concerns and opinions to the political level." Bureaucrats also saw that sometimes, the advisor is the one to collect different opinions among the ministry's specialists and to form one comprehensive position to be presented to the minister. According to line civil servants, the advisor is not so much a source of expertise or a policy-maker himself though it is important for him to be competent – the advisor's main role from a civil servants' point of view is to coordinate, to communicate, to mediate and to filtrate.

In the field of communication, some specific dimensions and differentiations were brought out about the advisor in comparison with other civil servants: the advisor has trustworthy relations with the minister, he has direct access to the minister, a possibility for himself to bring up new topics for the ministry to work on and also to choose a moment for that – civil servants normally lack this power, they are given orders to be fulfilled. It was also mentioned that the advisor has to know the whole ministry and the functions and responsibilities of different departments.

Political and administrative roles

Historically, the position of the minister's advisor belongs neither to the side of the politicians nor that of the civil servants. Still, it has been a part of the governmental system for quite a long time now. The roots for the emergence of the position are closely connected to the development of the roles and duties of politicians and civil servants. This study showed that there is no common understanding among interviewees whether to see him or her as a political or an administrative actor. Actually,

the advisor can also be seen as a buffer that helps to protect the minister from being run over by bureaucrats' demands and, on the other hand, to prevent the politicization of the civil service.

Irrespective of the advisor's political membership to a party, civil servants tend to see him more as a politician; one of them said: "The advisor is the implementer of party politics who helps the minister on political questions and preferences." Advisors themselves have an opposite view, though they admit having both political and administrative responsibilities; one of them commented: "I feel that I am a bureaucrat who is a subject to the Public Service Act and the norms laid down there. I fill my duties in my sphere as any other bureaucrat."

The political side of the advisor's work is seen as inevitable by a high civil servant: "The ministry is led by a politician; every bureaucrat is daily involved with politics." At the ministry of Justice, where the organizational system of the ministry resembles the organization of classical bureaucracy more closely, the roles of the political and administrative sides are seen as more separate, and the advisor is clearly seen as a member of the politicized support unit, the general secretary of the MJ says that the minister's advisor is a politicized bureaucrat; and if a civil servant politicizes, he/she becomes one of the politicians.

Both interviewed advisors believed that they were selected to fill the post not because of their political affiliations but because of their competence. Their views were different regarding the impact that their current career choice can have in the future. One of them thought that many doors in civil service can remain closed in the future because of working on this partly political position, but the other believed that advisor positions can even be a good platform for entering "the normal civil service"; he also mentioned a former advisor who became a head of department at the ministry.

Role in policy formulation and implementing

The developments of modern government have led to the fact that the advisor mainly acts as a diminisher of the minister's workload. The advisor usually has no specific guidelines for work and responsibilities, his/her duties are mostly formed on an ad-hoc basis. The advisor has to be competent in the field that concerns the ministry's inner organization and responsibilities. This means that the advisor himself rarely has a possibility of influencing policy formulation and implementation but he is the one to help the minister to fulfill the goals.

In comparison to other civil servants, there is one significant factor that gives the advisor better tools to take part in formulating and implementing policies: it is the advisor's better knowledge of political deals and back-curtain decisions. One of the bureaucrats said: "The advisor always knows more than he claims to know; he can present the ministry's opinions, negotiate and communicate outside the ministry – a line bureaucrat has no such power to do that."

The advisor's position is a balance between politics and administration, one of the bureaucrats described it this way: "The advisor does something that an ordinary civil servant cannot do, he gives a political perspective to the whole work we are doing, he sees further than the legal aspects. If we didn't have an advisor at the ministry, we would have to ask political appraisals from the minister."

If there was no advisor at the ministry

We already have brought out some aspects that make the advisor's position valuable either to politicians or administrators. Surely, the advisor is a helping hand and head for the minister who diminishes the work load of the minister a lot; the advisor carries many routine and technical tasks in order to "let the minister think and deal with strategic things" as one interviewee put it. The ME's civil servants thought that without the advisor there would be no one who could initiate the formulation of coherent ministry policies.

Political communication was also seen as one of the important duties of an advisor; one of the administrators said that a line civil servant should not be responsible for promoting the ministry's policies and politics behind it. According to the advisors' own view, the apolitical civil service apparatus could also do most of the work that they are doing, only the smaller, political side of the work would be left to the minister to implement.

5.3 Analysis of transitional changes

The ministers' personal advisors have always existed, but their role and status have developed and changed. In the beginning of the independence period, a mistrust of politicians toward civil service was very high, so ministers needed someone they could personally rely on. One of the solutions to this problem was politicization, another personal advisors and, later, a position of the so-called vice-minister. In Estonia, both solutions were used. However, the first one always had a negative impact and outcome, where both politicians and civil servants suffered. In addition, it could and somehow has created a negative attitude within a society toward the state and its civil service system, so the state image was damaged. As a result, it was understandable to invest in some other solutions. Thus, personal advisors not only stayed, but their status and functions got a more institutionalized position.

During the 1990s, there was no clarity at all as to what exactly advisors do at the ministry, what their position is in the hierarchy and what their functions are, they interacted with the rest of the administration at a minimum level and served as the ministers' trusted personnel, not as add-in value to the work of the ministry. Nowadays, most of the civil servants are aware of the advisors' duties and even find this position to be much needed. The retribution of duties between advisor and administration, as well as the minister, is much clearer. It contributes to a better work organization at the ministry.

Another position “between administration and minister”, vice-minister, was introduced on the eve of the new millennium and is also quite important in politico-administrative relations in Estonia. The vice-minister often has more professional knowledge than line ministry administration. For example, they may be former enterprise or hospital directors etc. A vice-minister does not have to belong to the high-echelons of the party, as ministers usually do, in fact, he/she does not even have to be a party member. Because the vice-ministers’ functions are mostly representative, their position can be described as still and definitely more political than the advisor’s position. In addition, a vice-minister office-term ends when the minister resigns. How the vice-minister position in Estonia influences politico-administrative relations stays unanswered here, because the field and the position have not been studied yet.

5.4 Nature of the role

Depending on the point of view, the nature of the advisor’s role can be described as interacting, helping and having a potential for influencing the policy formulation and implementation. We did not find any significant signs that would mark a threat of this position to permanent civil service. Maybe it is because the Estonian civil service system is not corporatist, but it can rather be assumed that there is actually no threat like that. Line civil servants see advisors to be positive actors who contribute to the ministry and to the work of the minister and also the bureaucrats.

The contribution and impact of the advisors on the quality of the policy-making process is quite low because they have tasks that are more urgent and probably, there would not be much time for just one person to get into details with policy issues.

6. Two different advisors role configurations

Based on the general framework and four possible advisors role configurations, as well as empirical data, two different role patterns have emerged. They illustrate how different the advisor’s role can be even if from a purely formal point of view, they are supposed to be more or less similar. It is also quite understandable that real life types of role configurations do not perfectly fit into the theoretical framework.

The Ministry of Justice advisor role configuration – Guiding

The advisor’s control over the work of bureaucracy is weak, but not because of a lack of competence, but because he/she does not delve too deeply into the policy issues elaborated in the ministry. Thus, policy advice comes mainly from civil service as it is their entrusted responsibility (an exception is made only when political interests are clearly involved). In normal cases, however, it is commonly agreed and it has been developed so that the advisor’s general and cursory coordination is enough

for the policy coordination and the political-agenda implementation. The advisor's political expert role, i.e. the ability to put political intentions into policy issues (on the administrative level) has been referred to, but again, more in a general context of coordination. Just the way of how the ministry work is organized also has an impact on the advisor's functions.

The communication between the advisor and the rest of the civil servants is also weak and is expressed mainly on the level of technical or procedure details correction. The role of a mediator (to feel and prevent possible conflicts) is absent. There is also no big meaning to talk about the advisor's role as a balance-point between politicians and bureaucrats. Rather, at the Ministry of Justice, this role is carried by the chancellor, partly because formal hierarchy rules and directions are followed.

Finally we can conclude that the advisor stays away from the interests-balancing process; negotiations and conciliation are done on the level of board meetings. Inside the ministry, things are done without the advisor, he or she starts to act at the end of the process, thus further coordinating on the level of Government and National Parliament.

The Ministry of Environment advisor role configuration – Over-carrying

Because in this ministry, the advisor checks most of the documentation, involvement in policy formulation and implementation as well as the control-ability over the administration is significantly larger. Indeed, she often asks a civil servant to do things differently, but it is only to achieve internal quality and far away from always being a political concern. The political agenda formulation and implementation mechanism is somewhat different in the ME from the MJ. A consensus over the issues is achieved through active communication, where the advisor plays a central role. She stands between the minister and civil service and brings both opinions on the table. It is considered very important for the civil servants in their everyday work to have someone to ask informally about political or board intentions and get quick answers. Through the advisor, it is always possible to specify some unclear points.

The advisor's role is proactive: thanks to intensive communication, she sees a lot and tries to resolve the conflicts before they emerge. For the ME, it can be concluded that the advisor functions as a bridge and a point of balance. Also comparing with MJ, here the actions of the advisor are inside-forwarded (not outside toward the Parliament or Government); the advisor makes a significant contribution to the internal work of the ministry. She is actively involved in the ministry's policy formulation, even if she mostly wants to diminish her role simply to bringing together two actors (minister-administration). It seems to be both reasonable and dictated by the distribution of functions between different actors.

Conclusions

The general aim of this article was to explore the main roles of ministers' personal advisors in the politico-administrative dichotomy. We concentrated on his/her political and administrative roles; roles in policy formulation and implementation; position in the communication process. There, we analyzed the personal advisor as a politician and as a civil servant, referring to the fact that the actual position of advisor between the minister and civil servant can assume a "difficult life" for him or her. On the one hand, there is a necessity to be loyal to the minister and being "political" in the sense of understanding and "rightly" implementing the minister's or, rather, the party strategies. On the other hand, interactions with civil servants, who supposedly should be implementing decisions in a way the "minister desires", are not less important. As a result, when we talk about advisors, we mean both an extension of the political executive and parallel bureaucracy, political and administrative tasks (Pelgrims 2001). The advisor's own perception of his role is very important to note here: not only concrete functions implementation; so how does he feel, more or less like a politician or a civil servant.

Our empirical analysis is based on several interviews held in Estonian ministries. Two ministries, the Ministry of Justice and the Ministry of Environment, are under exploration. Generally, we can conclude that the personal advisor's role remains a lot to be the minister's assistant and trusted person. However, the advisor is working for the good of the whole ministry. The main conclusions are the following: as for the one ministry, the advisor is taken as a civil servant – her task as a mediator, a bridge for politicians, confirms it. The other advisor's interactions with civil servants are weak. He is rather keen on giving general political guidelines without an active way of controlling them. However, for both ministries, it has been agreed on the advisors' role having more political background information. It is also a common view that such a position as the minister's personal advisor is adequate and much needed.

The main named reasons for the existence of the ministers' personal advisors were the minister's surcharge diminishing; the ideological competence coming along with his/her advice because of his/her political information background and, in the Ministry of Environment, the mediator and "bridge" roles were highly evaluated.

The authors' position about the advisors' status is positive. We also find that the current number of advisors per minister is reasonable. Taking into consideration Estonian civil service features like professionalism and neutrality, there should be someone between politicians and administrations to balance a process of policy-making (here we talk about the ministry level). We find that special advisors can be those co-coordinators, nevertheless not all of them carry such roles. There is still much space toward institutionalization and elaboration on the advisors' position.

Still, we cannot forget that if there is a redistribution of politicians' and bureaucrats' roles, some new models of interactions will emerge. For example, in this article, we have revealed that in the Ministry of Justice, the old way, where the chancellor has the main responsibility of mediating interests and resolving conflicts still works, but in the Ministry of Environment, it is the advisor who took over these roles from the chancellor. We rather will not make any certain conclusions about how the advisors' positions have changed the politico-administrative balance; however, we see a clear tendency toward such institution inculcation into the general administration system.

We regret that topics such as traditional ministry hierarchy questions were left without proper analysis in this article, but there is a good starting point to explore others. In the ministry hierarchy, advisors are always placed into the so-called staff bureaucracy, senior top official status. They have relatively strong power to tell vice-chancellors what to do. Secondly, minister advisors do not have a mandate (authorization) to make politics (politicians do, they get it from the citizens in elections); nevertheless, they have enormous power to influence decisions and the decision-making process. The question of responsibility, whether political or administrative, arises. Is there any responsibility at all if he/she plays only the mediator role? Also, how does the advisors' position possibly reflect the vice-minister position?

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