

# PUBLIC SECTOR ORGANIZATION IN CENTRAL AND EASTERN EUROPE: FROM AGENCIFICATION TO DE-AGENCIFICATION\*

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## Abstract

The processes of transition and accession to the EU produced a fast expansion in the number of agencies and other public sector organizations in CEE. Between 1990 and 2004, many new organizations were established in order to implement new or reorganized functions of the democratic state, market economy and the EU member state. Agencies were created at a very high speed and with a larger scope than in most Western countries. Such a trend was counteracted by a major U-turn in the second half of the 2000s, when all studied CEE countries experienced a de-agencification process facilitated by the financial crisis and the aim to rationalize public sector organization. The studies in this special issue show that there is a considerable variation in terms of organizational autonomy and control, both across and within individual countries, and a clear domination of ex ante control over ex post control in the CEE region. Finally, politicization of agencies is identified as an important feature influencing their functioning in some CEE countries.

**Keywords:** public sector organization, Central and Eastern Europe, agencies, post-communist transition, Europeanization.

## **1. Introduction**

Post-communist states belonging to Central and Eastern Europe (CEE) are characterized by a variety of historical, political and cultural backgrounds, as well as by multiple legacies (Meyer-Sahling, 2009). It has been argued that there were common features in the politics and public administrations of the CEE countries at the beginning of the 1990s because of their common communist background and also in their effect to remove and replace the old structures, but as these countries developed through the immediate post-communist transition, the differences started to increase (Agh, 2003, p. 537). The country studies presented in this special issue demonstrate that although there are important variations among CEE countries, their shared history of post-communist transition as well as Europeanization still appears to be taking them through a number of similar developments, offering them similar opportunities and exposing them to similar problems.

When comparing the agencification processes in CEE and in Western Europe, van Thiel reaches the conclusion in her study published in this issue that there is indeed a specific trajectory of agencification in CEE countries. This has been found to be different from trajectories in Western European countries in a few aspects. Firstly, the CEE countries are characterized by the comparatively recent nature of agencification (though it may be added that it is very difficult, if not impossible, both conceptually and empirically, to compare pre- and post-transition agencification patterns; therefore in general, our focus is on post-transition developments). And secondly, with some exceptions, CEE countries are among the most “agencified” countries in the world, as a considerable amount of tasks have been delegated to various categories of agencies. However, there are no significant differences between countries’ choices about which tasks are charged to agencies.

The concluding article aims to summarize findings of the country studies in this special issue by explaining factors behind various stages of (de-)agencification in CEE and pointing at the commonalities as well as the differences in the development of public sector organization in this region. Special attention will be given to autonomy and control as well as to the political context of agencies. The paper concludes by outlining challenges for the future development of public sector organization in CEE countries.

## **2. A missing role of agencies on the public administration reform agenda**

It is difficult to find an equivalent to the term of “agency” in most CEE languages. The general idea that public organizations outside ministries, but – in one way or another – supervised by them, (should) have anything in common is alien to the administrative traditions of many CEE countries. Organizational forms equivalent to agencies have existed for longer periods, but they very rarely appear as an object of intentional governmental policy. The “agency agenda” – so much in the frontline of international public administration reform rhetoric and activities in Western countries – has been absent in most CEE states. Consequently, it is often difficult to talk about

agencification, as the term presupposes the existence of a trajectory leading “from here to there”. Although it could be argued that agencification as a systematic government policy has not occurred in most of the CEE countries, it is demonstrated in this issue that despite a rather haphazard development of public sector organization in individual CEE countries, it is still possible to detect common trends and trajectories compared to other administrative traditions in the world.

There are fundamental differences between countries that have radically changed their political systems on one hand, and other states that have carried out public administration reforms within the same political system. It is essential to note that the main motives of agencification in the CEE countries have been different from Western democracies, where the creation of agencies was one of the most significant parts of the New Public Management (NPM) reform agenda in the 1980s and 1990s (Pollitt and Bouckaert, 2004; Christensen and Lægreid, 2007). The agencification in CEE countries has been affected by the democratic institution-building, the adoption of new legislation and sectoral policy decisions rather than the ideologically driven managerial and deregulatory agenda of the NPM reforms as in most Western democracies. Contrary to some Western European countries, one may hardly speak about such concepts as “autonomous agency model” or “NPM type agencies” in CEE. Such concepts are not only ignored but also unknown to most decision makers.

This is related to a broader under-conceptualization of public administration reforms in CEE countries. The problem in the CEE region is that quite frequently the concepts and especially the underlying ideologies of public administration reforms have not been fully understood or, have even been (mis)used in order to window-dress and justify less noble political motives. This can also be present in some Western democracies, but not to the same extent as in CEE where thinking about the state is insufficient and often “uninformed”, and where politicians’ room of maneuver to pursue narrow self- and group-interests is, because of the generally weaker mechanisms of democratic accountability, considerably larger. This has led to the piecemeal approach to public administration development and “the failure to understand the logical basis of reforms and to make them compatible with what else is being tried in a government” (Peters, 2001, p. 64). On the one hand, CEE countries have been keen to look at the Western practices with the aim of emulating individual policies and tools (Ivanova and Evans, 2004; Randma-Liiv, 2007). This has led to a West-East policy transfer, including the development of various NPM tools such as pay-for-performance and contracting out in CEE countries. On the other hand, such market type mechanisms have not been elaborated within the complex framework of NPM reforms. This has led to a situation where individual instruments from a traditional NPM toolbox (see e.g. Hood, 1991) enjoy popularity, but at the same time, other instruments – most notably agencification in the context of this article – have been left off the government reform agenda.

The establishment of agencies in CEE countries has shown more resemblance to a process of gradual development than public administration reform in the classical

sense. From the beginning of the 1990s, the question for CEE has not only been about reforming, restructuring or downsizing public institutions, but also about building a democratic governing apparatus. Consequently, there has been no real PA reform, just a transition without a comprehensive strategy or detailed plan of action (Agh, 2003). The dynamics of agencification in CEE countries (and in newly independent countries in particular) has been affected by the expansion and restructuring of governmental functions rather than the deregulation of government under specific public administration reforms as in Western democracies. The creation of agencies has not been pursued within a systematic conceptual framework, partly because of the lack of political and administrative capacity but also due to the speed with which it was undertaken within the general context of democratic institution-building. In most CEE countries, there has been no real reform targeted at agencification, just a continuous (but yet speedy) development without a comprehensive strategy or detailed plan of action. It has only been in the past few years that a few CEE governments (Lithuania, Romania) have started to develop government-wide reforms of agencies and public sector organizations.

However, it is too early to assess long-term impacts and the sustainability of these most recent reforms since, in general, the administrative history of CEE countries shows that political consensus (or the long-term continuity of one political force) and consistency in public administration reform policies has often been missing. Indeed, the instability of both the political and the administrative context of public administration development has been found to be one of the main characteristics differentiating CEE countries from Western Europe (Meyer-Sahling and Yesilkagit, 2011). This governmental instability affects public administration reform policies in particular, since these are not “vote-winning policies”. Political consensus (or the long-term continuity of one political force) and consistency in reform policies has been missing in all CEE countries (Verheijen, 2003). In addition, CEE countries are in general characterized by higher rates of politicization than Western countries (SIGMA, 2009), which effectively diminishes the continuity and institutional memory of the administrative leadership, thus contributing to inconsistent reform initiatives. Consequently, the development of public sector organization has not been coherent, as frequent changes of governments have often brought new views leading to constant changes. There are many examples of unfinished reform attempts throughout CEE – before a certain change proposal reaches its maturity and outcomes, new changes are already on their way waiting for their turn, thus leading to an easy reversibility of reforms (see also Nemeč, 2009).

A comprehensive approach to public sector organization requires a strong strategic underpinning. However, as the political will for broad-scope and fundamental structural reforms was either largely absent or inconsistent until the start of the economic crisis at the end of 2008 (and is still missing in a few CEE countries), it resulted, for much of the post-transition period, in a lack of government-wide agencification policies and, consequently, the *ad hoc* and/or sectoral development

of agencies (as demonstrated in the cases of Estonia, Hungary, Lithuania, Romania and Slovakia).

Finally, all CEE countries can be characterized by a strong legalistic approach to the design of public sector organization, focusing on formal and structural features and disregarding agencies' operational characteristics and relationships with their environments. Moreover, the experience of some CEE countries shows that the legal context of agencies has changed frequently and the application of relevant government regulations has been inconsistent. Therefore, a patchy agency landscape has gradually evolved in most post-transition CEE countries, characterized by a broad and poorly regulated plethora of various, often idiosyncratic, organizational forms and a variety of different (and frequently changing) modes of autonomy and control.

Despite the usually weak or missing role of agencies in CEE public administration reform agendas, there have been major developments in public sector organization during the past two decades. As demonstrated by a comparative survey by van Thiel in this issue, CEE countries are among the most agencified countries in the world (with a few exceptions). Thus, on the one hand, the missing conceptualization and targeting of agencies on the public administration reform agenda has not stopped governments from pursuing massive agencification in practice. On the other hand, as agencification has not evolved within a prepared framework and conscious governmental policy, the governments have not been able to systematically analyze, monitor and assess potential (negative) side-effects of agencification, which has led to an almost uncontrolled growth of agencies. It has only been since 2009 that a few CEE governments (most notably Croatia, Lithuania and Romania) have started to include (de)agencification on their public administration reform agenda, which has led to a more systematic approach to agencies in these particular countries, leading to rationalization of the agency landscape.

### **3. Development of agencies in Central and Eastern Europe**

Despite the inconsistent development of public sector organizations in the CEE countries, certain common trends can still be observed. When summarizing processes related to (de-)agencification in CEE, three periods can be distinguished: immediate post-communist transition, Europeanization and the post-accession period. Whereas immediate post-communist transition and Europeanization can be characterized by a substantial growth of agencies (agencification), the post-accession period stands out for the opposite trend of rationalization of the agency landscape through de-agencification. These periods are explored in more depth below.

#### ***3.1. Immediate post-communist transition***

Agencification in CEE countries took place in the unique context of post-communist transition. Agencification as such was not a new phenomenon, as the communist state apparatus consisted of various forms of agencies. However, the communist legacy included the inheritance of an extensive and hierarchical but highly fragmented and incoherent administrative apparatus, making it inappropriate for the

needs of democratic governance (Hesse, 1997; Beblavý, 2002; Goetz and Wollmann, 2001). The communist administrations have been characterized by having a very high number of individual organizations that were often rather autonomous and based on a single-purpose agency principle. However, these organizations were not part of a centralized, horizontally and vertically well-integrated hierarchy, but a rather amorphous system, often designed according to the personal and institutional interests of the *nomenklatura* of the Communist Party (Beblavý, 2002). The central state apparatus was institutionally fragmented, and specialized units proliferated (Goetz and Wollmann, 2001). During the immediate post-communist transition, public sector reform was guided less by an assessment of the new requirements associated with political and economic change than by the intention to overcome the legacy of socialism (Hesse, 1997). The regime change provided an opportunity to build up a new administrative system from scratch by addressing the institutional incoherence of the previous system. However, CEE countries differed as to how they used this opportunity.

Some variations within the CEE region reflect the differences of historic legacies (e.g. traditions of the Austro-Hungarian Empire), while other characteristics are related to more recent developments and particular political cultures. One of the major differences within the region is related to the new *versus* old states. Although all CEE countries faced similar challenges stemming from their post-communist past, there are a number of additional challenges specific to the development of government institutions in newly independent countries. Of the CEE countries covered in the country studies covered in this issue, Lithuania restored its independence in 1990, Croatia and Estonia (re)gained their independence in 1991, and Slovakia became an independent state in 1993. In these countries, many governmental functions had to be built up from scratch or reorganized completely during the 1990s. In contrast, the basic state structures (including executive agencies) of Hungary and Romania were already in place prior to the systemic change. Creating, through Constitution and laws, the basic institutional framework was among the first tasks for the newly independent countries. This created a critical juncture in their institutional development, allowing for a new start. This follows the argumentation of Thelen (1999) claiming that institutions are set up at critical junctures such as the resolutions of political conflicts, reactions to crises or external shocks. It is argued here that such a “critical juncture” was more visible and a stronger motive behind the organizational change in the case of newly independent states. In the “old states”, on the contrary, the development of agencies was more evolutionary and more path-dependent on the previous institutional design. Therefore, the scope of their “de-institutionalization” was lower compared with the newly independent states.

All in all, agencification in CEE countries became an important element in building modern democratic institutions after the fall of communism. The motives for agencification deriving from the domestic policy environment were related to the setup of democratic government institutions in the early 1990s (though a decade later

in Croatia), involving the establishment of new or different governmental functions compared to the previous communist practice. In many cases, the establishment of new governmental functions and/or the restructuring of old functions inherited from the communist past brought about the proliferation of executive agencies. It has been demonstrated in several country studies (Croatia, Estonia, Romania) that one of the strongest incentives behind the establishment of agencies was the wish to discard the rigid legal framework applied to core government (in particular, strict standardized personnel rules). Decisions on the establishment of the ministry-agency model and a high degree of decentralization can also be explained by the “protest” against the heritage of a centralized communist administration as well as by high levels of uncertainty and complexity of the period of immediate transition.

Although the legal framework for agencies was worked out in a similar time period, under time pressure and under comparable circumstances throughout CEE, individual countries have opted for very different solutions in the design and administering of their agencies. The initial radical reorganization of the entire state apparatus within a short period of time contributed to the emergence of a political and administrative culture that accepts (often unprepared) structural reforms as a part of normal everyday functioning and something that can be done quickly by changing legislation. Out of the six CEE countries, Estonia stands out as having a stable legal context for central government organization since the mid-1990s, whereas the other countries have experienced several legislative and/or organizational changes affecting the functioning of agencies.

Another temporal aspect of the institutional development in CEE is related to the timing and speed of democratic reforms, as institutional change is usually “a product of situation-specific compromises” (Olsen, 2009, p. 18). Whereas Estonia, Hungary, Lithuania and Slovakia started major structural reforms in the early 1990s, democratic reforms were somewhat delayed in Romania and started only in 2000 in Croatia due to the “lost decade” (the war in the 1990s). Such a delay in the general public administration development is also reflected in the later start of the entire (de) agencification process in the cases of Croatia and Romania.

### **3.2. Europeanization**

The role of exogenous factors behind agencification is very important, as all country studies in this issue underline the role of Europeanization in the development of agencies. The EU “conditionality” in public administration development was particularly emphasized during the Eastern enlargement in 2004 and 2007, as the accession countries had to systematically demonstrate the presence of the administrative capacity and ability to effectively apply the *acquis communautaire* upon which their EU membership was conditional. For the first time ever during different rounds of EU enlargement, such an evaluation of administrative systems of candidate countries was applied (Dimitrova, 2002; Grabbe, 2001; Meyer-Sahling, 2011). Consequently, there are good reasons to argue that the transformative power of

European integration is more pronounced in national administrative systems in post-communist countries than in Western European countries. The recommendations by the European Commission, in the form of annual Progress Reports, also included the development of individual government institutions, including agencies in particular policy sectors. The role of the EU on agencification was further strengthened by various state-specific factors – most importantly, by the consensus about the priority of EU membership among political parties motivated to ‘restore’ their country’s historic place in Europe. This did not leave much room for questioning the appropriateness of particular policy recommendations by the European Commission.

However, as the process of accession negotiations was largely sector-based, it cemented further the sectoral approach to the design of the government structure (Dimitrova, 2002; Jacobs, 2004). This, in fact, did not help the CEE governments in introducing a coherent government-wide approach to agencification, as each policy sector followed its sector-based recommendations by the European Commission, and on that basis quite independently established various types of agencies. The EU influence over agencification also varied from sector to sector, depending on where the EU exercises more or less authority. For example, as we learn from the Lithuanian country study, the EU impact was stronger in the fields of business regulation, policy implementation and the provision of public services, while its impact was weaker in the sectors of defense, recreation, culture and religion.

The EU influence is particularly evident in the design of regulatory agencies and agencies responsible for administering structural funds (see also Suurna and Kattel, 2010). The EU influence is reflected by both the establishment of new agencies and, in particular, by the development of regulatory agencies. As seen from a few country studies (e.g. Croatia, Estonia, Lithuania), the form of a semi-autonomous regulatory agency was more or less unknown before the EU accession process. Therefore, the EU has played a crucial role in contributing to the increase of regulatory capacities in CEE, in introducing a new form of independent agencies and in (further) institutionalizing the regulatory functions of a state.

As a result of the fast agencification process in the 1990s and early 2000s, the CEE countries structurally disaggregated a great deal of their executive and regulatory tasks from the core government. It has been found that semi-autonomous agencies are the preferred form in CEE for the executive tasks in the areas of security, payments, registration, education and information, social care and infrastructure – particularly in Estonia, Lithuania and Hungary, with Romania being more differentiated across the different categories (see van Thiel, this issue). In the case of all studied CEE countries, the number of agencies increased substantially during the EU accession period. In the 1990s and early 2000s, the studied CEE countries experienced rapid and extensive proliferation of agencies, overtaking Anglo-American countries that had been the leaders of this reform in the previous decades. As a result, the CEE countries (except Hungary) have on average charged more tasks to agencies than most other countries.

Compared to the other CEE countries covered in this book, Croatia stands out as the only EU accession country. The accession status of Croatia contributes to the analysis of Europeanization in the area of public sector organization. Unlike the current EU member states from CEE, where the number of agencies started to diminish only after the EU accession, Croatia already experienced a drop in the number of agencies during the EU accession process. This creates further questions about the impact of the EU in the agencification process. It has also been argued earlier that the potential impact of the accession process on the domestic developments of CEE candidates should not be overestimated, as there were several dimensions of uncertainty built into the accession conditions which acted as intervening variables in the implementation of policies to meet the membership conditions (Grabbe, 2001). The influence of the EU on the development of the public sector organization of the candidate countries has been limited by its own diffusion, partly owing to the diversity of its existent member states.

### ***3.3. Rationalization of the agency landscape***

It is interesting to observe how such an enthusiasm for agencification driven by the transitional and EU-related reforms has gradually given way to centralization and loss of agency autonomy, as the CEE countries have become more mature and a need for a rationalization of the agency landscape has emerged (see chapters on Croatia, Estonia, Hungary, Lithuania, Romania and Slovakia). Indeed, the trend of agencification has recently been reversed in all studied CEE countries. The de-agencification process started in the mid-2000s (in 2004 in Estonia; in 2006-2007 in Hungary and Slovakia; in 2009 in Lithuania and Romania; and in 2010 in Croatia) and accelerated in the 2008-2010 period. Such a U-turn can be explained by the need for a rationalization of the structure and relations within the executive power after a rather chaotic period of “over-agencification”.

De-agencification has become particularly significant during the global financial crisis, which has put the CEE governments under severe financial constraints. The financial crisis and the accompanying social and political crises in several CEE countries, expressed through public dissatisfaction with government, forced political leaders to rationalize and reorganize the public sector. The search for savings and cost efficiency has led to the abolishment, absorption and merger of many agencies (as demonstrated by the chapters on Croatia, Estonia, Hungary, Lithuania and Romania). As pointed out in several cases, economies of scale are expected to be achieved by optimizing support services previously provided separately in every single organization. Such a search for rationalization and efficiency is most visible in the cases of Lithuania and Romania, which have started major reforms targeted at agencies and public sector organization in general. It is yet to be seen if the influence of the economic crisis provides for another “critical juncture” in the development of public sector organization, thus opening up opportunities for major organizational changes.

It is also interesting to note that agencies once established as a result of the EU conditionality seem to be immune to institutional changes after accession. Some

country studies demonstrate that the status of an agency being linked to the EU accession process safeguards such agencies through the national de-agencification reforms, at least during the accession (Croatia) or for a while after the accession (Romania).

During the most crucial years in democratic institution-building, the external guidelines as well as conditions set out by international organizations and bilateral foreign partners provided a certain orientation in the labyrinth of various models and solutions. The effort to meet EU requirements offered some benchmarks for good government and sound (administrative) policies. The important role of exogenous factors in the development of public sector organization also explains similar trends and reform trajectories in CEE countries until very recently. Since the EU accession in 2004, outside pressure to take hard decisions (including those concerning administrative reforms) has substantially declined. However, as the Lithuanian country study in this special issue demonstrated, in the post-accession period, the EU has influenced the performance of the Lithuanian agencies, but this influence is of *ex post* nature and confined to a limited set of the agencies operating in the areas of the single market and the EU support.

As exogenous factors behind institutional change have disappeared, endogenous (domestic) factors obtain a greater role in the design of the agency landscape than ever before. Some country cases, notably Estonia and Lithuania, pointed to the “normalization” of agencification over the past few years due to the increasing impact of the economic crisis, the change of governments and other domestic factors in the policy of organizational reforms. One potential result of the growing importance of domestic factors of institutional change can be that increasingly, individual CEE countries will opt for more and more divergent models and institutional solutions. Therefore, in the future, it could be difficult to define a common “CEE trajectory” of agencification. When looking at reforms in other domains of public administration (e.g. in civil service), one can, in a similar vein, already observe very different reform trajectories following the EU accession among the CEE countries (see Meyer-Sahling, 2011).

#### **4. Autonomy and control**

Given the patchy agency landscape in the CEE countries, there is considerable variation in terms of organizational autonomy and control both across and within individual countries. Despite this fact, it is possible to identify three main similarities regarding the autonomy and control of agencies in the CEE region.

First, in most CEE countries, agencies enjoy a quite high degree of formal autonomy from the executive government (Croatia, Estonia, Hungary, Lithuania, Romania and Slovakia). Their financial and personnel autonomy depends, among other factors, on their legal environment or structural factors. More structurally disaggregated and legally independent agencies tend to have more formal autonomy from the core government. The importance of the legal and structural factors was corroborated by

the COBRA surveys, measuring the perceptions of agency managers. For instance, the analysis of the COBRA data showed that the *de facto* autonomy of Lithuanian agencies depends on their legal status and the control of Romanian agencies on their internal structure (the existence of a governing board).

Second, although the control of CEE agencies is mixed, there is a clear domination of *ex ante* control over *ex post* control in the CEE region. This is not surprising, as these countries can be characterized by the dominance of the Continental European tradition of public administration. Since the development of managerial, *ex post* control mechanisms has been haphazard in all studied CEE countries, the (often ineffective) mechanisms of legal control and administrative/judicial review are still predominant in some CEE countries (as demonstrated in the country studies of Croatia, Romania and Slovakia in this special issue). Also, only the minority of the agencies which participated in the Lithuanian and Romanian COBRA surveys indicated the existence of rewards and sanctions linked to their performance. Despite the recent introduction of result-oriented management instruments in some CEE countries, the effectiveness of these instruments should not be taken for granted because of their inadequate design or the inadequacy of managerial skills in the civil services. For instance, a few country studies in this special issue pointed to the inadequate capacity of parent ministries (e.g. Estonia and Lithuania) to control their agencies through the application of result-oriented instruments.

Third, all country studies report on the diminishing financial autonomy of agencies as a result of stricter requirements imposed by the ministries of finance amid the economic crisis. While this can constitute another “critical juncture” in the development of organizational design, its effects on the performance of CEE agencies are not clear yet. For instance, it is possible that as a result of lower financial autonomy, their overall autonomy became unbalanced or that their flexibility to achieve results agreed upon with the parent ministries was compromised, creating some tensions in the operational or strategic management of CEE agencies or in their relationship with the parent ministries.

Within individual CEE countries, the autonomy and control of agencies varies because of similar factors. The country studies found that this variation could be explained by the differences in the legal status of agencies (depending on the application of the civil service and budgeting legislation in Croatia and Lithuania), the type of task (with regulatory agencies having more policy autonomy in Croatia and Lithuania) and the political salience of agency tasks (the higher the political importance, the higher the control of Lithuanian agencies).

## **5. The political context and the politicization of agencies**

Studies on agencification, more often than not, focus on the managerial, administrative or sometimes policy aspects involved. In practice, likewise, the creation of single-purpose, task-specific agencies controlled largely by means of *ex post*, managerial control is “in many cases [...] conceptualized as a means of removing

some aspect of governing from politics so that it might function in a more ‘professional’ manner” (Peters, this issue). However, the establishment, reorganization and abolishment of (*de jure*) autonomous agencies involves inherently political elements as well; it may imply new patterns of how authority and influence, resources, benefits and costs are distributed among key actors within and outside the government. This, in turn, creates a host of overt as well as covert motives for changing or maintaining the status quo.

There are a number of motives driving, at certain times and in certain places, influential stakeholders to pursue agencification. These incentives include an increasing accountability and quality of service provided to citizens, covertly raising public revenues, lessening political or administrative accountability, creating institutional venues for patronage and corruption and opportunities for generating illegal income, distancing politicians or senior civil servants from unappealing tasks, to mention but a few (Peters, this issue; Pollitt *et al.*, 2004, pp. 19-20).

A number of these elements – already known from international, mostly Western, scholarship – appear, with differing levels of certainty and weight, in the countries covered by the preceding studies. There are, however, two central themes, around which observations about the political aspects of agency policy crystallize:

- firstly, the politicization in its simplest and most general sense – that is, “the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards, and disciplining of members of the public service” (Peters and Pierre, 2004, p. 2) – of agencies; and
- secondly, the quest for political control over agency structures and operations.

Politicization of agencies as a marked, stable and long-standing feature of the agency landscape is reported from Croatia and Slovakia. Albeit supported only by somewhat impressionistic evidence, a similar picture emerges in relation to Hungary. In all three countries, the systematic politicization of appointments seems to serve, to a significant extent, the purpose of creating illegal sources of influence and income (or simply employment opportunities).

The motif of politicians vying for ever more control over agencies and their success or failure in doing so emerges in a number of country studies, too. The Baltic countries (Estonia and Lithuania) are characterized by a general imbalance, in favor of agencies, in the possession of organizational and human resources, including expertise. This results in a certain weakness of ministries’ ability to effectively control their agencies. Croatia and Hungary, likewise, are characterized by a general weakness of political control over agencies. In these latter cases, however, this weakness of control may be attributed not only to the lack of resources, but in part, it may also be the result of politicians’ latent quest for creating “organizational grey areas” serving as a source of informal or even illegal influence and resources.

The above-mentioned two aspects of politicization are neither independent from, nor do they counteract, one another. Rather, they mutually presuppose and reinforce each other. On the one hand, politicians wishing to create and realize illegitimate/

illegal influence and resources need a “twilight zone” around agencies, whereby formal channels and means of accountability are substantially weakened. This, however, means that other – informal – means of control need to be reinstalled, such as political appointments (and, in the case of Hungary, frequent reorganizations to control broken-free agencies).

On the other hand, if professionally weakly legitimized, partisan appointments are made, agencies’ tendency to function as a source of illegal income and influence will substantially increase. The opportunities are increased by the laxity and low capacity of (increasingly unprofessional) management and control systems, while the incentives are strengthened because of the partisan, “ideological” or “mission-oriented” character of agency management. The more the different channels and mechanisms for informal exchange of favors penetrate agencies’ practice, the more difficult it will be to control those processes. This, in turn, is likely to create a constant or even growing sense of non-control on the part of politicians.

Although the above summary analysis is built on specific references to individual country studies contained in this issue, it is quite difficult, on the basis of available evidence, to tell how much this “dialectic” of politicization and political control is present in individual countries. Out of the six countries included here, three – Croatia, Hungary and Slovakia – seem to be characterized by this set of problems, whereas the Estonian, Lithuanian and Romanian case studies did not identify significant politicization. This variety should, however, not be taken as granted, as the research ambitions and foci pursued by the individual country studies are diverse, as are the empirical methods and evidence on which they are based. Therefore, the mere fact that in a given country, a politicization of agencies was not identified does not suggest that it is absent – but rather that it was not carefully studied, and thus we have no information about their existence.

## **6. Future challenges in CEE**

The main challenge facing all CEE governments is related to the development of a strategic view on the structural and functional setup of the public sector with the aim to lessen the organizational diversity and fragmentation, and to increase the transparency of the institutional setup of the government. This goal has to some extent been recognized by the Lithuanian and Romanian governments (and to a lesser degree by the Croatian, Hungarian and Estonian governments). All CEE governments face a challenge in developing whole-of-government and co-ordination mechanisms in order to overcome the negative consequences of the *ad hoc* setup and diverse functioning of agencies.

Given the high levels of public distrust in the CEE governments, another common challenge in all CEE countries is related to the further development of control and steering instruments. First, these instruments could improve the internal management of agencies by enabling them to better respond to the emergence of new policy priorities. Second, these instruments could strengthen the external accountability of CEE agencies to politicians and the citizens.

Decision makers should be cautious about the prospects of NPM reforms in the CEE region. First, additional functional disaggregation based on the NPM “agency model” would make the CEE administrations even more fragmented, as most of them lack effective co-ordination mechanisms, as also demonstrated by the Estonian country study in this issue. Second, high politicization and corruption levels in some CEE administrations (see e.g. SIGMA, 2009) set limits on increasing the managerial autonomy of agencies or their CEOs. Third, different tasks and types of agency may require different accountability arrangements (Stone, 1995, pp. 510-511), involving not only managerial instruments, but also parliamentary control, judicial/quasi-judicial review and stakeholder relations.

It has been demonstrated in this special issue that although the common problems of agencification in Western countries are also present in CEE, they are supplemented by specific issues related to post-communist transition and Europeanization. It is somewhat surprising that CEE countries possess so many common characteristics despite their different historical, political and cultural backgrounds. While it is possible to point at the common features of CEE administrations, the present diversity makes it difficult to find common specific solutions that could apply to all CEE countries. It is a task of each government to find optimal solutions for its unique context and traditions.

Finally, the country studies that this special issue features only provide a start for more specific studies on public sector organization in this region. New research avenues include, for example, a more detailed exploration into the immediate post-communist transition with an emphasis on the possible similarities and differences between already existing states and newly independent states. The present research shows that newly independent states may be more open to more radical structural reforms compared to existing post-communist countries – this being quite a provocative hypothesis that requires further empirical testing. Furthermore, the effect of Europeanization on public sector organization, both before and after accession, requires further research. This is a very specific feature characteristic to countries involved in the EU’s Eastern enlargement. More detailed research in this particular subject area could contribute both to the EU governance (especially to the design of the EU “administrative policies” and the next enlargements) and to the improvement of national administrative policies of (current and future) accession countries and existing EU member states. Moreover, the present stage of research provides an excellent basis for a logical step forward into focusing on the whole-of-government approach and co-ordination in each individual CEE country, as the existing research on Western countries has demonstrated challenges to the whole-of-government approach, related to the fragmentation caused by the agencification process. Additionally, the large variation of the political control and politicization of agencies among the CEE countries offers interesting opportunities for further research. And last but not least, it is worth studying if the already identified effects of the economic crisis on public sector organization cause temporary changes only or whether the crisis leads to more fundamental changes in the patterns of public administration.

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