

Miroslav Beblavy, Deputy Minister of Labour, Social Affairs and Family of the Slovak Republic

Public administration reform in Slovakia and other Central European countries and its implications for Ukraine

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A. Introduction

This paper deals with the place of public administration reform within the wider scope of changes that have taken place in transition countries, particularly in countries of Central Europe. The rationale for the paper is based on the fact that public administration suitable for a functioning market democracy is a necessary prerequisite for many other systems and, consequently, public administration reform is the key enabler for other reforms.

This general statement is even more true under conditions that combine an advanced stage of reforms with public and political pressure for extremely rapid change. Both of these conditions make public administration reform more, not less important. At the same time, politicians usually do not pay enough attention to issues of public administration because they are seen as politically unrewarding and too technical; such neglect can derail many other changes that politicians prize, but by then it is usually too late.

At the same time, public administration reform in transition countries faces a significantly different environment than in developed countries. There are several reasons for this. One is that the overall speed and scope of change is without precedent as it entailed complete political and economic transformation. In transition countries, public administration reform is a part of unparalleled management of decline and scope of publicly “guaranteed” services has significantly decreased. It is implemented in an environment with blurred boundaries of the public sector (everything was public before transition) and with evolving rule of law and very high level of uncertainty. Due to existence of new states and lack of readiness for change, it also starts from a very weak administrative capacity.

Taking these factors as its departure points, the paper is organised in the following order.

The first section looks at the heritage of communism and the paradigms of public sector functioning that it has left for the transition. Even though transition has started more than

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15 years ago in Central Europe, these initial conditions are still relevant in explaining what paths reformers have taken and how they have panned out.

The second section looks at the wider context of public sector change within transition, explaining that it is the twin movements towards non-majoritarian governance and the market that are the organizing principle of the last 15 years.

The stage is then set for three sections that deal with three key pillars of public administration change: civil service reform, agencification and decentralization.

The concluding section summarises finding and recommendations from previous sections.

B. Heritage of communism

Since communism meant a totalitarian system based on collective ownership of all means of production and repressive and intrusive political system, both outsiders and insiders often tend to see it as an environment with very low level of autonomy for individual actors in any area. Such a view tends to perception of the whole communist society as a centralised, vertically and horizontally integrated hierarchy, where the centre (e.g. central committee of a communist party and its government apparatus) directed resources and activities of sectors, organisations and individuals. It ignores, however, several important factors.

The officially tightly-knit hierarchy contained thousands of organisations with legal autonomy. While the system could rely to some extent on its ability for arbitrary use of power to resolve conflicts between interests in this hierarchy, arbitrary use of power in itself was an insufficient answer to daily routines of administration in a complex society. The communist system lasted from 40 to 70 years in countries of Central and Eastern Europe as an industrialised economy where citizens were provided with a welfare-to-cradle superstate (issues in quality, responsiveness and ability to generate wealth notwithstanding). No economic, political and social system would be able to last so long in these complex conditions unless it developed a relatively predictable system for conflict resolution between both individual and organisational interests. (see Beblavý (2002))

As several authors, including Mlčoch (2000), argue, the hierarchy was largely an illusion: “In a closed system of hierarchical management, the planning was a widespread social game based on a all-encompassing dichotomy between the real rules and the official ones. In reality, local “controlling” groups tried to maximise their share of a social pie in the inverted pyramid. Planning was an instrument and an ideological smokescreen to

utilise a monopoly power over allocation of scarce resources, information and decision-making processes within the social reproduction process.” (pp. 30-31)¹

By 1970s and 1980s, the public administration was penetrated individually (by compulsory party membership on many levels), but it was nearly invulnerable collectively (see Sootla (2002)). As Hojnacki (1996) writes: “There can be little doubt that during the last several years of the communist rule, the major force in both policy-making and policy implementation... was the communist-led bureaucracy that was almost immune to political pressure from any source.” (Hojnacki (1996), p. 147)

Since the hierarchy involved not only public sector as understood in the OECD countries, but also the whole corporate sector (enterprises), the well-known problems of information flows and information asymmetries were even more acute than in public sectors of OECD countries due to span-of-control problems and lack of accountability systems. Managers of organisations were the real masters of the system because of their unique position in the information flows and decision-making. In other words, the real rulers of communist countries were, to quote Burnham (1972): “the men who are running the factories and mines and railroads, the directing members of the commissariats and subcommissariats of heavy and light industry and transportation and communications, the heads of the large collective farms, the expert manipulators of the propaganda mediums... the managers in short.” (Burnham (1972), pp. 221-22)

Since the “public” and “corporate” sectors were treated equally under the communist system – both were controlled by sectoral ministries and were subject to similar regulatory environment – this blurring not only led to enterprises behaving like “civil service”, but also to “civil servants” behaving like corporate managers. In other words, the two groups were part of a unified system and a continuum, where there was neither a sharp distinction between the two in the eyes of actors themselves nor much difference in systems and incentives regulating their behaviour.

Governmental organisations during the communist period generally had no accountability systems. On the other hand, they had a number of legal relationships with other elements of the government. Since the “public sector” organisations themselves and their ministries saw them on par with “corporations” and as the regulatory framework was similar, this led to high level of both *de iure* and *de facto* autonomy.

All of this led to a situation where the real heritage of communism is not a hierarchical, disciplined public sector with a distinctive culture and ethos, but a chaotic free-for-all, where organisations often had legally defined autonomy, rights and responsibilities, their staff and particularly managers remained responsive to political pressure individually, but acquired very little accountability, felt certain informal ownership rights and the distinction between public- and private-sector mentality remained blurred or non-existent in eyes of most actors. Public administration employees also on the whole lacked skills

¹ This analysis is based on the situation in the Czech Republic, but is generally applicable to nearly all transition countries. The only difference is that some countries such as Hungary, abandoned these games faster or allowed parts of their society to opt out of it already during 1980s.

and information needed to participate in policy-making in a new world of market democracy.

C. Transition: shift to non-majoritarian governance and marketization of the society

There are many ways of thinking about the transition process that began in 1989 in countries of Central Europe, but this paper argues that the analytical framework that puts public administration change into wider context is the one that sees transition primarily as a shift along two axes:

- Move towards values of the market economy: **competition, efficiency and hard budget constraint**
- Devolution of formal power through change of ownership or limits on the central executive: **non-majoritarian governance**

In the “corporate sector”, this has generally meant privatisation or at least corporatisation of government businesses and consequent withdrawal of the state into a new governance structure to match this, which has involved independent central banks, competition authorities and independent sector regulators (banking and financial markets, utilities, telecom) as well as professional chambers and self-regulating professions (law, health and pharmacy and other professions).

In the public sector, three major tendencies can be recognised:

- Civil service reform, encompassing large-scale change in government employees and rules that govern them
- Agencification, meaning devolution of many function of the government to public bodies that are not legally and financially incorporated into ministries
- Decentralisation of wide range of public service to locally and regionally elected authorities

While other major reforms could easily be added – e.g. in areas such as financial management or ministerial organisation – it is the three that have been the mainstay of public administration reforms and it is to these three that our attention turns to in the following sections.

D. Civil service reform

To understand civil service reform, we need to understand what civil service is. There is no single, overarching definition, which would be universally accepted except that it means a subset of public sector, which excludes certain groups of employees. In most countries, employees of organisations with corporate status are excluded. In 20 out of 34

countries surveyed by OECD, health professionals are not included and in 18 out of 34 countries, teachers are not included. (see Synnerstrom et al. (2001))

These views are reflected in this paper, which does not focus on teachers and health professionals or employees of public corporations. It does however include both central and local public administration employees.

Transition countries inherited a public administration, which was problematic in several aspects:

- its employees were responsive to political pressure and vulnerable as individuals
- the bureaucracy as a whole had very little political accountability toward the people or the party/ies
- public administration as a whole lacked skills and information needed to participate in policy-making in a new world of market democracy
- due to state control of all organisations, there was a lack of public service ethos as the distinction between “civil service” and other government employees (including enterprises) was blurred

To gradually remedy this situation, all civil service reforms in Central Europe, in some way, pursue some of the following essential components:

- to replace some of the public administration employees with new employees with a different set of skills and preferences
- to give the remaining and incoming public administration employees incentives to mould their behaviour in a desirable manner
- to equip public administration employees with skills that enable them to respond to incentives in a desirable manner

Timing and sequencing of a major civil service reform are primarily determined by the fact that a government needs to work every day. Policy documents and laws must be prepared and public services delivered. Therefore, in a way, no time is “right” for a civil service reform because many other pressing “real” issues always present themselves. As one can see from table 1, countries in Central Europe are extremely varied in timing of civil service reform.

Table 1: Passage of civil service legislation in countries of Central Europe

Country	Passage of initial civil service legislation
Slovenia	1990
Hungary	1992
Poland	1996
Slovakia	2001
Czech Republic	2002

Source: OECD SIGMA, laws of respective countries

However, several factors influence, to some extent, the optimal timing of civil service reforms.

Civil service reform is usually ranked among the so-called “second generation” reforms in transition. The first generation usually involves (see e.g. Zemanovičová (2000), Beblavý and Sičáková (2001)) implementation of “simple” speedy systemic changes (privatisation, liberalisation of prices and trade, macroeconomic stabilisation). The second generation, on the other hand, involves “messy” and “wicked” complex issues such as education, health care, social security and public administration. These involve sectors, where there are no clear-cut best practices, no universally accepted model, a high number of individual stakeholders with difficult monitoring of their efforts and a complex political economy.

Such a reform is both more meaningful and more urgent when the early transition measures have already been taken and there is at least a fragile consensus on the size and function of the state. At least a rough consensus is also needed within the society and the political elites that civil service should be at least partially set aside from political struggle and that reform will serve interests of all. Therefore, even in two countries where the civil service reform was started already in early transition (Hungary, Slovenia), either major changes were later implemented as transition progressed or the civil service reform was of much “looser” nature.

Management of civil service reform, in this context, means *inter alia*:

- primary and secondary legislation concerning civil service - preparation, interpretation, monitoring of implementation and amendments thereof
- management of transition of the existing public administration employees into the new system (exams, oaths, lay-offs etc.)
- organisation of training for existing and new civil servants
- setting up institutional solutions for recruitment, dismissal, evaluation and remuneration systems of civil servants (which usually require complex institutional underpinnings)

The key issue in the management of civil service reforms has been **the choice of responsible institution**. The Central European experience suggests three options:

- ministry of interior (Hungary and Slovenia). It offers administrative continuity, an extensive pool of employees with wide administrative experience and close relationship with local governments, but it is also very conservative and has little knowledge of some elements of the public sector. This system was preferred by countries with a decentralised system or where some of responsibility for implementation was switched to other agencies
- ministry of labour (Czech Republic and Slovakia). Such ministries placed extensive emphasis on labour and social aspects of a civil service reform at the expense of the rest of the civil service reform and had much less contact with the lower tiers of the public administration than an interior ministry.
- a separate agency (Poland, after the start of reform: Slovakia and Czech Republic). Once created, such an agency usually becomes a focal point for further civil service reform, but makes it hard to strike a proper balance in its creation between power and accountability. They are either too powerful and influential without the requisite accountability or become too weak politically and financially.

Concerning **the issue of timing**, no time is “right” for a civil service reform because many other pressing “real” issues always present themselves. Generally speaking, such a reform is both more meaningful and more urgent when the early transition measures have already been taken and there is at least a fragile consensus on the size and function of the state as well as on the need to partially set the civil service aside from political struggle.

Another key influence is decentralisation. If decentralisation takes place before civil service reform, the number of relevant stakeholders will increase so significantly that any agreement on comprehensive civil service reform will become extremely difficult. Simultaneous decentralisation and civil service reform strain the capacity of public administration to its utmost. Decentralisation after civil service reform probably presents the least problems unless it creates problems for restructuring of public administration because of tenure and other considerations. Such a sequencing is rare, primarily because most transition countries can sooner find a political will to decentralise than to comprehensively reform their civil service.

The second key issue in sequencing of the civil service reform was understanding the political economy of reform in balancing contemporaneous benefits and costs. Another factor to take into account in sequencing components of the civil service reform, is the fact that a new legal framework for civil service is usually both a focal point and a necessary precondition for further action. Much of the action therefore has to be structured around it.

The analysis of Central European experience warns against structuring the civil service reform as a series of sectoral civil service reforms. On the other hand, it points to the option of creating a core civil service with different rules and regulations and then gradually expanding it as a viable option. On the other hand, we can recommend an introduction of conscious “big bang” moment in the reform. Such instruments should be used even with the risk of backlash, but on a well-thought, limited and persuasive basis.

The push for reform in public administration in general and in civil service in particular, is never-ending. Nonetheless, in case of transition countries, one can make a conceptual distinction between two phases of civil service reform. The first one involves creation of a new system of a civil service in all the aspects mentioned above. When all of this is fulfilled, the second phase of consolidation can begin. The final architecture of the system can also have serious internal inconsistencies or omissions. It can therefore be recommended, when all the components are in place, to undertake a review of the civil service system to uncover these inconsistencies and remedy at least the most important ones.

E. Agencification

Agencification means devolution of many functions of the government to public bodies that are not legally and financially incorporated into ministries. In the sense that it is used

in developed OECD countries, it generally encompasses creation of autonomous agencies for many executive functions, e.g. tax collection, social security administration, prison administration or distribution of cultural grants. Autonomy of agencies is not in their complete independence from the government, but in some measure of autonomy that can range from having top management that is accountable to ministers but has some autonomy in how it delivers agency services all the way to regulators that might be independent not only in their decision-making, but also in setting pay conditions or appointments of officials.

In transition countries, we have witnessed over the last 15 years not only agencification as defined above, but also similar processes concerning institutions which would not be called agencies in the West, but their creation and granting of some measure of autonomy have gone, in transition countries, along similar lines. These are institutions such as constitutional courts, central banks, control/audit offices, public media, various extrabudgetary funds, competition authority and regulators for banking and financial markets as well as utilities. Indeed, one can argue that agencification in this wider sense has been one of the key components of public administration reform in these countries, which is why this section focuses on its analysis.

Any analysis of the process of agencification should include an analysis of the role of individual actors in the process and their incentives. Indeed, this paper uses incentives and expectations as its principal tool of analysis. First of all, let us introduce groups of the most important actors:

- managers of agencies and agency staff (in the case of already existing organisations) or managers and staff of those parts of the ministerial structure that might be structured separately;
- ministers and political parties;
- foreign actors (European Union, International Monetary Fund, World Bank, Organisation for Economic co-operation and Development, etc.);
- other influential stakeholders (e.g. trade unions);
- general public.

Each of these groups CAN have ex ante incentives to support agencification and increase in autonomy of a given agency based on its EXPECTATIONS. A stylized summary is provided here.

For managers and staff of agencies, the incentives are usually related to an increase in autonomy, a decrease in uncertainty and an increase in pay and other benefits. For staff, the status of autonomous agency can also mean release from many restrictive regulations valid in the rest of the government (procedural, decision-making, etc). The decrease in uncertainty is slightly paradoxical and related to frequent absence of a civil service system and frequent political changes in policy directions in many transition countries, particularly in the early to mid-1990s. Arm's-length relationship with the government can thus increase certainty in terms of employment, but also in terms of planning. Last, but definitely not least for both managers and staff, autonomous status is often related to freedom from governmental pay rules or, if not that, at least their relaxation.

For ministers and political parties, the motives for agencification are, in this stylised approach, based on expectations of decreasing responsibility, decreasing financial burden and increasing patronage. The distance between a ministry and an agency can be exploited as a tool for decreasing political responsibility for agency's actions and problems. The expectation of decreasing financial burden is often related to an increased motivation for an agency to improve its financial situation. This occurs by generating revenues and decreasing costs, as well as more frequent use of some sort of extrabudgetary means of financing for agencies. Expectation of increasing patronage is based on the fact that the number of positions, which are attractive for patronage purposes, usually increases in the case of autonomous agencies due to the existence of boards and an increase in the number of managerial positions.

Foreign actors can support creation of agencies in the expectation of improved performance and professionalism. This is related to the point made above with regard to incentives of staff and managers. Since foreign actors also often have very narrowly focused priorities (based on projects in which they are involved or due to donor specialisation), it is often useful for them to increase the autonomy of an agency or even create a new one, if such an agency can have a focus similar to the one of a foreign actor.

For the media and the general public, autonomous agencies frequently hold a promise of improving services and decreasing tax burden based on expectations already explored above: Increased professionalism and stability as well as efficiency gains.

However, as any observant reader has probably noted, many of these expectations are mutually exclusive, i.e. they can hardly all be true at the same time for the same agency. It is hard to reconcile increasing pay and benefits for employees and managers with a decreasing financial burden for the public purse unless dramatic efficiency savings can be made. Increased independence and professionalism does not square well more patronage for politicians and political parties. Even though decreasing political responsibility and improvement in services are not mutually exclusive by definition, it is difficult to see why a decrease in accountability to the public should lead to improvement in services for the same public.

What generalisations can one make about the process and results of the agencification process? First of all, agencification in these countries was rarely, if ever, pursued within systemic conceptual and legal framework. The latter would set out in advance the goals, the instruments, their relationships and the timetable across the board. Due to the low quality and capacity in public administration and the political classes, agencification usually occurred as a quick sectoral fix based on a combination of the incentives mentioned above. The result is often paradoxical. On one hand, the legal, accountability and financial framework for autonomous agencies is patchy and is often taken over by specific solutions and exceptions. This very often creates unexpected results, perverse incentives and negative consequences. On the other hand, there has rarely been substantial institutional innovation and creation of complex new institutional frameworks. This paradox is due to the sectoral, quick-fix nature of agencification. The need for a

speedy specific solution creates incentives to tweak existing, easy to-use forms rather than try significant institutional innovation.

When institutional innovation is undertaken, it is frequently exercised by use of institutional transplants from other countries, most often in the context of foreign advice or aid. The problem plaguing such solutions is that when institutional transplant is imported, other elements setting up its legal, accountability and financial framework are often lacking (e.g. activity-based budgeting, financial control and audit mechanisms, and general accountability mechanisms for executives within the civil service rules). This is to be expected as such frameworks are very complex and often invisible even (or particularly) to those who work in the given field in a country providing the model. As de Soto (2001) writes in a slightly different context about the role of property administration mechanisms such as landownership registration in the process of economic development, experts from developed countries themselves usually do not know how the system came about and do not ask themselves these questions, since their own system is “natural”. It’s but only ex post when it is transplanted that the missing elements are uncovered, often in a costly manner.

Another conclusion about agencification in transition, which differentiates it from many developed countries, is the use of agencification as a means of raising the tax burden. This is most often done in one of the two following ways. One is the so-called stealth taxation, i.e. non-transparent and earmarked taxation. Its forms are numerous – from taxes on the general population in the form of the so called compulsory insurance payments to taxes on a specific group such as taxes on the regulated subjects to finance the regulator. The other one is by creating or increasing user charges at least to cost-recovery level and reducing tax funding of public services. Neither of the steps is usually compensated by an equal decrease of other taxes or increase in transfers to the public, so it can be seen as a politically expedient way of doing the difficult thing in politics – increasing taxes.

An unsurprising result of the previous two factors is that agencification is usually implemented without thinking through the consequences, particularly without trying to simulate the incentives of individual players in a dynamic system.

On the other hand, given all the issues analysed above, it is surprising that transition has been marked by an excessive faith in institutional solutions. Many policy-makers, but also observers confused institutional reform with a reform of the system. To be more specific, many countries created so-called independent insurance institutions in the areas of health and/or pensions and/or unemployment, based on German or other models and confused this with a health care or pension reform.

The dynamic transition environment requires constant revision of the informal “social contract” between politicians and agencies. However, once substantial autonomy is granted, agencies become players in their own right that can and do resist changes they dislike. This gives rise to frequent public and political conflicts. This is related to the issue of policy entrenchment. Agencies generally have more information and expertise

than ministries on policy issues related to their work. Larger agencies also have more resources for public relations, work with media and stakeholders. As a result, the expected split of policy/execution tasks between ministries and agencies does not de facto apply as agencies are very often informally or even formally responsible for preparation of policy and legal changes in their area that are officially submitted by the ministry in question. Agencies can and usually do block changes they dislike using their relationships with stakeholders as well as the media.

What recommendations can one make on the basis of these findings? Autonomy for an agency is meaningful if a clear formal or informal contract can be written between politicians as repositories of a public mandate and an agency. In other words, it should not be an agency's mission to decide what its mandate is. To create an agency for a given area without a clear set of goals just to get rid of a thorny political issue is a recipe for problems.

The second recommendation is a need for consistency in the creation of an agency. If a financial market regulator is being created, it is not truly relevant what the governing arrangements for a similar agency in the United Kingdom are, but how would any arrangements fit within a particular legal system as well as informal rules in the country where it is being created. Internal consistency means that the actual rules governing an agency's activities and incentives are mutually consistent in supporting efficient, effective and accountable functioning of an organisation.

Institutional solutions not only need to be internally consistent, they also need to be robust. Robustness, roughly speaking, means that a system will continue to work relatively successfully even if much goes wrong in the systems underpinning it, e.g. under budgetary duress or if important elements of the outside system change (civil service rules, public procurement rules, etc.). This is due to the extremely dynamic environment of transition.

For reasons explained above, it is also recommended that each reform pushing for the creation of autonomous agencies or for an increase in autonomy of existing agencies should be required to answer a simple question about accountability: How is it going to create real accountability in a transition environment where the cost of reputation is low, formal mechanisms often slow and the wrongdoing usually not of provably criminal nature? If it cannot convincingly be answered, agencification might not be an answer.

One should also generally prefer market-based solutions if meaningful markets can be created. However, this recommendation needs to be balanced with transaction costs of a market- and contract-based relationship. Particularly in transition countries, one needs to ask whether effective contract enforcement as an important element in consideration of transaction costs exists? This ties in with the overall issue of institutional capacity. In countries with underdeveloped legal regimes, systems based on command-and-control principles require a less sophisticated set of institutions and management tools and can be therefore sometimes preferable. A related issue is whether formal accountability mechanisms cannot be complemented by a very powerful informal accountability

mechanism – customer choice. If at least a significant part of customers has a choice in selecting their service provider, this can alleviate some of the accountability problems.

However, accountability is the ex post mechanism to guarantee efficiency, effectiveness and quality. The ex ante mechanism is the process of management/board selection. Anecdotal evidence suggests that the quality of the process for making that choice has significant consequences for the functioning of a public organisation, possibly even more significant than in more stabilised environments. Finally, a reader convinced by our explanation of why agencification has been taking place in many transition countries will agree that it is often driven not by a need to grant some elements of the public sector a clear mission and autonomy to achieve it, but by piece-meal sectoral efforts to increase professionalism in parts of the public sector. Agencification measures are then a selective attempt at public sector reform, including reform of financial and governance aspects. If professionalism is the issue though, one might ask if transition countries would not be better served in using that energy for an overall reform of the institutional framework for the public sector and particularly on civil service reform.

F. Decentralisation

The third pillar of change in public administration since 1989 has been decentralisation. By decentralisation, we do not mean a shift of power and responsibility to local administration appointed and controlled by the centre (called deconcentration), but shifting power and responsibility to locally and regionally elected politicians. Extensive decentralisation has taken place in all Central European countries though generally in several stages.

The first stage took place immediately after political changes of 1989 and meant introduction of locally elected municipal governments with responsibility for essential municipal services in all four Visegrad countries.

The second stage was a gradual or rapid transfer of other responsibilities to municipalities during the following years.

The third stage was a creation of regional governments which has usually come as the last one (though not in Hungary, for example).

Since the Czech Republic, Hungary and Slovakia are relatively small countries, two layers of self-government were sufficient. In Poland, more similar to Ukraine in size, an intermediate layer of self-government has been added.

After 15 years of decentralisation, elected self-governments are now responsible for an astonishingly wide range of services and the control of central government over their spending and policy decisions is smaller than in many other OECD countries. Local and regional governments not only deal with water, sewage, waste, local roads or transport,

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they also frequently deliver primary and secondary education, health care or economic development.

For example, in Slovakia, more than 2900 municipal self-governments have been established in 1990 with very limited powers. These powers were extended significantly during the 2002-2004 period, when responsibility for local hospitals, social services, planning, roads and culture as well as primary education was shifted downwards. Eight self-governed regions were only established on January 1, 2002, with responsibility for regional roads and transport as well as large hospitals and secondary education.

This was followed, in 2005, by the so-called fiscal decentralisation through which local and regional governments were assigned more than 90% of the personal income tax and received complete autonomy concerning the so-called local and regional taxes, primarily the real estate tax at the local level and vehicle tax at the regional level.

Probably the most important result has been the ability of local and regional government to absorb successfully these new responsibilities. Particularly in cases where new administrative units – whether municipalities or regions – were based on genuine community and long-standing local identity, the decentralisation has been a success, giving more local choice and responsibility to the electorate and bringing higher efficiency to service delivery. At the same time, since local and regional governments tend to face more effective hard budget constraint than central government, they have been better at making hard choices such as closing schools when demographic choice requires it.

Creation of multiple mutually independent layers of government has created more complexity, but also more choice for the electorate. Where before the voter had just one vote on all the public issues, his/her ability to select different parties and individuals in municipal, regional and national elections has made it possible to exert more control though also often more confusion. At the same time, voters do not necessarily judge their elected representatives on the conduct of their formal powers, but on what they believe is important. For example, responsibility for economic development has not been assigned to the municipalities, but has remained with the central government and the regions. Nonetheless, since it is the overall economic development rather than the state of schools or sewage which worries people, particularly in the economically backward regions, mayors have poured extensive amounts of energy into building industrial parks and wooing investors, knowing that this might make or break them during the election.

Decentralisation has also shown that in some areas, both politicians and the electorate can only learn by trial and error. One of the most contentious elements of any decentralization is what public goods are national public goods and which ones are regional or local. This issue is not decided in one-time quasi-rational policy discussions, but is a living political issue based on specific cases and scandals. This has rarely led to complete reversals of decentralisation by returning specific responsibilities to central government, but increases in central government control over a certain issue after initial decentralisation have been much more frequent.

A key remaining problem, particularly in the Czech Republic and Slovakia, is the challenge of efficient AND rooted community. In these two countries, as in France, many small municipalities of few hundred or thousand inhabitants have their identity going back for centuries and as such present a nearly ideal case of deeply rooted and accountable local community. They are unfortunately too small for delivery of many public services though. Their amalgamation into larger units, even if necessary, can lead to dilution of the original rationale for decentralisation – that it allows people to exercise choice in a historical and local community where they feel at home.

On the negative side, with decentralisation of finance and service delivery, corruption has also been decentralised. In smaller communities, traditional modes of social control has often proven to be sufficient to counter this, but in medium-sized and large entities, decentralization has lessened tendency to corruption, but there is no highly developed and sophisticated local civil society which often exists on the national level. Building local and, in some cases national, civil society therefore remains a major challenge in all four Visegrad countries.

Policy capacity of subnational governments has also been slow in developing and, again particularly with smaller municipalities, there is a genuine challenge of human resource available for governance.

On the whole, decentralisation has quickly embedded itself into political and social fabric of the Central European countries because it has generally interacted with a pre-existing identity and has been least successful where it has not.

G. Conclusion

The paper dealt with the place of public administration reform in the wider scope of changes that have taken place in transition countries, particularly in countries of Central Europe. It pointed out that in Central Europe, and probably in Ukraine, public administration suitable for a functioning market democracy is a necessary prerequisite for many other systems and, consequently, public administration reform is the key enabler for other reforms. Even though it is more important than in developed OECD countries, it faces, at the same time, a significantly more challenging environment.

The paper looked at the heritage of communism and the paradigms of public sector functioning that it has left for the transition and the wider context of public sector change within transition, explaining that it is the twin movements towards non-majoritarian governance and market that are the organizing principle of the last 15 years. It then analysed the three major pillars of public administration change during transition: civil service reform, agencification and decentralization.

Rather than describing technical aspects of various reforms, the paper focused on summarising lessons from the three pillars of public administration reforms that can be

useful for Ukrainian policy-makers. Therefore, it would be unhelpful to do a summary of these summaries in the conclusion. Instead, let us offer some key thoughts on each of the three pillars by the way of conclusion.

The most striking experience of 15 years of civil service reform in Central Europe is the simultaneous importance of all three of its pillars – changing incentives, changing people and investing into people. One or two without the third bring much less than an expected sum of their benefits. It is impossible to change all of the civil service as the society does not contain a sufficient number of high quality people to replace them. However, without changing a large number of civil servants, other changes will not happen. Whatever mix of “new” and “old” civil servants one possesses, if they do not possess the right incentives and the right training, the outcomes will be suboptimal.

When one thinks of agencification, it is astonishing that in so many countries so many policy-makers so many times thought that the key to change and success is to make institution into a more or less autonomous agency when, in fact, agencification rarely brings the expected benefits, not because it is a wrong strategy, but because too many hopes tend to be invested into what is, after all, an institutional repackaging. On the other hand, agencification can make quite a lot of sense as a part of a wider public administration reform package as we have seen not in Central Europe, but in the UK with the creation of Next Steps agencies in 1988.

When one deals with decentralisation, the key question always is: will the locally elected politicians prove to be less or more accountable than the centrally elected ones and who is better at protecting citizens from the arbitrary use of power? Will local elites prove to be an instrument of protection or of extortion? In Central Europe, the answer generally seems to be that there is a strong case for decentralisation precisely because there is a genuine local identity, but at the same time, there should be no expectation that problems that grip national politics will somehow disappear by decentralisation. Rather it can be expected that most of them will be decentralised together with power, but with much wider dispersion of outcomes reflecting highly variable quality of local democracy.

Ukraine is not a country at the beginning of transition; it has just taken a different, more tortuous route along the way that all postcommunist countries need to take if they want to arrive in the “promised land” of being part of the First World. It is the assumption underlying this paper that Ukrainian policy-makers can find lessons from routes by other countries, such as Slovakia, useful when they chart the future course.

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