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Lessons on Successful Reform Management

**MASTERING DECENTRALIZATION
AND PUBLIC ADMINISTRATION REFORMS
IN CENTRAL AND EASTERN EUROPE**

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INTRODUCTION

In the 1990s, all countries in Central and Eastern Europe encountered the challenge to deconstruct their previous party state structures and rebuild new democratic ones. This challenge emerged in a particular historical period when a general *discontent* with the late *modern welfare state* became apparent. Throughout the developed world it got translated to ideals of a “lean and mean” governance creating a better balance between efficiency and democracy, bureaucracy and entrepreneurship.

In top of these changes, a wholesale *restructuring of the political systems* in Central and Eastern Europe started to take place when established democracies grapple new problems of legitimation as states are to deliver services in a globalizing economy, and an enhanced transnational movement of people and ideas. The discontent with the classical welfare state institutions and the challenges that globalization processes triggered have altered the professional discourses on state, governance, and democracy throughout the 1990s.

The changing discourses on state structures unfold in principle on a consensus that despite the paramount local specificities, welfare states in general have become many times bureaucratic, input and structure oriented, authoritative in making claims on the public good. Therefore, new ideals have started to emphasize the requirements of flexible processes serving particular tasks rather than preserving established structures. The potentials of steering rather than controlling processes, using output indicators instead of input ones for measuring performance, the cooperative decision making versus an adversarial one, enabling rather than directly managing, just to name a few of these ideals.¹

The need for a *devolution of the power* central authorities hold emerged in many countries, and the sharing of service delivery tasks with the market and civil society actors have also become a preferred model. All these ideas seem to move the current state arrangements into two parallel directions: to enhance democratic processes as well as to

enable entrepreneurial performance. In other words, state structures are assumed to be more transparent and more capable, to pursue efficiency but inclusiveness as well, and ultimately become more capable yet more self-reflexive in practicing power.

Both powerful international institutions striving to influence the political reform process in Central and Eastern Europe and the broader professional circles started to promote the new discourses on state structures from the late 1980s on. Societies in this region capture these new discourses with a particular historical experience in mind. In the early post socialist period, states in Central and Eastern Europe were viewed primarily as a locus of superpower and as such, prime target of cautious control and containment. Thus, in the early 1990s, new democratic ideals, although never homogeneously, pronounced the deconstruction of old state structures, and the rebuilding of new ones with strong democratic control.

Besides these broad principles, rarely was any political consensus on a comprehensive model of state architecture, let alone elaborate blueprints for its establishment.² State structures, however, have become targets of consciously planned institutional and legislative reforms due to moral and political pressures articulated by domestic actors, and often also due to international aid and technical assistance push. The reform measures, introduced in saliently different political contexts and under varying professional support, more often than not, reflected some major element of the broader shifting discourses on state and governance. States in the region faced the paradoxical job to reform themselves, to abolish the public distrust and suspicion, and tame the impact of a globalizing economy with little nurturing impacts on post-socialist economies. To add up the difficulties, reform ideals and measures, and in a number of cases even the state apparatus itself, get captured by fights for political and economic power, such as for example the redistribution of property rights.

Redefinition of state structures has started by reform packages, bodies, and with legislative measures. The depth, direction, and space of these reforms of course greatly differ, and

one could see major difference in a particular country trajectory depending on the elections cycles, results, and actual government's commitments. Most commonly, state reforms are conceived as public administration or/and systems of governance reforms. The magic word of "decentralization" often occurs in the title and core content of reform documents reflecting the major trends of contemporary professional and political discourses of state and governance by a single summary term.

More than that, decentralization refers to a definite goal of devolution of power from central to sub-national level, which in this region entails the establishment of a genuine system of local (and regional) governments. The devolution of power necessarily intervenes with service delivery responsibilities, public finance arrangements, rebuilding central state capacities and institutions, yet these elements themselves often appear as distinctive reform packages that may or may not move in accordance with the devolution of power.

ARTICULATION OF REFORM CONCEPTS

Decentralization and formulation of democratic local government system are parts of broader reforms. Firstly, they essentially modify the power systems, by shifting workplace and job related dependency of citizens towards territorial, residence based political structures. Together with new political mechanisms of multi-party elections, control over elected and government organizations local governments become critical elements of the new political system.

Secondly, establishment of local governments transforms the structure and procedures of public administration, as well. Countries gradually moved from traditional mechanisms of 'dual subordination,' when local administration had to report both to local councils and to sectoral ministries. New relationship is established between central and local governments by separating functions, developing audit and control mechanisms, increasing the influence of elected councils and mayors over local administration.

That is why decentralization and public administration reforms are regarded as critical elements of broader, more significant development programs. They are designed together with general 'modernization' strategies (e.g. in Slovakia) or fit into long term strategies of the country (e.g. 'Strategy for the 21st Century' in Croatia). Decentralization reforms are considered to be as important as privatization or changes in the forms of control over state ownership.

Formulation of decentralization strategies and the implementation are always connected to other reforms. The most visible one is the change in the *territorial structure* of the administration. In almost each country new elected municipal units were created following fragmented (Hungary, Slovakia), or amalgamated models (Bulgaria, Poland). Decentralization had more significant implications on public administration, when the intermediate level of government was created. The shift from government districts towards elected regions in Slovakia, creating new regional government units (poviat and voivodship) in Poland have established new conditions for the public administration and the entire public sector.

Devolution of competencies and powers can be implemented only parallel to reforms of the central government. Ministries and other government agencies have to go through *functional reviews* by separating core administrative and policy making functions from the daily management of public service organizations. Traditional centralized structures of controlled state owned companies, large networks of service providers, extended social infrastructure for public employees have to be transferred to more efficient forms of operation. The functional review was—or sometimes still remained—the most significant component of reform packages in the centralized countries, like Bulgaria, Croatia, and Latvia.

Decentralization is usually followed by *reforms of the civil service*. Under the new political and administrative conditions the role and position of public employees have to be changed, as well. Political impartiality, clearly regulated rules of loyalty, transparency of their operation, stability, professionalism and improved policy making capacity are those new values, which drive the civil service reforms. The legislative changes are only the first steps in this area, because the transition of the old administration has to be managed, new practices of recruitment and public employment has to be established, training and other forms of professional carrier development has to be organized³. Professionalization of public administration is typically implemented in the second stage of reforms. The countries studied in this book at first paid less attention to this task. Sometimes even the legislation on civil service was delayed, (Bulgaria: 1999, Slovakia: 2001), until the real decentralization reforms have been started. Those countries, which had a quick start in public administration reform slowly, recognized the importance of changes in administrative behavior. For example the second wave of public administration reform in Hungary mostly focused on operational, procedural conditions of effective civil service.

Decentralization is closely connected to *transformation of public services*. Reassignment of service responsibilities is the first step of public sector reforms. It is implemented through transfer of assets, changes in organization and management of service delivery, restructuring intergovernmental relations in financing, auditing and professional control of public services. This component of decentralization has the most visible impact on the role of the central government. Reform strategies are mostly based on sectoral approach in countries with a more centralized public sector, like Croatia and Latvia. Here the legacy of 'dual subordination' is the strongest, so perhaps the first step is to modify these hierarchical, administrative linkages between central and local governments.

Finally, the *regional development* structures are also connected to decentralization reforms. As local governments of Central and Eastern Europe have a wide range of responsibilities, they are involved also in local infrastructure and economic development. The European Union accession process has also increased the local governments' competencies and tasks in regional development. So planning, statistical, financing and coordination mechanisms of regional development have a strong impact on decentralization. Debates over regional development structures might strengthen local governments (Bulgaria, Slovakia) or they may lead to centralized dependency (e.g. in Hungary through the financing schemes).

As decentralization and public administration reforms are deeply connected to other structural changes, the articulation of reform concepts is faced with several problems. First of all *political goals of the actual governments* are the most critical conditions for these wide ranging reforms. As it is discussed in the following section the domestic political context can slow down or accelerate public administration reforms. The most visible examples are Poland and Slovakia, where political changes were clearly connected to shifts in decentralization policies (in Poland the failure of poviat reforms in 1993, but progress after 1998; in Slovakia breakthrough following 1998 changes in government).

Decentralization of public services is usually a slow reform process full of conflicts. Despite the close linkages between 'territorial' and 'sectoral' reforms, their implementation is often separated in time and in reform programs. For example the country reports on Slovakia described the sectoral reform as a late one and not following the concept of decentralization; in Bulgaria territorial reforms were deliberately separated from other elements of public administration reform; in Croatia implementation of sectoral

reform concepts ('files of the Strategy for the 21st century') was delayed.

In the early stages of transition the basic question was the sequence of steps in the wide ranging and complex public sector reforms. From a merely professional point of view the transformation of central government structure and mechanisms should be in the focus of reforms. But as decentralization is a highly political process, transfer of power to local elected governments will enforce later the changes of national governments, as well. As the author of the Polish report argues, 'after decentralization ...the reform of the center was not of such great importance and urgency as it had seemed...' Perhaps this was the characteristics of the early 1990s, during the first stages of transition it was more important to start the reforms from below, focusing on changes in political mechanisms.

The complexity of public administration reforms is reflected also in the fact, that legislative and organizational changes should be complemented in changes of the *administrative culture*. Here the most evident example is Hungary, where after the well-prepared and fast start of structural reforms at the turn of the last decade, public administration reforms later focused on capacity development and improvement of management practices.

A similar shift was visible in some other countries as well (e.g. Latvia, Poland), but the Hungarian case showed the significance of institutional changes in an indirect way. In this period, when due to political reasons it was impossible to implement major structural reforms (e.g. amalgamation of small municipalities), administrative mechanisms could actually modify the basic rules of public administration. Within this stable and decentralized structure, the new rules and procedures have created an environment with rather centralized rules and procedures.

As decentralization reforms are complex and long processes, country examples discussed in this book are also characterized by different patterns and *stages of transformation*. (See Table 1.) There are three groups of countries, which reflecting three types of decentralization reforms. In Hungary and Poland political and institutional changes were started at a relatively high speed: political, legislative and structural reforms were implemented in two-three years. This quick start was followed by almost a decade of long process reforms.

Bulgaria and Latvia belongs to another group, where after the initial revolutionary political changes (independence,

Table 1.
Stages of Decentralization Reforms

1. QUICK START, LONG PROCESS		
Hungary		
	1989–1993:	legislative, structural and institutional changes
	1996–	functional reforms: PAR, regional development structures
	1999–	fine-tuning: capacity development, improving management practices
Poland		
	1990:	political changes, creating gmina-s
	1993–1994:	poviat reform prepared, but failed
	1995-1997:	stagnation: program on ‘effective, friendly and safe state’
	1998:	territorial reform: poviats, voivodships created and elected
	1999–	implementation of PAR
2. SOME DELAY, FOLLOWED BY GRADUAL REFORMS		
Bulgaria		
	1991:	constitutional acts
	1992–1994:	lost period
	1995–1997:	preparations for reform
	1998-1999:	modernization strategy, development of basic structures
	2001:	political willingness to reform
Latvia		
	1991:	independence
	1993–1997:	structural changes in public administration
	1997–	territorial reform: voluntary amalgamation until 2003
	2001–	PAR strategy (2001–2006)
3. STARTING LATE, EFFORTS TO SPEED UP REFORMS		
Croatia		
	1991:	constitution, independence
	1992–1999	war, autocracy, centralization
	2000:	reform steps and strategy design
Slovakia		
	1990–1992	establishing LG-s under administrative districts
	1993	Establishing Slovak Republic
	1993–1998:	Meciar period, state administration reform steps
	1998–2000:	reform strategy design
	2001:	legislation and elections at county level

new constitution) the actual public sector reforms were delayed. After several years of stagnation, gradual structural changes, the territorial reforms and modernization of local governments were started only in the late 1990s. The third group of countries (Croatia, Slovakia) not only started the basic structural changes with a significant delay, but they were not able to launch comprehensive reforms in the first decade of transition.

These models and waves of public sector reforms are only partially explained by their internal logic and capacity to manage and implement these complex processes. There are more important political and economic factors, which influence the reforms. The next chapters will summarize the impact of these independent variables on decentralization and public administration reform.

DOMESTIC POLITICAL CONTEXT

The domestic political environment could significantly facilitate or hinder administrative reform processes. One of the major elements of this context is the stability and persistence of the ruling political regime. In the post-socialist political transformations, elected governments often prove to show troubling frailty. As in most countries in the region the party system is still shaping up, elected central governments are formed by *coalition arrangements* composed by multiparty cooperation. These arrangements are often endangered by major disagreements, ideological rifts, power fights, and personal enmities.

Major legislative and institutional reform measures are subjects to not only political deliberations but bargaining processes in which the professional clarity and coherence of proposals get frequently lost. Majority governments theoretically could be more stable but they often tend to rely on authoritarian power practices, which creates professional or political resistance. Resistance could openly or subtly sabotage reform efforts regardless of the quality and relevance of these efforts.

Leading *political forces set the basic goals* of decentralization and public administration reforms. Depending on the political and administrative structures the models of decentralization might be connected to different political forces. For example in Bulgaria the author of the country study reports, that leftist parties supported decentralization to the lowest possible level, while the region, as the basis of economic development was targeted mostly by the rightist political party. Hungary is a different case, where regions

and intermediate levels of government are regarded as transmission mechanisms of the state, so they were supported by political forces promoting centralization. (There was an interesting shift in the political basis of this model, because first the post-Communist party, later the more rightist political forces voted for strong regions.)

Alterations in the reforms process were also influenced by the shifts in political power. The speed and waves of decentralization reforms, summarized in Table 1. were very much connected to elections or other basic political changes. Croatia, Poland, Slovakia are the best examples of this direct linkage between politics and administrative reforms. In Poland the model of the new territorial administration had been prepared by 1993, but it was implemented only five years later, when similar political forces got into power, again. In Slovakia and Croatia the radical shift from the previous political mechanisms in 1998 and 2000 has opened the possibility of designing and launching decentralization programs.

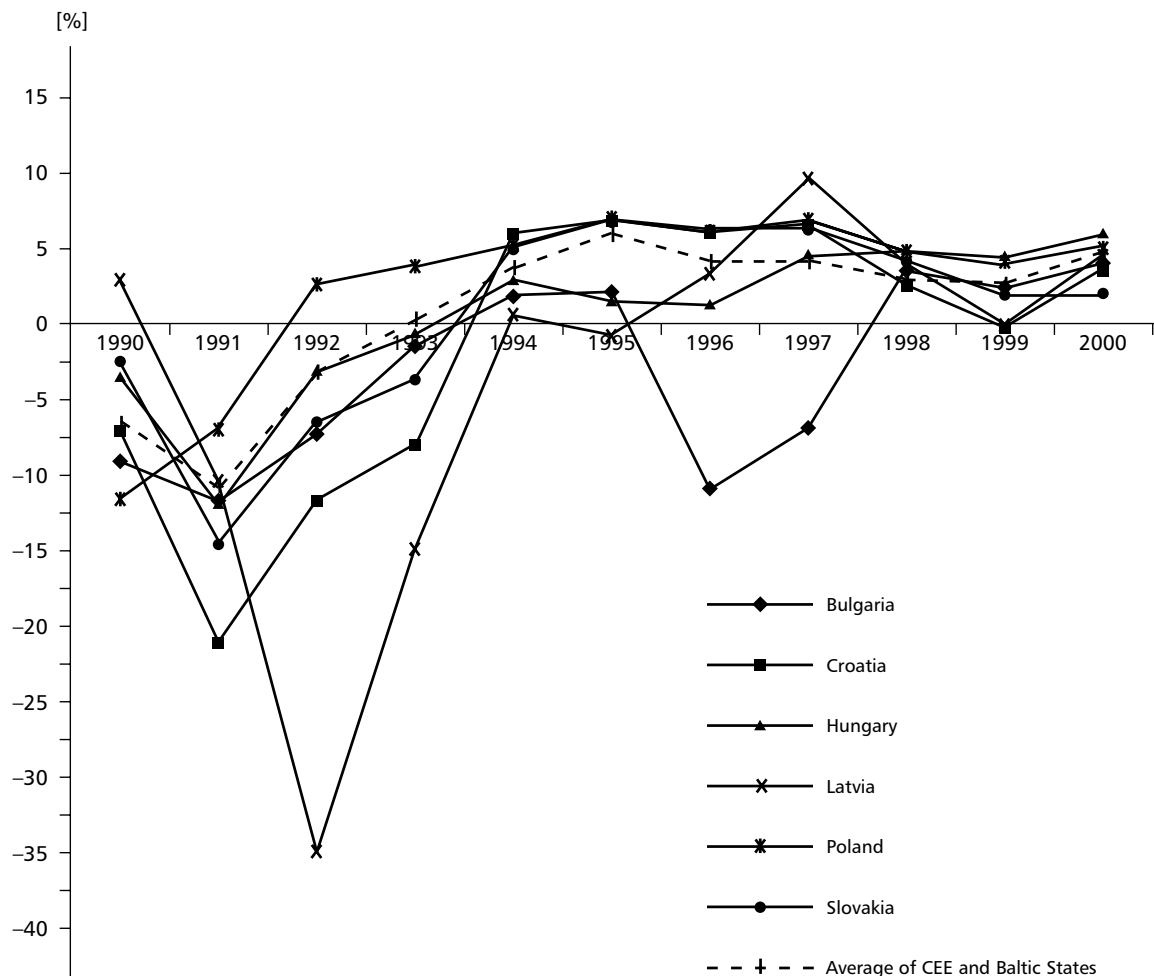
The political nature of decentralization and public administration reforms exaggerates the characteristics of *political mechanisms* and the process of public policy making. Good linkages between politics and professional groups or the administration are critical conditions of successful reforms. As the policy making process gradually becomes more opened to non-governmental organizations, giving new opportunities for local government and professional lobby groups to change the rules of the game and to gain higher political influence.

ECONOMIC CONDITIONS

Decentralization and public administration reforms are influenced not only by political changes, but by economic factors, as well. However, stages of reforms do not necessarily coincide with the major periods of economic transformation. The policy responses of governments on economic crisis could be significantly different, as some country examples show in our survey. So the relationship between the shape of the economy and the scope of government reforms is not simple and easily identifiable.

During the past decade *annual growth* of the studied economies shows similar trends with declining fluctuation (see Figure 1. below). In the early 1990s the economic crisis hit mostly the 'new countries' of the region, like Latvia, Croatia and Slovakia. It was an obvious reason for the delayed start of decentralization and public admini-

Figure 1.
Growth in Real GDP



SOURCE: Transition report, 2000, EBRD.

nistration reforms. In the same period Hungary, Poland, with lower level of economic decline (but still negative economic growth or stagnation) already started the institutional reforms.

The initial economic status of these countries was also different. In 1991 the per capita GDP was the lowest in Bulgaria, Latvia (around \$1,000), while it was two-three times higher in the other countries (Table 2.) The economic transition period was characterized by 4–6 years of consecutive output decline and by 2000 the real GDP has exceeded the 1990 value only in Hungary and Poland.⁴

The process of economic transformation was based on similar actions for building a market economy. Privatization of state owned enterprises, trade and price liberalization,

establishment of mechanisms supporting markets through taxation, bank restructuring were in the center of economic reforms. Despite the debates on the speed of reforms and forms of privatization this early stage of economic transition showed rather similar trends. The basic institutions of a market economy had to be established.

As figures in Table 2. show, this process had been completed by the end of the decade: the share of private sector in GDP is above 65%; general government expenditures, as primary sources of state intervention have decreased in countries with wide ranging reforms. (Exceptions are Croatia and Latvia, where the weight of government spending has increased.) The share of agriculture in the economy is below 10% and declining (except in Bulgaria (16%), where the economic reforms were delayed).

Table 2.
Selected Economic Indicators (1991, 1999)

Countries	1991	1999
BULGARIA		
GDP per capita [USD]	1,014	1,513
Private sector share in GDP [%]	20.0	70.
Share of agriculture in GDP [%]	11.6	15.9
Unemployment [%]	15.3	16.0
General government expenditures in [%] of GDP	43.6	40.7
CROATIA		
GDP per capita [USD]	2,291	4,467
Private sector share in GDP [%]	20.0	60.0
Share of agriculture in GDP [%]	10.7 ⁹	8.6
Unemployment [%]	13.2	13.6
General government expenditures ⁸ in [%] of GDP	36.1	49.0
HUNGARY		
GDP per capita [USD]	3,613	4,853
Private sector share in GDP [%]	30.0	80.0
Share of agriculture in GDP [%]	6.5	5.4 ¹⁰
Unemployment [%]	9.3	7.0
General government expenditures in [%] of GDP	59.6	44.8
LATVIA¹¹		
GDP per capita [USD]	848 ¹²	2,582
Private sector share in GDP [%]	10.0	65.0
Share of agriculture in GDP [%]	16.5	3.6
Unemployment [%]	3.9	14.4
General government expenditures in [%] of GDP	40.5 ¹³	46.8
POLAND		
GDP per capita [USD]	2,197	3,987
Private sector share in GDP [%]	40.0	65.0
Share of agriculture in GDP [%]	6.7	5.2
Unemployment [%]	14.3	13.0
General government expenditures in [%] of GDP	50.0	44.7
SLOVAK REPUBLIC¹⁴		
GDP per capita [USD]	2,213	3,650
Private sector share in GDP [%]	15.0 ¹⁵	75.0
Share of agriculture in GDP [%]	6.2	4.4
Unemployment [%]	10.4	19.2
General government expenditures in [%] of GDP	58.0	43.3

SOURCE: Transition report 2000, EBRD.

The 'costs' of this transformation was rather high. The drop in general government expenditures has decreased not only the redistribution in the economy, but the public resources available for basic public services, like social assistance and pensions, health care and education. Unemployment is high and increasing in all the countries, except in Hungary and Poland, which had started the reforms earlier, than the others had.⁵

The 'minimum' set of market based institutions did not result automatically in better performance of these economies. So by the end of the decade new components of the simplistic reform strategies have been built into policies of the national governments and international organizations. The 'new consensus' on reform policies in transition countries emphasizes the importance of institution building, learning new rules and changes in behavior under market conditions.⁶

Several components of decentralization and public administration reforms became critical elements of the new reform policies. Institutional reforms to provide market discipline now include the transfer of responsibilities to local governments, moving towards reformed social assistance systems, where local and national governments have new roles. Also the encouragement of further economic growth should be based on new government practices in securing property rights and developing transparent regulatory mechanisms.⁷

The success of these reforms are even less clearly measurable, than the formal changes in other market mechanisms, like the scale of privatization, scope of price liberalization, etc. Obviously in the first wave EU accession countries these institutions were strictly scrutinized during the negotiation process. Law harmonization and general requirements on enforcement mechanisms encouraged this adaptation process. In other countries (e.g. Bulgaria) the Council of Europe reports played similar roles. But the implementation of these 'soft,' institutional reforms does not show that clear, linear trend similar to the first stage of economic reforms.

That is why the impact of economic conditions on decentralization and public administration reforms is not identifiable. They are parts of the decade-long process, but the actual steps or even trends cannot be clearly connected to the stages of economic development. For example in Bulgaria, the economic crisis of 1996/1997 has led to centralization, or the 1995 bank crisis to postponement of public administration reform in Latvia. Unlike Hungary, where similar events did not change or even encouraged decentralization, but later, after 1999 the economic growth co-

incided with centralization policies. Latvia, as a counter-example was able to launch decentralization reforms after the first signs of economic recovery in 1997.

PROFESSIONAL EXPERTISE

New institutions and procedures of public administration have to be professionally designed and prepared for operation. Similarly to economic reforms, general models and legal frameworks of the public sector should be adjusted to local conditions. This transfer of knowledge and development of implementation capability requires domestic professional capacity and expertise. Standardized models, internationally accepted practices will not work under specific local conditions. The most important task during the reform process is to develop and to use efficiently the available professional expertise.

Development of professional capacity supporting decentralization and public administration reforms requires different sets of activities. Firstly, the new models have to be invented and introduced. Secondly, the modified legislation, administrative and management techniques have to be implemented and built into the daily practices of the public sector. This latter task is long lasting and especially complicated at local level, which usually has lower professional capacity. It is part of the civil service and public sector management reform, which were not discussed in detail by our project.

The first professional task, design and legislation of a decentralized and modern public sector were solved under two different circumstances in the selected CEE countries. In one group of countries the preparatory work had been started well before the actual political changes. For example in Poland and Hungary the academic and policy research groups were in a position to discuss and assess the key elements of theoretical models. This made it possible not only to keep the reform ideas in the center of political thinking, but also supported the learning process both among policy makers and the public at large.

The other group of countries had a much shorter time to prepare the new legislation. In Croatia or Slovakia only the political shifts in the late 1990s have opened new windows of opportunities for actual policy design. This does not mean, that there were no previous studies or researches on future reforms. But they were mostly dominated by theoretical, legalistic approaches and no experiments or gradual small reform steps were made possible.

This had an impact on the reforms later, because the policy makers did not speak the 'language' of reforms, as it was stated in the Croatian report. They did not understand the new requirements of modern, decentralized public sector, operating in a privatized environment, but also in a narrow sense they were not able to communicate with their foreign counterparts.

Professional capacity for preparing reforms might be developed at various units of the policy arena. In the most centralized structures units of national ministries or *controlled semi-independent policy centers* are the key actors. For example in Bulgaria under the present Ministry of Regional Development and Public Works the National Center for Territorial Development has monopolized the programming of the decentralization process. For several decades only they provided technical advice to the government. The Hungarian Institute of Public Administration, under the government and later reporting to the Ministry of Interior had a similar role.

Poland had to follow a different model, when independent researchers and academics formulated an *informal group*, which promoted reforms, whenever the political climate, made it possible. In forms of research groups, clubs of reform minded experts they are able to keep the reform agenda alive and this way having indirect impact on local and national government policies.

Later the work of these consultants become easier, when the *foreign technical assistance* entered the transition countries. There is no doubt, transfer of knowledge and expertise had an enormous impact on the reforms. We cannot assess the efficiency of the foreign technical assistance and donor programs here, but it is sure, that they played an important role in all stages of decentralization and public administration reforms. During the formulation of strategies, design of models and policy options they made international standards, various country practices widely known. This information and advice was available in these countries from the early stages of reforms.

International and bilateral donor programs sometimes played critical roles in the reform process. They were especially important under two conditions: when the political climate was not favorable for reforms or when the reform capacity had to be developed in a relatively short period. Bulgaria is an example, when in the mid-1990s foreign expert studies or institutions set up by donors, contributed to reforms significantly. In Slovakia, during the two years of preparing large-scale reforms foreign technical assistance

helped not only the small group of policy makers, but also other civil and non-governmental organizations, which provided external support for the reforms.

However, cooperation with foreign donors raises several problems. Sometimes, even when financial and professional support comes at the right time (e.g. EU Phare funding to the office of the reform plenipotentiary in Poland), donors are not able to respond on the actual needs of a country. When the political conditions allow only a few months for the reform forces (e.g. in Poland), the foreign technical assistance is usually late.

National governments also have to learn the cooperation with donors. Understanding the decision making process at the donor organizations is critical for the domestic reform groups, because otherwise the foreign technical assistance arrives with a delay or with a wrong focus. The task is diverse: not only the *professional content* of programs have to be influenced, but coordination and adaptation has to be designed, as well.

Coordination of technical assistance is built into the procedures of the major international programs (e.g. EU Phare), but even in that case their implementation and bilateral donor activities should be harmonized. Positive examples are mentioned in the Slovak country report, where a government center was set up for coordination of foreign program in public administration or in Hungary, where in the latest stage of reform, the unit under the prime minister's office tried to work with all the major international organizations.

In other cases coordination was hardly feasible and perhaps not really desirable, when the technical assistance programs are directed toward local governments. These donor programs sometimes are looking for innovative mayors and municipalities. Through these partnerships they can develop good practices and models, which might be an example for other municipalities or could have an indirect effect on policy reforms.

Obviously the most difficult task is to adjust the foreign advice and models to specific conditions in the target countries. Especially the models at the national government level might be misused, because the organizational and management practices could have different and unintended political implications. (At local government level diversity in goals and values leads to more balanced consequences of technical assistance and advice in a country.)

One example is the influence of the British model of central government on some CEE countries. The very efficient model of centralized chancellery and system of special advisors controlling the line ministries could have negative impact in our region. Within coalition governments, where centralized policy making mechanisms are still alive in the central administration, the State Chancellery in Latvia or the ‘ministerial prefects’ within the Prime Minister’s office in Hungary, this British model is highly preferred. But they serve different political and public administration reform goals. They might strengthen the leading political force of the coalition government and support centralization within the national government decision making.

Generally foreign technical assistance programs played critical roles not only in design and introduction, but during the *implementation* of reforms, as well. Making the policy process opened to the general public developed new policy making practices, for example. The use of the media was learned by the reformers mostly through these programs (e.g. systematic professional debates by major regions in Slovakia, supported by a donor).

Marketing and use of media was important in other cases, as well. In Poland the poviats reform was partly ‘sold’ through a survey, which was about drawing the actual boundaries of these districts. The conditions, set up by the reform groups (size, distance, access, etc.) have defined rather strictly these boundaries and the geographic centers of poviats, but the survey helped to internalize the new structures by local leaders and gave additional arguments to the experts. Other educational and promotional media programs also helped to create the favorable social conditions for change.

Finally, professional capacity should be developed within public sector through *training*. There are different models of public administration training, depending on the scale and level of centralization. In most of the CEE countries some centralized schools are established (e.g. in Latvia) or developed, which are responsible for training of civil servants. In the case of local public employees the organizational models might be less centralized, but still keeping the control of the national government: for example through an accreditation procedure and partial funding of training programs in Hungary. Local government associations and their special subsidiaries might have an important role, as well.

The most critical factor of professional capacity and expertise in preparing reforms is the *timing*. As the political

conditions of decentralization and public administration reforms are hardly controllable by the experts, they have to be prepared for the change. In Hungary and Poland, where the expertise was available at the very beginning of the reform, the changes were deeper, compared to other countries, where the professional capacity was developed parallel to the political shifts (Croatia, Slovakia).

Time is critical during the reform design as well. The dilemma of the latest Polish regional reform was whether to produce high quality, elaborated reform concepts or to grab the political opportunity and to introduce the critical elements of the reforms in a relatively short period. The conclusion of the Polish author in this book is, that the speed of changes is perhaps more important, even if ‘quality would suffer.’ Obviously this statement can be evaluated only in the long run, when all the components of the Polish regional reform are introduced. But it is true, that the critical step, the creation of regions and basic reassignment of the functions of sub-national governments was implemented.

GOVERNMENT’S REFORM MANAGEMENT CAPACITIES

Professional design and implementation of decentralization reform strategies are responsibilities of national government bureaucracies. They have to develop coherent reform packages, which not only meet the professional and political requirements, but which can be legislated and later enforced, as well. The complex nature of these ‘institution building plans’¹⁶ and the conflicts between short term, fire-fighting and strategic tasks, claim efficient management capacities of national governments.

Coordination both among the political interests and the administrative structures is the most critical element of reform management. Development of decentralization policies should be supported the leading political forces throughout the entire reform process. *Political parties* in opposition sometimes are champions of decentralization, until they get into power. In other cases new governments are able to promote legislative reforms, but very soon they lose control over enforcement and administrative implementation of the new legal framework.

This shift in government policies might be caused by the administration itself. Bureaucrats may slow down reforms for very simple reasons. Transfer of government functions to private or non-governmental organizations might de-

crease the power (influence, budget, etc.) of ministries. Ministerial administration could be against decentralization, because it might decrease public sector employment. According to the Croatian report one of the difficulties of reform implementation was that bureaucrats were afraid of losing their jobs with the transfer of competencies. In Hungary, where declining public sector employment was the main indicator of reform progress, decrease in national government staff was faster, than at local level.¹⁷

Harmonization of administrative strategies is also critical for successful reform management. Decentralization of government functions is often separated from the deconcentration of state administrative institutions, which does not lead to coherent structures. Strong regional or local state organs might counterbalance and even destroy the powers of elected sub-national governments. Regulatory, inspection and service roles of national governments should be adjusted to the decentralized environment.

This requires *horizontal administrative coordination* among the organs responsible for decentralization reforms and the sectoral ministries or other government agencies. Sectoral fragmentation and conflicts between ministries (e.g. with the Ministry of Finance) were reported in almost each country, as the main obstacles to decentralization reforms.

At the early stages, the design and management of reforms was typically assigned to one single ministry within the government administration structure. Ministry of Interior (Hungary, Slovakia), Ministry of Regional Development (Bulgaria) or other specially established government units (e.g. Ministry of State Reform in Latvia) is responsible for reforms. They are members of the government, so their competencies and influence are defined by the political relations within the cabinet. (See Table 3.)

As the one single ministry is not sufficiently strong to launch and to implement complex reforms the reform preparation is often transferred to special entities, which have greater power. Government plenipotentiary (Poland, Slovakia), reform commissioner (Hungary) usually under the Prime Minister or deputy Prime Minister, is more efficient form of preparing administrative reforms. They might have not only the power to balance sectoral interests, but they explicitly show the reform orientation of the government, as well.

After the first waves of comprehensive, structural changes the focus of reforms is shifted towards quality improvement of public administration, building mechanisms of continuous development, establishing adaptation mechanism

of innovations and learning. In this third stage of public administration reforms responsibilities with the government structure become more centralized and concentrated: special units within prime minister's office (Bulgaria, Hungary) or coordination of reform activities by the deputy prime minister show the new assignment of responsibilities.

Parallel to improved coordination of the government units, also the rules of the political discourse have to be changed. The dialogue between the politicians and the national government organs is extremely important, especially in coalition governments. This level of *political coordination* is usually implemented in special councils, commissions, which have political legitimacy.

Strong political leaders or advisory councils are not substitutes of these political fora. These councils might also keep the reform alive in those periods, when it is not high on the political agenda. Special reform councils could be also good forms to incorporate other actors (local governments, non-governmental organizations, civic groups, etc.) into decentralization reform processes.

Finally, the most important condition for building effective administrative capacity of reform management is *timing*. The professional knowledge and administrative units, managing the reform should be available at the time, when reforms are politically feasible. The experience of the studied countries show, that major changes in the public sector can be implemented immediately after parliamentary election, only in the early months of a new government. Now, after the first decade of political transformation, the significance of timing within a government's period is even greater. There are lower chances of 'trial and error' methods in reform, than it was at the beginning of transition.

PUBLIC SUPPORT

If pursued in democratic conditions, reform efforts need wide public support. Public support is composed by trust by the populace expressed in different explicit and implicit forms. Moreover, public support is shaped as well as mediated by the dominant media discourses and representations. In the field of state and governance reforms, civil society organizations, professional groups, and already existing subnational governmental bodies may have a relatively influential voice. Not that these forces would be capable of implementing reform measures by themselves, but their cooperation or resistance could become a major obstacle to or initiator in the reform process.

Table 3.

Changes in Administration Structures, Responsible for Decentralization Reform

BULGARIA
Ministry of Regional Development and Public Works (decentralization)
Ministry of Public Administration (public administration reform)
Prime Minister (Regional Coordination Directorate) (1999)
CROATIA
Office for the Development Strategy of Croatia, under the Deputy Prime Minister
Ministry of Justice, Administration and Local Government
Sectoral ministries
HUNGARY
Ministry of Interior and Ministry of Finance (1990)
Commissioner of Public Administration Reform (1996)
Special Unit for Public Administration and Regional Policy at the Prime Minister's Office (1998)
LATVIA
Ministry of State Reform (1995)
Department of State Reforms within the State Chancellery (1996)
State Minister of Labor at the Ministry of Welfare (1997)
Bureau of Public Administration Reform, under the Deputy Prime Minister (1997)
Minister of Special assignment on Public Administration and Local Government Reform (with extended administrative support) (1999)
POLAND
Undersecretary of State and Plenipotentiary of self-government reform (1989)
Plenipotentiary for the Public Administration Reform (1993)
Plenipotentiary for the Public Administration Reform (1998) in cooperation with Plenipotentiary for the Decentralization of Public Finances, and Under-secretary of State at the Ministry of Internal Affairs and Administration (responsible for administrative division and implementation of the reform)
SLOVAKIA
Ministry of Interior (1990)
Deputy Prime Minister (1992)
Government Plenipotentiary (1998)
Deputy Prime Minister of Economic Affairs, responsible for coordination (2000)

Countries of Central and Eastern Europe have inherited quite an extended public sector and 'heavy handed' state. This common legacy of the post-Socialist countries put the public administration and decentralization into the center of reforms. It was supported by almost all-political forces

and the general public. Local governments as newly established, democratic institutions together with demolition of the centralized public administration were widely accepted strategic goals.

This was reflected by the citizens' constantly high *level of trust* in local governments. During the past decade in countries of Central Europe public opinion surveys show, that local governments seem to be more trustworthy organizations, than other political institutions¹⁸. After the first years of transition the surveys on trust in public institutions show, that local governments are put higher than the parliament, or the president of a country.

The constant or slightly decreasing level of turnout at local elections is typical in most of these countries (1998: 46%–58%). At parliamentary elections the initially high turnout decreased significantly. Between 1990 and 1998 in the Czech Republic from 97% to 74%, Hungary 65% to 57%, Poland 63% to 47%, Slovakia 95% to 84%. The stability of local governments is also reflected in the low rates of local mayors' turnover: two thirds of them are usually re-elected. This fact shows the acceptance of local governments.¹⁹

There are interesting inquiries into the nature of public trust in public institutions in post socialist political transformations. Theoretically, public trust is something that becomes a political force mostly at times of elections (or dire crisis situations). But the fear, anticipation, and reference to public trust or distrust become an important device for the political actors. Although public expectations regarding the state and its institutions are in flux in the current transformations, one may identify some strong typical public convictions.

Societies recently departing the almighty party states often prefer weak state systems with strong service delivery capacities. In contrast, what they often experience is a state that is relatively weak in service delivery but strong in controlling the civic liberties, means of production, and not infrequently violating human and political rights.

Although directly influencing the quality of democracy, public administration changes and issues of decentralization do not rank high in the public interest and this gives a diverging impetus to reform initiatives: relatively low public interest may paradoxically enhance the successes of a reform process. The lack of pointed interest may leave administration and governance reform in the shadow of political clashes and ideological debates. But in other contexts, heightened public sensitivity to state structures could attract political opinion and inspire committed reform actions. A diversity of interactions between the public and the political actors could be discerned in the observed countries. There is no simple model of the

nature of interactions but the public is a crucial pretext and context of forming and performing reform measures.

Similarity in political slogans does not necessarily mean, that the functions of local governments and expectations towards them are identical in the studied countries. The hopes for establishing new political institutions were changing over the decade, as well. There are countries where local governments are regarded as more democratic (responsive, accountable, transparent) units, emphasizing the political aspects of decentralization. In other cases the effectiveness and efficiency of public service delivery are the most highly ranked characteristics of the autonomous local governments.

These differences in general perception make the public support essential for successful decentralization reforms. Beyond the political consensus, properly designed professional concepts and effective administrative reform management the techniques of communication with the public should be developed, as well. Experiences of the studied countries show that parallel to political bargains active consultation with non-governmental, civil organizations and public debates were necessary conditions of successful reforms.

In the field of state reform, professional associations of public servants, local authorities, and service delivery NGOs could become major proponents or exponents of reform conceptions. Alliances or adversary relations with them could profoundly help or hinder the elaboration and implementation of reform packages, especially if decentralization is targeted.

The most important NGO partners are obviously the *local government associations*. There are two basic models of representation in these countries. The concentrated, more centralized local government associations (Bulgaria, Latvia, and Slovakia) seem to be more efficient partners of reform governments or political parties. They operate almost as 'ministries' of local governments, giving opinion on reform proposals, having limited say in budgeting and fund allocation. In other CEE countries the local government associations were more divided by politics, type of local governments or regions. Hungary and Poland are examples of this model, where also the administrative capacity of the several local government associations were fragmented and consequently more limited, than under the 'concentrated' model.

In some of the studied countries direct contacts with the local partners and good relations with the media had high importance during reform design and implementation. *Media* is a key actor to express public opinion but it is also

a means to communicate key political messages. By the same token, the media has its own relatively autonomous voice and *modus operandi*. Having a subtly crafted position in the political arena, the media attention to state structures and governance reforms could be a major hindrance in achieving reform goals. Moreover, the media could be a primary means to make the public sensitive to the relatively uninteresting aspects of state reform and thus pushing ruling governments or reluctant coalition partners to act. If some reform ideals are formed and actions are envisioned (mostly by central governments and legislative bodies), the attention of the media is again could be crucial in generating public support, a willingness to stand the “prices,” and capture the long term rewards of reform packages. The capacities of reform implementing bodies are different in the region as most of them are just learning how to deal with a plural and mediated public thinking. In Poland the 1997–1998 regional reform used the media promotional and educational programs for supporting the wide ranging reforms. But it was already part of the ‘media war’ in public television—typical in several CEE countries in the late 1990s—, so they had to rely mostly on private and local (cable) TV networks.

The first wave of Polish reforms in 1993 was supported by a wide ranging survey of local leaders on their preferences of the boundaries of sub-regional entities; later the pilot projects helped to launch limited reforms even in a period which was not favorable for decentralization programs. The 24 regional public meetings in Slovakia on the planned public administration reforms helped not only to inform the general public, but also indirectly supported the decentralization, by making the process irreversible.

CONCLUSIONS

Studies and country reports in this book mostly focus on critical elements and techniques of decentralization and public administration reforms. Ultimately the effectiveness of these methods can be measured by the success of reform efforts. However, questions like what has been achieved in these countries or the performance of reformers cannot be easily answered. There were some partial victories, the reform processes had several waves, due to numerous external and internal factors during these very complex reforms.

This brief summary on the most important achievement of decentralization and public administration reforms gives a very diverse picture. Even in countries where the reforms had been started with a significant delay, by 2002 important

changes were legislated and partially implemented. In Croatia the former sectoral monopolies are partially overturned and de-concentration of public service responsibilities to county local governments and large cities have been started. It is still a long way to design and implement comprehensive public administration reforms, but the first strategic planning stage has been launched. In Slovakia, which finally had four relatively stable years of modernization, the critical step of shifting public functions from state administration to elected middle-tier government has been made. This irreversible action will hopefully create the basis of future reforms in the public sector.

The two countries starting reforms earlier, progressing only gradually were well on the road of decentralization. In Bulgaria, the relatively large municipalities serve as stable bases of decentralization. The regional development structures and policies will support future reforms. In Lithuania the greatest reform achievement was the fundamental change in work style of public administration and professionalization of government operation.

Hungary and Poland in many respects showed the examples for reform forces in other countries. In Poland decentralization at regional level was implemented even under unfavorable political conditions and the newly created elected regional governments are good experimental cases for other EU accession countries. In Hungary, the slowdown of structural changes coincided with a shift towards operational and management issues of public administration. In this stage knowledge and expertise might be accumulated, that will assist future reform waves.

The general conclusion of these wide ranging and diverse reforms might be, that there is no one single solution or model, that works even in this similar group of countries. This is especially true in the case of reform management techniques and methods. The core elements of an efficient public administration system can be designed, as they are summarized in Part I. of this volume. But professional and administrative capacity of successful reform management is very country specific.

As the public administration system and its public policy making capacity is improving, the reform management will be more successful. The tendency is to gradually move from the legalistic approach of reforms towards introduction of other mechanisms and institutions of public sector reforms. During this process the accumulation of ‘reform wisdom’ will improve the capability of reform minded governments to learn from the previous mistakes.

ABOUT THE PROJECT

For the purposes of this research we used the term decentralization broadly, when all the components of public administration and public sector reform are parts of the decentralization process. The country studies of this book were prepared for a work-shop in Croatia. As the country is in the middle of designing its decentralization strategy, LGI's contribution was to help developing efficient methods for managing reform policies. We provided professional support to the Croatian Soros National Foundation and the Croatian Law Center (CLC), who are involved in the implementation of the government's decentralization program.

Beyond this immediate task, we were also interested in formulating the policy lessons for the broader region and to summarize the general conclusions on the management of public administration reform and decentralization policies in Central and Eastern European countries. That was the reason for commissioning other comprehensive reports.

This volume of LGI Studies series has two major parts. After this introductory and summary chapter the first one focuses on substance of decentralization and public administration reforms. Here three authors give a general overview on various aspects of these reforms in Central and Eastern Europe. *Kenneth Davey* identifies the elements of decentralization reforms, the difficulties and resistance during the implementation. *Tony Verheijen* discusses the ways that the major structural problems of decentralization can be solved within a properly managed public administration reform context. Civil service reform, as a critical condition of systematic changes in public administration is presented by *Miroslav Beblavý*.

In the second part of this volume experts from selected countries write about their own experiences. The authors are not only specialists of public administration, but at some stages of reform they were—or are still—involved in the design and implementation of reforms. As our request to the authors was primarily to write about the methods and techniques of decentralization reforms, their primary focus is on administrative and institutional conditions of changes in public administration. But readers of the country case studies might get some useful insights on various aspects of decentralization in these selected six countries.

The authors of the country report were asked to respond on questions, set by us, as project managers. The first task

was to give a brief description of typical reform trajectories, explaining country specific rules and processes, by providing a brief history of the past decade of decentralization and public administration reforms. The components and sequence of legislative changes, conflicts of old and new elite's were analyzed by describing the major trends since the public administration reform was put on the agenda in the studied countries.

As management of the reform process was in the center of this research, the authors had to analyze the behavior of the major actors, the relationship between politics and administration, external conditions for change, organizational and management techniques will be compared. Some elements of these reforms have been identified for the authors, in advance.

Adjustment to political changes, election cycles is critical during decentralization reforms, which often cover more than one period of a government. Our basic question was how did the political system support or hinder the reform process. We were also interested in how domestic and international professional capacity contributed to reforms. Beside political willingness and professional concepts administrative capacity is needed for public administration reform. The role, organizational setting and relationship between government entities during reform design and implementation were asked to be discussed.

The authors of the country reports provided very good and concise description of these wide ranging reforms. We are very grateful for their contribution and also acknowledge the high quality work of the authors, discussing the substantive issues in the first part of this volume. The CLC team, *Marko Kovacic* and *Mladen Ivanovic* also helped the project by organizing the workshop in Croatia.

LGI's goal is to promote information exchange and transfer of knowledge between countries of Central Europe, South Eastern Europe and the former Soviet Union. As decentralization and public administration reforms are on the agenda in most of these countries, we hope that this publication will help this transfer process. Our objective is to support systematic reforms by discussing the findings summarized in this volume in countries committed to reforms. Examples and findings, summarized in this book, together with professional support of our experts might help better design and more efficient management of reforms in other countries.

NOTES

- ¹ See a succinct discussion of these trends in Pierre, Jon and B. Guy Peters (2000): *Governance, Politics, and the State*. London: Macmillan Press.
- ² Discussed in depth by Verheijen in this volume.
- ³ Beblavy's paper in this book.
- ⁴ Real GDP in 2000 (1990=100): Bulgaria: 81; Croatia: 87; Hungary: 107; Latvia: 61; Poland: 112; Slovak Republic: 82. Source: *Transition, the First Ten Years*. The World Bank, Washington DC, 2002.
- ⁵ The recent crisis may modify this favorable picture in Poland.
- ⁶ Kolodko, G.G.: A poszt-szocialista átalakulás tíz éve—a gazdaságpolitikai reformokkal kapcsolatos tanulságok (Ten years of post-socialist transition—lessons of economic policy reforms). *Közgazdasági Szemle*, XLVII, évf., 2000. március.
- ⁷ They are important elements of the reform agenda, identified by The World Bank. (Annex 1. in *Transition, the First Ten Years*. The World Bank, Washington DC, 2002).
- ⁸ Consolidated central government, including net lending.
- ⁹ in 1995.
- ¹⁰ in 1998.
- ¹¹ First data are from 1992.
- ¹² in 1993.
- ¹³ in 1994.
- ¹⁴ First data are from 1992.
- ¹⁵ in 1991.
- ¹⁶ T. Verheijen's study in this volume.
- ¹⁷ In the period of 1992–1997 decline in employment at central government budgetary institutions was 13%, while at local level only 10%. Cs. László: Twist and Turn: The History of the Hungarian Public Finance Reform. *in*. Bokros, L.–Dethier, J-J: *Public Finance Reform during the Transition*. The World Bank, Washington DC, 1998.
- ¹⁸ P. Swianiewicz (Editor): *Public Perception of Local Governments*, LGI Books, OSI/LGI, Budapest, 2001.
- ¹⁹ Despite the general problems of the public sector (low level of public services, corruption at local level, etc). Source of turnout and turnover data is P. Swianiewicz (Editor): *Public Perception of Local Governments*, LGI Books, OSI/LGI, Budapest, 2001.

Most recently there are signs of changing attitudes, especially when fundamental changes are implemented, with unclear consequences for the ordinary citizens: the turnout at the newly created regional governments was extremely low (Slovakia: 26%) J. Nemeč: *Decentralization—the Main Tool of the Public Administration Reform in Slovakia?* NISPAcee News 2002, Vol. IX, No. 1, Winter.