Abstract
The countries of Central and Eastern Europe have not been immune to the appeal of the agency model, and this approach to public governance has now been widely diffused among these countries. These reforms, like all others, must be institutionalized to be effective and the autonomy created by agencies may require subsequent reforms. This introductory article describes the agency approach within the contest of Central and Eastern Europe, and discusses the political and administrative consequences of these reforms.

Keywords: agencies, institutionalization, administrative politics.
The use of public agencies has been one of the most common styles of administrative reform in the period during and following the “New Public Management”. This explosion of the use of agencies is usually associated with the “Next Steps” agencies in the United Kingdom, but after that initial adoption of the model the idea became extremely widely diffused. The countries of Central and Eastern Europe have not been immune to the appeal of the agency model, and this approach to public governance has now been widely diffused here, as indicated by the articles in this special issue.

Although the agency model has been spread widely, and accepted by many as a highly desirable form of organization for public services, there are still a range of questions that must be raised about how well agencies can deliver public services, and about its political implications. While most of the extant literature on agencies has been concerned with management, it is important to remember that these organizations are charged with delivering public services and in general remain in the public sector. This public nature of agencies, like any other component of the public sector, requires consideration of their political characteristics.

These political considerations are perhaps especially important in the countries of Central and Eastern Europe, given both their political and administrative histories and their relative lack of economic resources. The history of legalism in administration, for example, makes the emphasis on management as the style for running public organizations more challenging. Likewise, granting financial autonomy in a setting of relatively limited resources may be a mixed blessing and threaten the stability of service provision. Thus, selecting the agency format for governing represents a now common choice for structural reform, but it is not always certain that it can produce all the benefits that often are ascribed to it.

**The politics of agencies**

Much of the academic analysis of agencies has focused on their management, and how to balance issues of autonomy and control in managing these structures. That focus is certainly a crucial consideration, but in all this discussion of management the essential political role of agencies has often been ignored. Indeed, in many cases agencies have been conceptualized as a means of removing some aspect of governing from politics so that it might function in a more “professional” manner. As the experience of the Progressives in the United States indicated more than one hundred years ago, removing government from politics is impossible, and attempts to do so tend to produce politics that is much more invidious that the politics which was meant to be avoided.

The attempts to remove politics from the design and control of agencies have pronounced normative as well as empirical implications. These organizations, even if declared autonomous, do provide important public services, and therefore should be held accountable in some democratic manner for their actions. The attempts to enhance efficiency through greater autonomy must therefore always be understood in the larger democratic context of the need to enforce some accountability.
If it is impossible to remove agencies from politics, and therefore it is crucial to understand the political implications of this organizational form. This institutional framework has been selected for several reasons and many of those are political. Some of these reasons have been quite laudable. For example, it has been thought (and to some extent rightly) that by disaggregating public service delivery into a number of organizations, each having a limited range of functions, it would be easier to enforce accountability and also to assess the true costs of producing public services. Likewise, through specialization the actual quality of those public services might be enhanced (see Bouckaert, Peters and Verhoest, 2007). Perhaps more importantly, the use of relatively autonomous organizations within the public sector enables governments to do things, e.g. raise revenues, and that might be difficult to do with more populist formats for making decisions. Even if there are no taxing powers per se the autonomous organizations may be able to use fees or even borrowing to raise their own funds. They also enjoy greater discretion in managing their personnel. This may be a desirable capacity if governments are facing severe restraints on their incomes, but it also represents a means for avoiding democratic controls over some of the more important aspects of public sector activity.

These more laudable political elements of agencies must be assessed in terms of their less positive consequences. For example, although the single-purpose organizations may enhance accountability in some ways, one of the major consequences of the agency model is to reduce accountability by reducing political authority over these organizations. Agencies often have been in the enviable position of claiming to be public when they wanted funding, but then claiming to be private when issues of accountability were raised. In addition, the use of agencies has opened up a number of opportunities for patronage and perhaps even corruption given that the usual personnel and procurement rules may not apply.

The logic of agencies is not, however, compatible to all political systems. Although some of the early acceptance of this model came in the Westminster systems, the majoritarian style of these governments (Lijphart, 1994) may make them less congenial. The notion that a party or a limited number of parties makes policy during their mandate and is then held accountable for those decisions in a subsequent elections does not appear to support the use of structures that are removed from control from those electoral forces. That said, however, perhaps the tendency towards policy shifts in majoritarian systems may make the agency model a useful source of stability and predictability (see below).

Institutionalization

The notion of predictability of policies as a function of agencies leads on to a discussion of their stability and their level of institutionalization within the poli-

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1 To some extent the agency model was influenced by William Niskanen’s discussion (1971) of the inefficiencies and the information asymmetry created by large, multi-purpose public organizations.
itical system. Douglass North and Giadomenico Majone (apud Thatcher and Stone Sweet, 2002) have argued for the importance of non-majoritarian institutions that can provide a “credible commitment” on the part of government to businesses and to citizens. This capacity for stability appears to imply the creation of organizations such as regulatory commissions, central banks, and analogous organizations that can make decisions without continuous political involvement.

This model of governing has, of course, both empirical and normative implications. The empirical questions in part revolve around which policies are best designed and managed in this manner? Regulation has been among the most commonly selected policy areas for the agency formats. This policy area was to some extent the model in the independent regulatory agencies in the United States, and has become rather widespread\(^2\). The adoption of agencies for service delivery has been a very long-term pattern in Sweden and to some extent the other Scandinavian countries, but we may question whether these functions might not be better controlled more directly by elected officials.

The normative questions have to do with the capacity for enforcing accountability over these organizations (Vibert, 2007). What mechanisms can be designed to prevent overly institutionalized agencies escaping accountability, while at the same time providing stability? Any organization within government must balance accountability and authority, and these structures are no different, but the widespread diffusion of the agency model appears to have been done in a number of instances with inadequate consideration of mechanisms for enforcing democratic accountability.

Institutionalization is not only a policy issue for agencies, however. These organizations are often described as “experiments” and as such appear very fragile. Is this characterization as an experiment a self-fulfilling hypothesis in that individuals charged with managing an experimental structure may have lower levels of commitment than if they could conceptualize their position as more stable? Thus, paradoxically, organizational formats that may be chosen for reasons of stability and predictability may appear very unstable to the employees within them. The traditional ministerial structures appear to offer much greater predictability to their workers.

In thinking about institutionalization of agencies, therefore, we need to consider the commitment of the members of the organization to the organization. Institutionalization for agencies reflects the transfer of individual commitments to the mission of the organization and the recognition that these structures represent significant mechanisms for governing. That said, there is the risk of the over-institutionalization (Torfing et al., forthcoming) with the autonomous organizations feeling themselves separated from the remainder of the public sector and providing too much stability rather than democratic responsiveness to changes in the governments in power.

\(^2\) Also, although not usually discussed as an agency central banks have many analogous features and certainly have been designed with considerations of providing predictability.
The role of structure

Some decades ago Lester Salamon (1981) made the argument that using the reorganization of government as a means of achieving greater efficiency was doomed to failure. Changing structures does not necessarily improve the performance of the public sector, but what reorganizations may do more effectively is to change public policy. The location in one ministry or another may influence the priorities of an organization, and influence it to make different types of policy. In the case of agencies the general strategy has been to remove them from ministerial control, so that the policies may therefore be more self-determined.

The question of reorganization raises a more general question about the role of structure in shaping the behavior of public organizations. Clearly Salamon’s argument would tend to downplay that importance. What may be more important for altering the performance of organizations, and perhaps especially those in Central and Eastern Europe, is to change the patterns of thought, not only about how to manage within the public sector but perhaps especially about the accountability for those actions. That is, being granted structural autonomy does not mean that the organization is somehow licensed to engage in “arbitrary and capricious” actions3, as might have been true under previous regimes, but rather that the public servants charged with managing the organizations must do so in an effective, but responsible and responsive, manner.

How to coordinate in the face of autonomy?

Creating coordination and coherence in programs and policies has been a challenge to the public sector as long as there have been governments. The creation of agencies, and several other aspects of the New Public Management agenda, have tended to exacerbate the tendencies of organizations to work within their own “stove pipes” and not to cooperate effectively with other organizations providing not dissimilar services to the public. Not only is this practice normal for organizations (public or private) but it can now be justified as being good practice for organizations designed to be autonomous and to concentrate their attention on a single type of public service.

In this world of highly differentiated and autonomous organizations how can a central government attempt to create effective coordination while at the same time maintaining the demonstrable benefits that in numerous cases have been generated by the use of autonomous agencies? This challenge of creating coordination is all the more important in an era of economic crisis that tends force centralization of governments and to also force more strategic thinking about priorities in the public sector.

There appear to be two alternative, but closely related, means of approaching this coordination problem. The first is to use the variety of “soft” steering instruments that can guide the presumably autonomous organizations without at the same time removing that autonomy. The classic example of this style is the “Open Method of Coordination” in the European Union and its use of methods such as benchmarking and

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3 This phrase comes from the Administrative Procedures Act in the United States.
voluntary agreements to encourage the members of the Union to advance the agenda of improved competitiveness. As relatively new members of the EU many countries of the CEE area have been engaged in this process. These instruments are very far from the command and control instruments usually associated with coordinating policy, and enable to participants to continue to enjoy substantial autonomy4.

Analogously national governments may utilize soft methods to attempt to generate compliance by agencies with their national priorities. This negotiation may involve some clear “shadow of hierarchy” given that the ultimate authority to revoke autonomy resides with government, and that may motivate greater willingness to become involved in such negotiations. This is especially true for the CEE Countries given the long administrative tradition of hierarchical controls within the public sector. Still, this softer approach reduces the hierarchical dimension of control somewhat and may produce superior decisions through negotiation and compromise.

The second means of enhancing control of agencies without simultaneously destroying the benefits gained through their autonomy is to build greater trust among the organizations and individuals in the public sector. This may be difficult, given the history of distrust of government and within government that has been a legacy of the past in many Central and Eastern European countries. Still, building this sense of mutual commitment to governing in the face of crisis and numerous challenges can reduce transaction costs within the public sector significantly and facilitate more effective coordination and more effective governance in general. This trust may also be built through mechanisms such as those in Lithuania that require regular consideration of the continuation of agencies.

Agencies and comparison

Comparison is important for understanding any one administrative system. This is true whether the comparisons are to be within Central and Eastern Europe or whether the comparisons are to be made to a wider universe of political systems. It appears clear that we cannot really comprehend the nature of any administrative systems without considering it in light of the structures and processes that appear in others.

In this effort at comparison the analysis of agencies provides an interesting window into the more general characteristics of the administrative systems.5 The studies of agencies contained in this special issue reflect a number of important comparative dimensions of the countries involved, and also reflect the differences between these countries and those that have been democratic longer and which have greater

4 In this case the strategy is essential because the European Union may not have the treaty authority to coordinate some of the policy areas that are most central to the drive for greater competitiveness.

5 The same can be said of selecting a number of other features of political systems for comparison and then seeing how those features illuminate the systems. For example, our research on the rewards of high public office in a number of industrialized democracies provides a number of insights into these systems (Brans and Peters, forthcoming).
economic resources and more coalescent political cultures. It appears that some of the observed differences reflect long-standing characteristics of administration, e.g. inheritances from the Austro-Hungarian Empire, while others reflect more recent political effects and political conflicts.

We should not, however, limit our comparisons to comparisons across countries. The evidence in these studies is that the nature of the policy area in which the agency functions is also crucial for shaping the performance of an agency and its relationships with the political process. As a simple example those agencies delivering “core state functions” may expect to enjoy lesser autonomy – even with assurances to the contrary – that will agencies delivering other types of public services. Likewise we should expect organizations performing regulatory functions to perform rather differently than do those delivering social services. These examples could be extended but the fundamental point is that the nature of policy does matter when considering the role of agencies in public administration.

The point about institutionalization above also emphasizes the need to compare the nature and performance of agencies across time. The heyday of the movement toward agencification has now passed, and the initial enthusiasm has tended to wane in many settings. Does this style of public sector intervention into the economy and society continue to bear ample fruit, or does the need for increased coherence and coordination become so apparent that there is good reason to retreat from these reforms?

Conclusion

Agencies are a major form of organization in the public sector. The original Swedish version of the model has been in use for centuries, but the popularization of the organizational format during the 1980s led to its adoption in dozens of countries. As part of the New Public Management reforms these structural changes in government have been designed to enhance the efficiency and autonomy of public service provision.

This model of organization spread to the countries of Central and Eastern Europe and has become a standard mechanism for coping with management challenges. Although it has become a standard mechanism for organization, agencies do raise a number of important political and managerial challenges. The management issues have been explicated rather thoroughly, but the political issues have been discussed somewhat less. There are a number of such issues that are discussed here, and which also have substantial relevance for the management of these seemingly autonomous organizations.

These organizations face continuing economic, management and political challenges. They, like all organizations, must continue to adapt and may become outdated just as had the organizational formats that they have replaced. There are, however, numerous differential patterns of development and it is important to understand agencies and their change in a comparative context. This special issue is an important contribution toward the continued development of the literature on agencies and
will assist in understanding their performance in a range of countries in and out of Central and Eastern Europe.

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