Abstract
Based on the transformative approach, the NPM and post-NPM models this article explains the proliferation, autonomy, control and innovative behavior of Lithuanian agencies and other public sector organizations in the 1990-2010 period. While the expansion of governmental functions during Lithuania’s transition to democracy and its accession to the EU brought agenci- fication in 1990-2004, the adoption of government-wide organizational reforms during the economic crisis marked the start of de-agenci- fication in 2009-2010. The degree of autonomy and control of the Lithuanian public sector organizations is largely explained by their legal basis and political salience of their tasks. Finally, in line with the post-NPM model, structural capacities and participation in networks have a strong impact on innovative behavior of these organizations.
Keywords: Lithuania, agenci- fication, autono- my, control agency, New Public Management, innovation.

“SUNRISE” AND “SUNSET” OF LITHUANIAN AGENCIES

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1. Introduction

Agencification, which refers to the creation of semi-autonomous organizations operating at arms’ length of the government in a relatively autonomous way, is a longstanding international trend (van Thiel, this issue). In many Western countries this process was driven by the political agenda of national governments under the NPM reforms that involved the establishment of agencies responsible for policy implementation (Pollitt et al., 2004, p. 249). The best-known example of this reform is setting up of Executive Agencies (bodies semi-detached from ministerial departments) under the “Next Steps” initiative in the UK announced in 1988.

The story in the Central and Eastern Europe (CEE), however, could be different. Due to a rapid and extensive agencification, the CEE countries became the most radical reformers in the 1990s and 2000s (van Thiel, this issue). The organizational reforms in these countries were initially shaped by the logic of post-communist transition that required the transformation of extensive, hierarchical and fragmented systems of post-communist public administration (Beblavý, 2002) in order to meet the needs of the democratic state and market economy. Since the end of the 1990s, these reforms were heavily influenced by the prospect of EU membership (Bouckaert, 2009, p. 15). To meet the requirements of this membership, these countries needed to undertake legislative, policy and institutional changes at the domestic level.

This article reviews the processes of (de-)agencification in Lithuania in the 1990-2010 period and its effect on autonomy, control and innovative behavior of the Lithuanian agencies and other public sector organizations. The article is divided into five sections. Following the introduction, the second section presents the framework for analysis and 11 hypotheses. Agency proliferation, autonomy, control and management was previously explained by a task-specific path dependency model (Pollitt et al., 2004) or a transformative perspective (Verhoest et al., 2010; Lægreid and Verhoest, 2010), which are rooted in the historical institutionalism. Also, these approaches share the NPM doctrine and its ideal agency model as their points of departure. In order to achieve a better understanding of organizational change, the transformative perspective was combined with different theoretical explanations. This perspective elaborated state-specific factors (environmental factors, polity, administrative culture and actor constellations) transforming external pressures in the process of organizational change (Verhoest et al., 2010). In this article, the transformative approach will be combined with the New Public Management (NPM) and post-NPM models.

The third section analyzes the evolution of the organizational system in the 1990-2010 period and the main driving factors behind (de-)agencification. While agencification means an expansion in the number of agencies (through their establishment, secession or split), de-agencification is the opposite process, leading to a contraction in the number of agencies (through their abolition, absorption or merger). Other organizational changes analyzed in this article include agency replacement, transfer of agency functions and change of agency name or subordination. This section
focuses on the impact of the EU and such state-specific factors as national environment, polity and policy on (de-)agencification and other organizational changes in Lithuania.

The fourth section explores an organizational design of the Lithuanian public sector organizations. It finds that there is a considerable variation in the levels of autonomy and control. The section assesses whether the normative framework, policy salience or the EU accession process can explain such variation. Finally, in its fifth section the article concludes.

This article analyzes both agencies and other public sector organizations. We define agencies as public law bodies that are structurally disaggregated from the core government and other organizations. While they have some capacity for autonomous decision-making about management or policy, they are formally under some control of cabinet members (Verhoest et al., 2010, pp. 17-18). According to this definition, the government agencies, agencies under the ministries and some other public sector organizations that have all agency features are called agencies in this article. Our agency definition excludes the state institutions provided in the Lithuanian Constitution (a security service, the army, the National Audit Office, the Prosecution Service and the Bank of Lithuania), other state institutions accountable solely to Parliament (e.g. offices of ombudsperson) or both Parliament and President (e.g. the Special Investigation Service). Also, the public non-profit institutions, foundations or state-owned companies are called public sector organizations in this article, unless they share all features of an agency.

All Lithuanian central-level public organizations could be classified according to the common categorization (van Thiel, this issue). While the government agencies and agencies under the ministries correspond to the level 1 agencies (semi-autonomous organizations at arms’ length of the core government), other agencies and public sector organizations correspond to the levels 2-4 (see Table 1). At the end of 2009, there were a total of about 499 agencies under the government, ministries and President (with territorial units) where the Civil Service Law was applied. A few dozen of agencies under the ministries where the Civil Service Law is not applied should be added to this number. In addition, there were more than 200 public non-profit institutions and foundations that were established by the state institutions and that received funding from the state budget. Moreover, about 150 state-owned companies were involved in the provision of services or products for the public.

This article is based on main findings of agencification research in Lithuania collected through literature review, the COBRA survey, mapping, case studies and interviews in the 2008-2011 period. The COBRA survey of Lithuanian public sector organizations was carried out in 2008. A representative sample of organizations included 263 respondents. This encompassed 106 public institutions regulated by the public law, 147 public organizations regulated by the private law, and 10 state-owned enterprises. Due to relatively low response rate, the analysis of the COBRA data includes 69 respondents, representing public sector organizations. The mapping of organizational changes in the 1990-2010 period was based on the typology of ten
Table 1: Categorization of the Lithuanian agencies and other public sector organizations at the central level (in 2009)

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Unit or directory of the national, central or federal government</td>
<td>The President’s Office (1), the Prime Minister’s Office (1), ministries (ministerijos; 14), other state institutions</td>
</tr>
<tr>
<td>1</td>
<td>Semi-autonomous organization, unit or body</td>
<td>Government agencies ( Vyriausybės įstaigos; 100), agencies under the ministries ( įstaigos prie ministerijų; 397), agencies under the President (2)</td>
</tr>
<tr>
<td>2</td>
<td>Legally independent organization/body with managerial autonomy</td>
<td>Public non-profit institutions ( viešosios įstaigos), whose stakeholders are state institutions (227)</td>
</tr>
<tr>
<td>3</td>
<td>Not-for profit organization established by or on behalf of the government like a foundation</td>
<td>Foundations (fondai; their number unknown)</td>
</tr>
<tr>
<td>4</td>
<td>Organization established as corporation, company or enterprise</td>
<td>State-owned companies (valstybės įmonės), whose owners are state institutions (143)</td>
</tr>
</tbody>
</table>

Source: The categorization based on van Thiel, this issue

Different change events (Mapping the Irish State Database, 2009). The agencies under the following six ministries were included in the mapping: the Ministry of Environment, the Ministry of National Defense, the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Social Security and Labor, the Ministry of Culture. The mapping data set captured a total of 139 agencies: 112 budgetary institutions, 18 public non-profit institutions, 6 state-owned companies and 3 foundations that meet the agency definition outlined above.

Four studies of the Lithuanian agencies and other public sector organizations, which were carried out in 2010-2011, included a study of two public security organizations (the National Security Department and the Special Investigation Service), a study of two regulatory agencies (the Communications Regulatory Authority (CRA) and the Competition Council), a study of four EU support agencies implementing the Common Agricultural Policy (CAP) and the EU Cohesion Policy (the Lithuanian Agricultural and Food Market Regulation Agency, the National Paying Agency (NPA), the European Social Fund Agency and the Central Project Management Agency) and a study of the Information Society Development Committee and other organizations involved in the coordination of horizontal policy in the area of information society. A number of interviews with representatives of the Lithuanian Parliament, the President’s Office, the Prime Minister’s Office, various ministries, agencies and other public sector organizations were carried out during the agencification research in Lithuania.

2. Framework for analysis and hypotheses

This section provides the theoretical framework for explaining our dependent variables and outlines our hypotheses. To this end, two explanatory models are adopted. First, the transformative approach will be used to explain birth, maintenance and death of organizations as well as their levels of autonomy and control. Second, the NPM and post-NPM models will be used to explain the adoption of performance management techniques and the performance of agencies and other public sector organizations.
Our explanation of organizational stability relies on the school of historical institutionalism. As Thelen argued, the explanation of institutional change should be based on the understanding of mechanisms that reinforce institutional persistence (Thelen, 1999). The overall argument is that the institutions are set up at critical junctures, such as the resolution of political conflicts, a reaction to crisis or external shocks. However, once a path is taken, alternative strategies remain distant and institutions tend to “lock in” (Steinmo and Thelen, 1992; Thelen, 1999; North, 1990); i.e. they should not be reorganized and their level of autonomy and control should not dramatically change.

However, what creates the opportunities for critical junctures, which can lead to shifts in the paths of organizations? We argue that opportunities for critical junctures open up due to international and national shocks. Therefore, our analysis focuses on main international and national factors affecting the agency change, as well as their autonomy and control. We follow the transformative approach, whose main thesis is that international pressures are transformed by state-specific environmental, polity, cultural factors or actor constellations (Verhoest et al., 2010, pp. 41-42). However, we adapted these factors to the CEE and, in particular, to the Lithuanian context.

Taking into consideration the different contexts of the CEE countries, our starting point is the pressure of EU membership that forced to make organizational changes at the national level. During the pre-accession period, the EU had a number of channels to influence the applicant countries: gate-keeping, benchmarking and monitoring, provision of legislative and institutional models, advice and financial assistance (Grabbe, 2001). We hypothesize that the impact of the EU on the proliferation of agencies could be traced if a large number of new agencies were set up (or the existing agencies reorganized) in the pre-accession period of 1997-2003 (H1). Also, due to the importance of the single market and the CAP and the Cohesion Policy in the EU political system we expect that a majority of established (or reorganized) agencies are responsible for business regulation and policy implementation (H2).

At the national level, we analyze three main state-specific factors: national environmental factors, polity and policy. These national factors mediate international pressures, facilitating or constraining certain organizational changes. Alternatively, these factors can produce organizational changes on their own, in the absence of any international pressures.

First, since Lithuania has experienced three economic crises (a crisis at the outset of transition caused by the collapse of the Soviet planned economy; the 1999 crisis triggered by the Russian financial crisis; and the 2009 crisis caused by the global financial crisis) following the re-establishment of its independence in 1990, we consider that economic crises will be the main environmental factors affecting organizational changes in Lithuania. It is assumed that an economic crisis should translate into organizational changes through a change of the government and/or a change in the content of public management policies. Other studies expected that economic crises lead to agencification according to the NPM model (Verhoest et al.,
However, taking into consideration high intensity of economic crises in Lithuania, we hypothesize that economic crises should lead to organizational changes in line with the post-NPM model (in terms of deaths, absorptions and mergers of agencies) because of their potential to reduce budgetary and fiscal pressures (H3).

Second, in the area of polity we analyze the changing role of the state during the transition process. The involvement of state administration in service delivery, as well as traditions of agencification and explicit agency models were found important in explaining agency reforms in Flanders, Ireland and Norway (Verhoest et al., 2010, p. 197). In the CEE region, renewal of the post-communist states included the establishment of new governmental functions and/or the restructuring of old functions inherited from the communist past. Consequently, we hypothesize that these changes in the functions of the state should lead to the establishment of new agencies (or the reorganization of the existing ones) during the transition period of 1990-1996 (H4).

Also, frequent changes of CEE governments (Blondel and Müller-Rommel, 2001) and adversarial nature of politics in some CEE countries (including Lithuania) are important factors in explaining the proliferation, autonomy, control and innovative behavior of the Lithuanian agencies. The Lithuanian government is one of the most unstable in the CEE region with 14 changes in the 1990-2010 period, making the average length in office about 16 months (Martinaitis, 2010). However, more stability was gained in the 2000-2010 period (with five changes), and the 2008-2012 Government has been in office for more than 30 months. In the 1990-2000 period, the Lithuanian government was controlled or dominated by single political parties holding the majority of parliamentary seats (the right-wing parties in 1990-1992 and 1996-2000, and left-wing parties in 1992-1996). Although coalition governments are in power since the end of 2000, the parliamentary elections continue to bring important changes in parliamentary majority with many legislative seats going to political parties previously not in the government coalition (Martinaitis, 2011). Acknowledging a certain degree of politicization in CEE civil services (Meyer-Sahling, 2009, p. 31), we hypothesize that major pendulum swings in governments should produce more organizational changes at the agency level in Lithuania, while more organizational stability is expected in the absence of major political changes (H5).

Third, the dynamics of sectoral policies or public management policies shapes organizational changes. The influence of government-wide and agency-specific reform programs or deliberate actions was found important in explaining agency changes in Flanders, Ireland and Norway (Verhoest et al., 2010). Until the end of 2010, there were three main government-wide initiatives of public management reform in Lithuania. Therefore, it is important to analyze their impact on (de-)agencification and other organizational changes. We hypothesize that the impact of public management reforms on organizational changes depends on their context and content: amid economic crises, public management reforms are likely to follow the post-NPM model, leading to de-agencification (in terms of death, absorption and merger of organizations) (H6).

Figure 1 summarizes all international and national factors (our independent variables in the explanation of organizational changes, which is our dependent variable).
The level of autonomy and control of public sector organizations is our second dependent variable. The “autonomy” and “control” of organizations are multi-layered concepts, which include a number of dimensions starting with external agents (for example the government or a parent ministry) that can affect the organizational dynamics. The *ex ante* autonomy refers to the degree of decision-making freedom without external interference. In line with Verhoest *et al.* (2004) and Roness *et al.* (2008), we distinguish between managerial autonomy and policy autonomy. The former involves discretion over the choice and utilization of inputs such as personnel and financial resources. The personnel management autonomy encompasses strategic and operational autonomy: the former refers to autonomy in setting rules, while the latter refers to making decisions regarding a specific employee. The policy autonomy refers to the extent to which an organization chooses policy instruments to achieve its objectives.

The *ex post* control refers to the extent to which the results and overall performance of an organization is controlled by its political principals. Accordingly, we measure whether there are instruments for measuring the performance of an agency and to what extent are they used in practice. Typically, these instruments include: the extent to which the agency and political principals are involved in setting the objectives and targets for an agency; the extent to which these objectives and targets are quantifiable; frequency of reporting about results and achieved goals; the extent and frequency of reporting and evaluation of the results and goal attainment of an agency; the extent to
which political principals provide sanctions and rewards linked with the performance of an agency.

Our explanation of autonomy and control of the Lithuanian public sector organizations follows a logic similar to the one discussed above. If decisions regarding the organizational design follow a normative model, we should expect that similar types of organizations should demonstrate similar levels of autonomy and control. Such normative models are provided in the Lithuanian legislation (the Public Sector Accountability Law, the Civil Service Law and their secondary legislation), which suggests that budgetary institutions holding the status of civil service authorities should be the least autonomous, while public non-profit institutions/foundations (not appropriation managers) and state-owned enterprises should enjoy the highest level of autonomy. The other types of organizations, public non-profit institutions (appropriation managers) and budgetary institutions (not civil service authorities), should fall in between these two extremes. Accordingly, we hypothesize that the level of actual autonomy and control should depend on the formal status of an organization (H7).

Such argument is far from self-evident. The legal acts that govern the functioning of different types of public organizations provide considerable flexibility. Hence, actual level of autonomy and control within the same type of organizations could differ due to a number of factors. Decisions taken at critical junctures could be highly contested and involve political struggles over the control of future organizations. Accordingly, we could expect that different resolutions of temporal political conflicts over organizations should lead to divergent levels of autonomy and control of similar organizations. Similarly, if an already established organization operate in highly politically sensitive policy-field, then, we expect that political principles will seek to directly and indirectly influence the decisions made by an organization notwithstanding the safeguards of organizational autonomy. Accordingly, the hypothesis: if an organization is dealing with politically salient issues, its level of autonomy should decrease and level of ex post control should increase, notwithstanding its legal status (H8).

One could also argue that the process of the EU accession created a shock which changed the path-dependent pattern of organizational autonomy and control. The EU accession potentially had a twofold impact on the level of control and autonomy of public sector organizations in the candidate countries. On the one hand, since the process of the EU accession involved the establishment of autonomous regulatory authorities and policy-implementation agencies, one can expect that the Lithuanian public sector organizations gained more autonomy. On the other hand, it could be expected that the accession process also involved the transfer of specific normative institutional models. The Commission’s benchmarking exercises implicitly involved the advocacy of a NPM-style regulatory state (Maniokas, 2003). If this is the case, we should expect that the EU accession process contributed to higher autonomy and higher ex post control of public sector organizations. Hence, the hypothesis is as follows: the Lithuanian public sector organizations, whose setting up was largely influenced by the EU, obtained more actual ex ante autonomy and ex post control (H9).
Lastly, the level of autonomy and control could also be viewed as an independent variable explaining adoption of innovation in the public sector. The NPM doctrine has long argued that the introduction of its key principles – higher autonomy and incentives for performance – will enhance the innovativeness of the public sector organizations (Verhoest et al., 2007; Lægreid et al., 2009). This argument is based on a straightforward logic. First, in order to innovate, the managers of public sector organizations should have a high degree of managerial autonomy. Second, there should be strong incentives for the managers to enhance the performance of their organizations by adopting innovations. Such incentives, for instance, could include sanctions and rewards for achieving planned results. Accordingly, we could expect that higher ex ante autonomy and stronger results-based control should lead to the adoption of innovative management techniques in the public sector organizations (H10).

An alternative explanation is provided in a diverse post-NPM literature (Pollitt and Bouckaert, 2004; Dunleavy et al., 2006; Nakrošis, 2011), which suggests a shift from administration or reliance on quasi-markets towards networked governance; from small single purpose agencies and contracting-out towards the “whole-of-government approach” and strengthening the administrative core. Participation in networks should promote the adoption of innovative techniques by making managers to innovate (through normative pressures from network partners) and facilitating innovation (through mutual learning). Furthermore, administrative capacities should be viewed as a prerequisite for innovative behavior of organizations. Accordingly, we expect that higher organizational capacities and participation in horizontal networks to foster the adoption of innovative management techniques (H11).

3. Explaining the birth and death of agencies

This section of the article seeks to assess how the proliferation of the Lithuanian agencies and other public sector organizations was affected by the international and domestic factors outlined in the previous section of this article. We recognize that these independent variables are highly intertwined because agency changes usually stem from a complex interplay between various external and internal or political and administrative factors. However, we seek to analytically separate the impacts of main factors in order to assess the extent to which the processes of transition and EU accession, government changes and public management reforms (amid economic crises) have changed the path-dependent trajectory of the agency development in Lithuania.

3.1. The impact of transition on agencification

The re-establishment of Lithuania’s independence as well as its political and economic transition from the communist system to democracy and a free market was the first important factor driving agencification in Lithuania. The transition process involved a fundamental change in the role of the state in social and economic development. Main goals of transition were to develop the public administration that supports markets and private enterprise rather than central plans and commands,
as well as to reform the social safety net in view of supporting the poor and other disadvantaged groups (European Bank for Reconstruction and Development, 1999). International financial institutions and other donors supported economic reforms through a number of instruments (in particular loans and technical assistance that sometimes contained certain institutional conditionalities).

In order to implement some new or reorganized functions of the newly re-established state, it became necessary to establish new organizations or reorganize the existing ones. For instance, the study of public security organizations found that the State Security Department was set up just fifteen days after the re-establishment of the Lithuanian independence in 1990 in order to safeguard the new Lithuanian state, its sovereignty and the constitutional order against encroachment. It took the place of the State Security Committee of the Lithuanian Soviet Socialist Republic (so-called KGB), whose operations were suspended in the Republic of Lithuania.

The mapping of organizational changes revealed an expansion of the Lithuanian agencies under the six selected ministries in the 1990-1996 period (with 20 births and one split recorded, see Table 2 below). For instance, the Lithuanian Labor Exchange and the State Social Insurance Fund Board (both under the Ministry of Social Security and Labor), the Standardization and Quality Department under the Government, the State Tax Inspectorate and the Audit Department (both under the Ministry of Finance) and the State Road Transport Inspectorate under the Ministry of Transport and Communications were established in 1990-1996 (in the form of pure birth) due to the need to carry new governmental functions. Also, a relatively high number of other change events (especially eleven agency replacements, see Table 2 below) occurred during the transition period. For instance, such agencies as the Lithuanian Hydrometeorological Service under the Ministry of Environment, the Transport Investment Directorate under the Ministry of Transport and Communications or the Insurance Supervisory Commission under the Ministry of Finance replaced the former agencies that were considered to be obsolete.

The average date of establishing the Lithuanian public sector organizations responsible for 25 executive tasks included in the CRIPO study was 1995 (van Thiel, this issue). For instance, 14 Lithuanian public sector organizations in charge of prosecution, unemployment benefits, labor exchange, road maintenance, tax service, broadcasting, national museum, immigration, student loans, national airport, statistics, meteorology, intelligence and national railway were established in the 1990-1996 period.

Therefore, in line with our hypothesis no. 4, Lithuania’s transition to democracy and market economy produced the proliferation of new agencies and other public sector organizations and, less frequently, the replacement of the old organizations. However, it is important to mention that this impact was preceded by initial downsizing of the Soviet administration that occurred during the formation of the first Lithuanian government (see the section concerning the impact of government changes below).
Table 2: Results of mapping the Lithuanian agencies under six selected ministries in the 1990-2010 period

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</tr>
</thead>
<tbody>
<tr>
<td>1. Birth</td>
<td>Events leading to expansion in the number of agencies</td>
<td>20</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>2. Secession</td>
<td></td>
<td>-</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>3. Split</td>
<td></td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4. Absorption</td>
<td>Events leading to contraction in the number of agencies</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>5. Merger</td>
<td></td>
<td>-</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. Death</td>
<td></td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>7. Replacement</td>
<td>Other change events that do not affect the number of agencies</td>
<td>11</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>8. Transfer of functions</td>
<td></td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>9. Change of name</td>
<td></td>
<td>2</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>10. Change of subordination</td>
<td></td>
<td>2</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total number of changes</strong></td>
<td><strong>Total number of changes per year</strong></td>
<td><strong>39 (5.6)</strong></td>
<td><strong>65 (8.1)</strong></td>
<td><strong>28 (4.7)</strong></td>
</tr>
</tbody>
</table>

**Source:** The Institute of International Relations and Political Science, 2010

3.2. The impact of the EU on agencification

Accession to the EU was a main driver of agencification in the 1997-2004 period. In its 1997 Opinion and 1998-2003 Reports the European Commission identified specific obstacles to meeting the obligations of EU membership. To remove these obstacles, the Lithuanian governments adopted the National Programs for the Adoption of the acquis containing legal, policy and institutional measures (including the establishment or strengthening of various agencies or other public sector organizations). The impact of the EU on agencification was mediated by various state-specific factors (especially the cross-party consensus about the priority of EU membership in the pre-accession period).

According to the 2008 COBRA survey, about 39% of the Lithuanian public sector organizations claim that the EU had a large influence on their set up or reorganization. The EU's impact was particularly strong in 1998-2003. About half of the surveyed organizations were established in this period. Due to the broad scope of its competence the EU influenced the setting up or reorganization of the Lithuanian public sector organizations in many policy areas, affecting business regulation, policy implementation, as well as the provision of public services. This could be explained by a broad scope of the EU’s competence. The EU’s impact was weaker in the sectors of defense or recreation, culture and religion, where the EU does not exercise much authority.

The mapping of organizational changes revealed that the Lithuanian agencies under the six ministries continued to expand in the 1997-2004 period (with 16 births, three secessions, three splits recorded; see Table 2 above). Also, more other changing
events were registered due to more intensive organizational changes in this period. The fact that the establishment of some agencies (such as the State Inspectorate of Inland Waterways Navigation) or the reorganization of other agencies (such as the merger of the State Seed Inspection and the State Grain Inspection into the State Seed and Grain Inspection) were mentioned in the Commission’s Progress Reports proved the EU’s impact on organizational changes.

More specifically, a network of regulatory agencies emerged during the EU pre-accession period. A number of relatively independent regulatory agencies with extensive regulatory authority were set up or strengthened in the policy areas of competition, telecommunications, energy, water, railways, post, public information, environment, food safety and personal data (Maniokas, 2003) in order to meet the regulatory requirements of the EU. All agencies mentioned in the previous paragraph are responsible for regulatory tasks.

In addition, the study of the EU support agencies found that the need to implement various EU expenditure programs explains the reorganization of the European Social Fund Agency (in 2002) and the Central Project Management Agency (in 2003), which are responsible for the implementation of the EU Cohesion Policy, and largely the de novo establishment of the NPA (in 1999), which is responsible for the implementation of the CAP in Lithuania. While the establishment of the latter agency was based on the Commission’s recommendations for accredited paying and implementing agencies, the design of the former agencies depended on specific national circumstances.

The above evidence shows that the EU had a substantial impact on organizational changes (in particular the establishment of new agencies) in the pre-accession period. Furthermore, while the newly established organizations cover a broad spectrum of functions, the majority of them are operating in the area of economic regulation, as well as such redistributive policies as the CAP and the Cohesion Policy. This is in line with our hypotheses no. 1 and 2.

3.3. The impact of government changes on (de-)agencification

The impact of government changes on (de-)agencification varies across different types of organizations and different periods of time. Its impact was particularly strong in the case of the Lithuanian ministries. Already after the declaration of Lithuania’s independence in 1990, the process of forming the first Lithuanian government involved the establishment of 19 ministries by reorganizing a larger number of the Soviet ministries and abolishing all state committees. Our mapping showed a strong link between political changes of the governments after the parliamentary or presidential elections and the organizational structure of the government. Almost all changes to the organizational structure of the government were made within three months of appointing a new government (except the decision to abolish the Ministry of Public Administration Reforms and Local Authorities that was made by the Government no. 10 at the end of its political term). As a result of ministerial reorganizations, the number of Lithuanian ministries gradually decreased from 18 in 1990 to 13 in 2000.
Changes in the government structure prompted significant organizational changes at the agency level between 1990 and 2000. It was found that some of the organizational reforms were linked to the abolition and reorganization of the ministries, leading to the establishment of new government agencies or agencies under the ministries as well as changes in their name or subordination (Bakaveckas, 2008, p. 207). Mapping the agencies under the six ministries supported this finding by recording many changing events in the subordination and names of agencies (see Table 2 above). These agency-level changes can be explained by the preceding reform of their parent ministries.

To analyze the political influence of government changes on organizational changes at the agency level, we divided all Lithuanian governments into two groups: seven Lithuanian governments that came into power after a large change in parliamentary majority (Governments no. 1, 3, 5, 8, 11, 12, 15) and eight governments that started their terms after a small change in parliamentary majority (Governments no. 2, 4, 6, 7, 9, 10, 13, 14). The analysis of the mapping data (see Table 3 below) indicates a clear relation between the government and organizational changes, with the first group of governments making more intensive organizational changes (89 changes out of 133) after wholesale changes of governments compared to the second group of governments (44 changes). The interview program corroborated the importance of party influence on organizational changes. Several interviewees noted that agency reorganizations were sometimes initiated in order to force agency managers out of office.

**Table 3:** Relation between the government and organizational changes in Lithuania

<table>
<thead>
<tr>
<th>Government no. (Prime minister, term)</th>
<th>Number of changes in the agencies under the six selected ministries</th>
</tr>
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<tbody>
<tr>
<td><strong>Governments that came into power after a large change in parliamentary majority</strong></td>
<td></td>
</tr>
<tr>
<td>Government no. 1, 1990-1991 (Prunskienė)</td>
<td>4</td>
</tr>
<tr>
<td>Government no. 5, 1992-1993 (Lubys)</td>
<td>5</td>
</tr>
<tr>
<td>Government no. 8, 1996-1999 (Vagnorius)</td>
<td>19</td>
</tr>
<tr>
<td>Government no. 11, 2000-2001 (Paksas)</td>
<td>13</td>
</tr>
<tr>
<td>Government no. 12, 2001-2004 (Brazauskas)</td>
<td>27</td>
</tr>
<tr>
<td>Government no. 15, in office since 2008 (Kubilius)</td>
<td>11</td>
</tr>
<tr>
<td>Total number of organizational changes</td>
<td><strong>133</strong></td>
</tr>
<tr>
<td><strong>Governments that came into power after a small change in parliamentary majority</strong></td>
<td></td>
</tr>
<tr>
<td>Government no. 2, 1991-1991 (Šimėnas)</td>
<td>0</td>
</tr>
<tr>
<td>Government no. 4, 1992-1992 (Abišala)</td>
<td>2</td>
</tr>
<tr>
<td>Government no. 6, 1993-1996 (Šleževičius)</td>
<td>15</td>
</tr>
<tr>
<td>Government no. 7, 1996-1996 (Stankevičius)</td>
<td>4</td>
</tr>
<tr>
<td>Government no. 9, 1999-1999 (Paksas)</td>
<td>2</td>
</tr>
<tr>
<td>Government no. 10, 1999-2000 (Kubilius)</td>
<td>4</td>
</tr>
<tr>
<td>Government no. 13, 2004-2006 (Brazauskas)</td>
<td>12</td>
</tr>
<tr>
<td>Government no. 14, 2006-2008 (Kirkilas)</td>
<td>5</td>
</tr>
</tbody>
</table>

**Source:** The Institute of International Relations and Political Science, 2010
This section illustrated how major pendulum swings in governments prompted active organizational changes at the agency level in Lithuania, in line with our hypothesis no. 5. In contrast to the processes of transition and EU accession that contributed to the agency expansion, the impact of government changes on (de-)agencification is not straightforward. If these political changes produced a downward effect on the number of ministries in Lithuania, their effect at the agency level was the opposite (with more changes leading to expansion than contraction in the number of agencies).

3.4. The impact of public management reforms on (de-)agencification

In this section we analyze the impact of government-wide organizational reforms in the periods of 1999-2000, 2006-2008 and 2009-2010, affecting the Lithuanian agencies and other public sector organizations. They are associated with the functioning of advisory “Sunset” Commissions, whose purpose was to optimize the structure of public administration and reduce the number of public sector organizations and civil servants. The 1999-2000 (right-wing) Government implemented a few organizational reforms at the agency level based on the proposals of this Commission. For instance, following a complex reorganization of five organizations, two new regulatory agencies (the State Food and Veterinary Service and the State Non Food Products Inspectorate) were set up in 2000. Also, a single fisheries department under the Ministry of Agriculture was established following the reorganization of two separate fisheries departments. However, due to the short political term of this Government and other obstacles, some organizational reforms proposed by the “Sunset” Commission were not implemented (including reform of the government agencies) (Vilpišauskas and Nakrošis, 2003).

The establishment of the second “Sunset” Commission after the appointment of a new center-left coalition in 2006 revived organizational reforms. The main task of the 2006-2008 Commission was to review the functions of 99 public non-profit institutions. This review found that the public non-profit institutions often carried out functions unrelated to the provision of public services prescribed in the Law on Public Establishments and proposed some organizational changes. However, due to a lack of political support, the reform of these institutions was not successful; only two public non-profit institutions were abolished, while two others were merged into one budgetary institution by the end of 2008. The 2006-2008 Government also failed to implement other organizational reforms.

The 2008-2012 (center-right) Government initiated broad organizational reforms, whose purpose was to improve effectiveness of the government sector. These reforms affected all types of agencies and other public sector organizations. First, a few government agencies have been abolished or reorganized following their review in the third “Sunset” Commission in 2009. Second, reviews of the ministerial “Sunset” Commissions brought some changes (especially deaths and reorganizations) to the agencies under the ministries in 2010. Third, the merger of several business regulatory
agencies was ongoing in the areas of financial regulation and physical infrastructure in 2011. Fourth, it was sought to ensure more transparent and result-based management of public non-profit institutions and state-owned companies, whose owners and stakeholders are state institutions.

The mapping of organizational changes revealed the increased number of change events leading to agency contraction in the 2005-2010 period. In 2010, six such changes (two absorptions, three mergers, one death) were registered. According to the data from the Register of Civil Servants, the number of state and municipal institutions (including their territorial units) where the Civil Service Law is applied decreased from 848 (at the end of 2008) to 774 (at the end of 2010). A significant reduction in the number of these institutions is attributable to the abolition or reorganization of territorial units. For instance, 46 local labor exchanges were reorganized into ten territorial exchanges in 2010.

This evidence clearly shows that while all government-wide organizational reforms sought to reduce the number of agencies and other public sector organizations in Lithuania, only the 2009-2010 reforms produced a systemic downward impact on the number of these organizations, followed by a less significant impact of the 1999-2000 reforms, and a very limited impact of the 2006-2008 reforms that were implemented in the context of economic growth. This largely confirms our hypothesis no. 6 that in the context of economic crisis public management reforms should produce de-agencification according to the post-NPM model.

Also, it is important to emphasize the impact of government changes on public management reforms. Although all government-wide reforms occurred after the change of governments in 1999, 2006 or 2008, the more successful reforms were initiated by right-leaning political parties and their leaders in response to the economic crises that started in 1999 and 2009. Both the 1999-2000 and 2008-2012 Governments were dominated by the Homeland Union (the Lithuanian Conservatives) and led by the same Prime minister (A. Kubilius).

4. Explaining autonomy, control and innovation in the Lithuanian public sector organizations

4.1. Autonomy and control of the Lithuanian public sector organizations

Table 4 below summarizes the landscape of the Lithuanian public sector organizations in terms of different dimensions of level of autonomy and control. It suggests several generalizations. First, there is a considerable variation in terms of the level of autonomy and control. Second, the largest proportion of these organizations enjoys relatively high operational personnel management autonomy, while less than half of the organizations enjoy strategic personnel management autonomy. Although the rules regarding the remuneration, promotion, appraisal, appointment and dismissal of the civil servants are set by the Civil Service Law, the organizations have some discretion in applying these rules. The variation in the level of strategic personnel management autonomy reflects the fact that some public sector organizations are
not regulated by the Civil Service Law. Third, around half of organizations have freedom in managing financial resources and in the choice of policy instruments. Lastly, while the results of most organizations are systemically monitored by an external agent, less than half of the organizations reported that they face sanctions or rewards linked with (under)-performance. This implies that overall the ex post control is not widespread. This, however, may change in the future: in reaction to the economic crisis, over the past few years the Lithuanian government has considerably strengthened the ex post control of public enterprises and non-profit organizations. One of the most recent initiatives, which linked the salaries of agency managers with their performance results (up to 50% of their non-fixed salary depends on the achievement of performance targets set by parent ministries), was not captured by the COBRA survey carried out in 2008. However, since the capacity of ministries to set and monitor the achievement of quantitative targets is limited, the implementation of performance-related pay could have been ineffective in the public sector.

Table 4: The level of autonomy and control of the Lithuanian public sector organizations

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Assessment</th>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td><strong>Ex ante autonomy</strong></td>
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</table>
| Strategic personnel management autonomy | Less than a half of the organizations enjoy strategic personnel management autonomy | 28% of organizations can autonomously set rules and regulations regarding level of salaries  
49% of organizations can autonomously set rules and regulations regarding promotions  
41% of organizations can autonomously set rules and regulations regarding appointment  
38% of organizations can autonomously set rules and regulations regarding dismissal |
| Operational personnel management autonomy | High in a majority of the organizations       | 59% of organizations that can autonomously make decisions regarding the level of salary of a specific employee  
86% of organizations that can autonomously make decisions regarding decision of a specific employee  
92% of organizations that can autonomously make decisions regarding appointment of a specific employee  
92% of organizations that can autonomously make decisions regarding dismissal of a specific employee |
| Financial management autonomy           | Enjoyed by more than a half of the organizations | 56% of the surveyed organizations can autonomously set tariffs, take loans, shift the budgets between personnel and running costs                                                                                                                                             |
| Autonomy in choice of policy instruments | Enjoyed by more than a half of the organizations | 59% of the surveyed organizations can make decisions regarding the choice of policy instruments autonomously or only with minor restrictions.                                                                                                                                 |
| **Ex post control**                     |                                                |                                                                                                                                                                                                                                                                                                                                         |
| Evaluation of results                   | Widespread                                     | 97% of the surveyed organizations argue that their results are evaluated by the parent ministry, the organization itself or a third party                                                                                                                                                                                                   |
| Sanctions and awards linked with performance | Only in rare instances                      | 70% of the organizations do not receive rewards in the case of good performance, and 65% do not face sanctions, if their performance failed to meet the objectives or expectations                                                                                                                                               |

Source: Results of the 2008 COBRA survey
How can one explain this mix of *ex ante* autonomy and *ex post* control? Nakrošis and Martinaitis (2009) tested whether the formal autonomy of the Lithuanian organizations corresponds to their actual autonomy and control – as an acknowledgment to the fact that Lithuania belongs to the tradition of continental public administration. Empirical tests largely supported the hypothesis no. 7 presented in the second section of this article. There is a statistically significant and strong correlation between the level of formal autonomy and the levels of actual strategic personnel management autonomy. This implies that the Lithuanian civil service authorities are strongly bound by the central rules of personnel management. However, the level of formal autonomy does not explain differences in other dimensions of autonomy (operational personnel management and financial autonomy as well as autonomy in the choice of policy instruments). Similarly, there is no statistically significant relationship between the type of organization and the level of *ex post* control.

The qualitative evidence from the case studies suggests that the divergent levels of autonomy in terms of choice of policy instruments, financial autonomy and *ex post* control tend to fluctuate and depend on the political salience, which is in line with our hypothesis no. 8. The study of four EU support agencies found that, in spite of their different legal statuses, all agencies face high *ex post* control and low financial autonomy. This stems from the fact that the agencies are financed through their parent ministries and they operate in a politically salient area. Also, strong control of the EU support agencies is associated with the imposition of some control instruments from the supranational level.

The study of two regulatory agencies (CRA and the Competition Council) provided similar conclusions. In the late 1990s, the issue of prices for land line telecommunications services entered the macro-political arena, which forced the government to take direct control over regulatory issues. After the issue lost political salience, CRA enjoyed considerably higher levels of autonomy and lower *ex post* control. The story of the Competition Council is also very similar: whenever competition issues enter a political arena (especially after allegations of cartel agreements), the level of autonomy of Competition Council decreases and *ex post* control increases. The exit of anti-trust issues from the macro-political arena produces the opposite effect.

Nakrošis and Martinaitis (2009) tested whether the EU had an impact on the levels of autonomy and *ex post* control of the Lithuanian public sector organizations. The quantitative analysis of the data from COBRA survey revealed that there is no systemic relationship between the dependent variables and the role of the EU in establishing the organizations. This finding refuted the expectation that during the accession process the EU managed to successfully export an NPM-based normative model of organizational design on a government-wide basis.

The results of the case studies also largely support this finding, but indicate that the situation is more nuanced. During the critical junctures that lead to the birth of public sector organizations, the influence of the EU on organizational design is rather low. Instead, the levels of autonomy and control of newly born organizations
result from the resolution of temporal political conflicts and deadlocks. One of the exceptions is the establishment of NPA based on the EU’s template of an accredited paying and implementing agency in the area of agricultural policy.

Once an organization is set-up, the EU (in some instances) does exert pressure on the national government to safeguard the organizational autonomy. The study of regulatory agencies clearly showed that in addition to normative pressure, the EU also takes legal actions to safeguard the autonomy of CRA. Also, the EU is actively involved in the ex post control of the EU support agencies through regular audit and monitoring. These trends, however, are limited only to some regulatory or implementation agencies. Analysis of the Competition Council and the Information Society Development Committee in the case studies did not find any influence of the EU on their level of autonomy and control.

Therefore, our hypothesis no. 9 is largely not correct. The influence of the EU is confined to a limited set of the Lithuanian agencies, which operate in supranational policy fields related to smooth operation of the single market or where the EU has exclusive policy competences (especially the CAP).

4.2. Innovations in the Lithuanian public sector organizations

Finally, does the variation in the level of autonomy and control of organizations affect their performance? The NPM doctrine argues that these two groups of variables should be connected: high levels of ex ante autonomy should empower managers to strive for performance and adopt innovations, while high ex post control should provide the incentives to innovate. Since it is problematic to adequately assess the level of performance of organizations, we analyzed whether higher autonomy and control are related with the adoption of the following innovative management techniques: automation of processes with the help of IT, initiatives aimed at increasing efficiency and effectiveness of implementation through the redesign of internal processes, generation of new knowledge through applied research and evaluations and the adoption of quality management systems (Martinaitis and Nakrošis, 2009).

The main finding of quantitative analysis of the COBRA data is that adoption of the said innovations is not systemically related with the levels of autonomy and control. Instead, innovative behavior is strongly correlated with the size (in terms of staff and budget) of organizations and with participation in networks that include international organizations or the EU (interestingly, there is no such statistically significant correlation with participation in networks that include national stakeholders). Hence, in line with the post-NPM model, Martinaitis and Nakrošis (2009) concluded that larger organizations have more financial and human resources than the smaller ones and, as a result of stronger structural capacities, tend to introduce innovations more frequently. Furthermore, we found that networks involving international actors (including the EU bodies) seem to favor innovative behavior.

The case studies support these findings. Large organizations (such as the State Tax Inspectorate under the Ministry of Finance) tend to be pioneers in developing
e-governance tools. Relatively rich organizations (for example CRA, whose income systematically exceeds its expenditures, or a few EU support agencies, which generate income from activities outside their core competence) tend to be at the forefront in adopting innovative techniques. In comparison, the small organizations argue that, in addition to the lack of resources and capacities, they face weaker pressures to innovate, since the management of a small organization does not require sophisticated management techniques. The case studies also found that participation in the EU-sponsored networks facilitates innovation through normative pressure (usually expressed in regular reports and joint meetings) to meet agreed standards and through sharing of best practices in the field.

Therefore, while our hypothesis no. 10 is not correct, the hypothesis no. 11 is supported by the results of the COBRA survey and the case studies.

5. Conclusions

Since the re-establishment of Lithuania’s independence, the processes of transition and accession to the EU produced a fast expansion in the number of agencies and other public sector organizations. In the 1990-2004 period, many new organizations were established in order to implement new or reorganized functions of the democratic state, market economy and the EU Member State. The EU’s impact on Lithuania’s agencification was particularly pronounced in the area of the single market and such distributive policies as the CAP and the Cohesion Policy. Together with other CEE countries, Lithuania was among the leaders of agencification in the 1990s and early 2000s. The dynamics of Lithuania’s agencification was affected by the adoption of new legislation and sectoral policy decisions rather than the deregulation of government under the NPM reforms as in Western democracies.

The economic crisis and the appointment of right-wing governments brought the need to reform the fragmented and inefficient structure of Lithuanian public administration. Some organizational reforms at the agency level were initiated by the 1999-2000 Government amid the economic downturn caused by the 1998 Russian financial crisis. At the end of 2008, the same combination of the new economic crisis and the appointment of the new government marked the adoption of wide public management reforms, leading to considerable downsizing of the agency landscape in the post-NPM form of agency deaths, absorptions and mergers.

These factors point to the “normalization” of Lithuania’s agencification since the end of 2008. After Lithuania’s accession to the EU, its agenda of organizational reform has become more similar to that of Western democracies. While domestic factors (especially public management reforms) are likely to drive Lithuania’s agencification in the future, major structural changes to the Lithuanian agencies remain possible after a large change in parliamentary majority. For instance, a major pendulum swing in government is expected at the end of 2012, when the current government coalition could be fully replaced by a new coalition from the other side of the political spectrum.
The analysis of the organizational design of Lithuanian public sector organizations revealed that there is a considerable variation in terms of organizational autonomy and control. This is explained by several factors. First, the management of different types of Lithuanian public sector organizations is regulated by different legal acts. Hence, the level of strategic personnel management autonomy highly correlates with the formal level of autonomy. The latter, however, fails to explain other aspects of autonomy and control. Second, we found that the level of autonomy and control fluctuates – it depends on policy salience of the issues that fall under the competence of a specific organization. If the issue reaches macro-political arena, the organization that deals with this problem witnesses a reduction in autonomy and an increase in control. When the issue loses a political importance, the autonomy increases and control decreases. Third, the EU did not have a systemic effect on the design of organizations that were established as a result of accession. However, after the Lithuania joined the EU, the European Commission exerted normative and legal pressure on the government to safeguard the independence of regulators working in the area of the single market, and actively controlled the performance of the EU support agencies on the *ex post* basis. Similar trends were not reported in other policy sectors.

Lastly, the analysis shows that the level of autonomy and control (as an independent variable) does not have a systemic effect on the propensity of organizations to adopt innovative management techniques. Hence, the NPM argument – high autonomy and control should lead to innovations – does not have empirical support in the case of Lithuania. Instead, we found that in line with the post-NPM ideas, structural capacities and participation in networks have a strong impact on innovative behavior of the Lithuanian public sector organizations.

**References:**


