

New Public Management and its Implementation in CEE: What Do we Know and where Do we Go?¹

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Introduction

The global (or even systematic?) crisis that visibly started in 2009 in the form of the financial crisis in the USA, creates new challenges for all national and supranational governments. States need to react effectively to existing global and local problems, not only with short-term anti-crisis measures, but especially with long-term strategies, including a further revitalization of their public administration systems.

In mid-2010, it is already detectable (in Greece, but also many countries in our region) that the sustainability of the public finance will be one core target to be achieved. Two options are available – simple cost cutting (as the “bad” choice) or improving efficiency and effectiveness of any governmental actions (we feel that this is the way forward).

Many difficult changes “lie ahead” in the situation when many authors still feel that public administration reforms in the CEE region represent “unfinished or recently started stories” (even though many governments use a different rhetoric!). Unfinished (especially “performance”) changes and the so-called “post-accession crisis” (slowing or even reverting needed changes almost everywhere in new EU member states), combined with new “crisis challenges”, create a really difficult environment and risk for future progress.

However, compared to the phase after 1989, the chance to react properly is much higher. The more developed CEE states are now in a better position. The transformation from “socialism” to “capitalism” was a unique process without any previous experience from change of this kind, and mistakes were unavoidable (just their scale was partly manageable). Now, when we need to react to new challenges,

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the local intellectual capacity was (at least partly) created (also on the basis of more than twenty years' worth of experience with transformation and international experience) and evidence was collected. Progressive governments (do we have those in the CEE region?) now have the chance to respond to new challenges by evidence-based reform policies.

Our paper tries to provide one specific input for future evidence-based public policies in CEE. It discusses the role of New Public Management (NPM) in our region, with the focus on the new CEE EU members and their experience. NPM was, with very limited success, used in many developed countries at the end of last century. It was also part of several reforms, at least in some CEE countries. It may be "misused" for simple cost-cutting, but it may also be well used for better efficiency in the near future of public finance crises. The issue – our core question – is very simple:

How to understand: "Adieu NPM"?

1. New Public Management and CEE public administration reforms³

This brief introductory part of our paper summarizes findings from a recent NISPACEE project (Bouckaert et al. 2009) concerning the NPM contents of reforms. Even though the pre-accession period was very much connected to capacity-building, where both "classic" public-management-reform measures and "CEE-specific measures" – such as fine-tuning or legal-structural retrenchment of existing institutions, improving the bureaucratic workflow and control in administrative organizations – and measures to achieve the EU conformity of certain institutions or policies were realized, important differences are visible.

To describe the situation, we can use Coombes and Verheijen (1997) and Pollitt and Bouckaert's (2000) classification of reforms – these two classifications have the same basis and can be simplified as follows:

1. Radical public management type of reform
2. Mixed type of reform
3. Incremental reforms

If we exclude Eastern European countries, where reforms are still in their early phase making any attempts to label them both difficult and preliminary, the situation in the rest of the countries seems to be as follows (Table 1):

3 The main basis for this part is the author's text published in the NISPACEE book *Public Management Reforms in Central and Eastern Europe* (2009)

Table 1
Classification of reforms in Central Europe

Country	Reform type
Czech Republic	In the Czech Republic, incremental and legalistic reforms dominated during the entire evaluated period. There were few management reforms after 2000. The "Conception of public administration reform" from 1999 was planned for complex changes, but only administrative measures were really implemented. New liberal government elected in 2006 tried to propose NPM changes, but does not have real power to implement them.
Estonia	Estonian reforms seem to be the most radical and NPM-based. One of the main challenges in Estonia has been posed by the desire to jump straight into having modern management systems without previously establishing a solid basis – the classical hierarchically-structured public administration. The central aim in Estonian public administration has not been to build a solid ground for democracy but to improve the efficiency of public institutions. Yet, as a consequence of the policies adopted by successive neo-liberal governments, the underlying theme behind government reform initiatives has been decreasing the role of the state. Such an anti-state attitude has contributed to the development of ideas based on the minimal state.
Hungary	Hungarian reforms can be characterized as adhering to the mixed model, starting from a dominantly incremental and legalistic reform approach at the beginning of nineties, slowly changing to the mixed type with a radical NPM switch in the post-2006 period. Current NPM changes focus on two central elements – downsizing (including a radical decrease in civil-service employment – on the territorial and local levels this was well in the two-digit range, in some cases possibly even achieving 30 to 50 percent) and radical reform of the human resource management system.
Latvia	Latvian reforms can also be characterized as the mixed model from its beginning to the current reform activities. Several NPM types of reform changes were implemented, especially in the later phases of reforming the public-administration system, but NPM never dominated reform strategies.
Lithuania	The country report suggests that Lithuania appears to reach a second category (mixed model) of states called "modernizers" according to the classification by Pollitt and Bouckaert (2000). In the pre-accession period, Lithuanian public-management reform was characterized by ad-hoc and sectoral efforts. The first two attempts for comprehensive reform, which were undertaken by the Ministry of Public Administration Reforms and Local Authorities in 1995 and 1997, were not successful. More intensive competition over NPM-type reforms started only in the post-accession period.
Poland	Poland is the typical representative of the prevailing legalistic approach to the reforms, and it can be allotted to the third (incremental changes) group of reforms countries. Poland is continuously reorganizing management systems in the public sector. New Public Management had a limited impact on the Polish administration by providing ideas and demands for recognition of the need to modernize the Polish administration and at the same time reducing its size.
Romania	The information from the country report suggests that Romania lies somewhere between groups two and three. Each government after the 1989 revolution has had reforming public administration on its agenda. Though the concept of public management has not always intertwined with the reform of public administration, some new managerial ideas, such as the use of contractualization, strategic management and planning, performance-measurement systems, reform networks, etc., were included in reform packages.
Slovakia	Regarding the whole investigated period, Slovakia represents the mixed ("modernizers") approach, but a deeper analysis may distinguish between three main phases. Before 2003, the reform was dominantly incremental and legalistic, with few NPM ideas realized. During the second legislation of liberal prime minister Dzurinda's government (2003–2006), radical NPM changes were realized, such as massive decentralization and introducing performance-financing schemes. New prime minister Fico's coalition, in power from 2006, returns to the ideas of a powerful state dominating in the system of delivery of public functions.

Source: Bouckaert et al. 2009

The table indicates that the “weight” of NPM was very different in the reforms. Clearly Estonia is the country from the sample where NPM ideas have prevailed in various public-administration reform concepts and strategies originating in the second half of the 1990s. Massive privatizations have led to the selling-off of strategic enterprises, such as railways (in 2001 until their re-nationalization in 2007), or crucial services, such as emergency medical aid, without much public discourse or market-testing. Czechia seems to represent the other pole, still reluctant to measures of marketizing the public sector.

2. Did NPM “deliver”: What do we know?

In this part, we briefly analyze the existing experience with NPM implementation in CEE regions. On the country level, we use the example of Estonia for a brief evaluation, then we discuss in detail impacts from the use of different NPM-type mechanisms in selected CEE countries.

Estonian reforms were heavily based on NPM approaches. From two choices – legalistic reforms led by German PA experts in the country (Drechsler 2001) or radical NPM changes –, it selected the second option. Already after few years, the best PA experts in the country (Drechsler, Randma-Liiv, Kattel and others) started to provide important warnings in connection with non-critical implementation of NPM ideas. Today Estonia, which was the main proponent at the beginning, belongs to the “strong opposers” of NPM-based reforms. Not only the opinion of the academic society is clear now (Drechsler 2005, Randma-Liiv 2008, Drechsler and Kattel 2008), but also the government recognized important failures. Such change is a clear expression of the fact that expectations connected with NPM reforms in the country were not fulfilled. Slovak experience with decentralization reforms provides a similar picture. With respect to the existing experience, the lesson from/for the “macro-level” is self-evident:

Overestimating the role of NPM, implementing NPM as the reform ideology and main goal when reforming administrative systems in transitional countries, is an evident mistake.

We should also add, not on the basis of our research, but on the basis of conclusions drawn by most important PA “gurus” (Pollitt, Bouckaert, Lane, Peters and others):

NPM strategies did not work as expected in developed “Western” democracies either; delivered some success but also many failures, and their general impact (positive or negative?) on PA development is really difficult to verify.

2.1 Selected experience with NPM approaches/mechanisms/tools

In this part, we try to provide some evidence about results from implementing NPM techniques in CEE, dominantly using the evidence from the Czech and Slovak Republics. The main focus will be contracting, outsourcing and performance evaluation and management, where we already collected a large amount of direct data; other areas provide similar lessons.

Contracting local public services

Contracting local public services is a very frequent delivery solution in CEE. Several experts deal with the issue (Péteri and Horvath 2001 and Zoltán 1996 for Hungary, Pavel 2006 and Ochrana et al. 2007 for the Czech Republic, Tönnisson and Wilson 2007 for Estonia and Setnikar-Cankar et al. 2009 for Slovenia), and their results are very similar. We use Slovak and Czech data, partly benchmarked to the Estonia situation.

The data in Table 2 are a clear example of the situation; the availability of more limits the risk of interpretation mistakes.

Table 2
The scale of contracting in Slovakia

Service	2001	2005	2006	2008/I	2008/II	2009
Waste	49	64	69	80	56	80
Cemeteries	27	12	16	13	35	13
Public green	16	18	33	14	38	6
Maintenance of local communications	21	41	45	38	37	55
Public lighting	30	35	40	39	49	38

Source: own research, Transparency International Slovakia 2006, 2008

The main results from contracting should be a stronger economy for the same quality or slightly higher costs for much better quality. Both dimensions have been checked for Slovak conditions. The data provided by Meričková (2006), Sičáková-Beblavá and Beblavý (2007) and other authors indicate that there are no major differences in the quality of the delivered services; thus we can focus on economy.

Table 3 indicates that there is no general trend on unit costs, when we compare internal and external forms of delivery. Data differ between sources and municipalities and are not very reliable, either. Costs for internal delivery solutions are underestimated; normally they do not include depreciations, overheads and transaction

costs. In such conditions, external delivery costs below, let us say, 125 % of internal delivery costs may still represent an economical decision.

Table 3

Costs for external delivery of local public services per inhabitant in Slovakia
(internal = 100 %)

Service	2001	2005	2006	2008	2009
Waste	94	94	125	184	60
Cemeteries	64	13	67	146	66
Public green	82	192	150	151	133
Maintenance of local communications	70	109	119	114	104
Public lighting	100	138	128	156	127

Source: own research, Transparency International Slovakia 2006

Two connected issues need to be mentioned – limited results may be caused by non-competitive selections of suppliers, and the differences between unit costs in municipalities of the same size are too high. Table 4 provides evidence for the first problem (no answer usually means direct award).

Table 4

Selection of an external supplier for local public services

Method of selection	2001	2005	2006	2008	2009
Open tender	16	17	27	32	17
Restricted tender	5	0	5	3	14
Negotiations	0	13	30	0	7
Price bid	0	0	0	25	4
Direct award	31	17	38	30	11
Municipality did not answer	48	55	–	25	66

Source: own research, Transparency International Slovakia 2006

The problem of too large differences for similar conditions was very visible especially at the beginning of our research, but still remains (Pavel 2009b, Majlingova and Sagat, 2006). In some cases, municipalities pay more than 100 % of the costs for a service in similar conditions. This situation also persists because regular

performance benchmarking is not the rule in Slovakia, Czechia, but also most of other CEE countries.

Outsourcing of supportive services in public organizations

Outsourcing of supportive services is a less frequently investigated issue, but existing data show that it is also a relatively frequent solution in CEE. Table 5 provides older data for the Czech Republic (more recent research in Slovakia shows similar patterns, see Meričková 2006).

Table 5

Frequency of use of contracting-out of supportive services – the Czech Republic, 2000 (figures describe number of organizations)

Type of organization	Services contracted-out					
	Cleaning	Catering	IT systems	Accounting	Legal services	Other
Educational bodies – total 11 organizations	1	2	0	1	0	2
Hospitals – total 4 organizations	3	1	0	0	0	4
Culture – total 5 organizations	2	0	1	0	1	2
Local government offices – total 17 org.	3	0	4	2	6	1
State administration offices – total 19 org.	9	0	0	1	0	1

Source: own research

The outcomes of outsourcing began to be investigated only recently, and our own data for Slovakia provide a very “bad” picture. Because data obtained via questionnaires are not and cannot be reliable, we conducted direct research in two selected organizations (municipality and administrative body) in Slovakia in 2009. The results are depressive – of 10 investigated decisions all 10 were non-economical. The most apparent problems were connected with internal transport, internal catering and external IT maintenance.

Program (performance) budgeting and performance evaluation and financing

Alongside Estonia, Slovakia is the country where performance tools were introduced on a large scale. In this part, we will describe Slovakian selected experience.

Program performance budgeting

Slovakia began with a full-accrual medium-term program and performance budgeting at the national level from 2005 (legal basis created in 2004), and beginning in 2010, this method will also be applied at the municipal level.

In theory (Ochrana 2003), program performance budgeting is a crucial budgeting tool, because it helps linking inputs to outputs, outcomes and results, and, if properly implemented (or with some time delay), it can significantly increase “value for money” from public expenditure. This approach was also recommended by the EU (Allen and Tomassi 2001).

The reality in Slovakia is different. The current situation clearly shows that if program performance budgeting is implemented by top-down orders and in a bureaucratic way, it cannot deliver results but just increases costs. As of today, program goals are formulated similarly to the rhetoric from the past; indicators and targets are formal or missing completely. We provide the Ministry of Health’s selected sub-program (most of the others were similar) from the 2009 budget as an example of bad practice:

Program: Prevention and protection of health

Sub-program: Improving quality of life and health of population

Goal: Improving and securing the health status of inhabitants by the realization of projects focusing on better natural and working environment.

Planned resources: not defined

Indicator: yes

Performance financing and its pervasive effects

In this part, we will also use the Slovak facts as an example, namely for performance financing of universities. Another similar case is the Czech Republic – performance (public schools) and fee financing (private schools) plus demographic trends are main factors of an interesting situation in which high schools may soon be ready to accept about 90 % of the population, which is simply too much.

The revenues of universities in Slovakia consist of two main sources – public grants/transfers (80–90 %) and the universities’ own incomes. For the allocation of public grants, the Slovak Republic uses almost to 100 % a formula-based performance financing system. The system is as follows:

Program: University education, science and social support to students

- subprogram University education → Grant to finance accredited study programs

- subprogram University science and technique → Grant to finance research and development
- subprogram Universities' development → Grant to finance development needs
- subprogram Social support for students → Grant to provide support to students
- subprogram Targeted transfers

Source: <http://www.minedu.sk/FaR/FINVS/finvs.htm>

As indicated, public transfers represent the main source of income for Slovak universities and developed as described by Table 6.

Table 6
Public transfers to public universities 2002–2006 (mil. Sk, current prices)

	2002		2003		2004		2005		2006	
Grant to finance study programs	5825	78.3 %	6660	80.1 %	7460	79 %	8023	77.5 %	8745	76 %
Grant to finance research & development	584	7.9 %	638	7.7 %	948	9.1 %	1066	10.3 %	1119	9.7 %
Grant to finance development needs	378	5.1 %	370	4.4 %	330	3.5 %	450	4.3 %	500	4.3 %
Grant to provide support to students	648	8.7 %	650	7.8 %	700	7.4 %	810	7.8 %	1150	10 %
Total	7435	–	8318	–	9438	–	10349	–	11514	–

Source: www.minedu.sk

The expectation was that the allocation formula would motivate schools to focus on quality and not so much on the number of students. The reality was completely different; all schools reacted by a significant increase of newly accepted students (Table 7), which might be a positive fact in itself, but because the total amount of allocated resources increases very slowly, marginally “faster” than inflation, the outcome is tragic: the grant per student decreased significantly during the last 5 years. The “performance trap” was established. With less unit resources, the quality was sacrificed (well documented by the national ranking agency ARRA). The government reacted ex-post and started to increase the weight of scientific results in the formula (from 5 % at the beginning to 40 % today).

Table 7
Number of newly accepted students in Slovakia

	1990/91	1995/96	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
New full-time students	13,404	20,809	24,279	24,270	26,974	24,150	32,488	35,542
% of new full time students from 18 (19)-year-old population	15.9 %	21.8 %	27.2 %	27.2 %	30.4 %	27.2 %	36.7 %	41.3 %
New part-time students	1,868	3,881	9,665	12,763	8,057	15,057	15,718	17,254
Total	15,272	24,690	33,944	37,033	35,031	39,207	48,206	52,796

Source: www.minedu.sk

The explanation of purposes for significant increase of newly accepted students is simple. The management of a university was allowed to maximize the level of the public grant by maximizing the number of accepted students. This also really happened. The only open question is: was this planning mistake by the government intentional or caused by the lack of experience?

2.2 Selected experience with NPM approaches/mechanisms/tools: Conclusions

On the basis of the above analysis, supported by similar findings of other experts in the same or different areas, we may conclude the following:

Results from the use of concrete NPM-type tools and mechanisms are significantly different [by instruments used and by countries] and depend on concrete local conditions and the environment.

The implementation of any NPM mechanism shall be deeply investigated for pervasive effects and other dysfunction "ex-ante". Ex-post corrections are costly, if they are possible at all.

3. Possible explanations

As already indicated, several analyses (e.g. Pollitt and Bouckaert 2000 and 2004, Lane 2000) clearly indicate that NPM strategies are not just positive multidimensional tools and that NPM as the simple dominating ideology was not the best basis for public-sector reforms anywhere. This is the general lesson, almost fully accepted by academia today.

In the following text, we first provide important statements and then discuss selected explanations why NPM was less successful in the CEE region compared to more developed states.

“NPM is particularly bad if pushed upon transition and development countries because if it can make any sense, then it is only in an environment of a well-functioning democratic administrative tradition” (Drechsler 2005, 101).

“The greater the shortcomings in a country’s established management practices, the less suitable are the [NPM] reforms” (Schick 1998, 124).

“Once a so-called Weberian administrative system is institutionalized, then it may make sense to consider how best to move from that system towards a more ‘modern’ system of PA” (Peters 2001, 176).

“Importing NPM techniques that needed to improve Weberian bureaucracies when these were not present, and simultaneously building classical checks and balances was a tough reality. Reforming in such a case sometimes was organizing dysfunctions” (Nakrosis and Nemec, unpublished).

3.1 What was missing, what was and is different in CEE?

The use of NPM in transitional countries, to be successful – to deliver positive outcomes and impacts – has to reflect specific “transitional” circumstances, which may limit the possible positive impacts of NPM for reforming public sectors and exaggerate its negative features. The following text provides examples of the main region-specific features that clearly limit the (already controversial) positive potential of NPM use.

Competitiveness and business strategies

The early phases of transformation from a command economy to the market system are clearly characterized by the fact that even potentially competitive markets in transitive countries were not well developed, dominated by monopolistic or oligopolistic structures and behaviors. Given this, it is rather optimistic to expect that competition may help to improve the performance of the public sector: one of the main arguments for NPM’s competitive arrangements are cost-savings as a result of competition.

One example of an unsuccessful attempt to use competition to regulate public service are the failures of the first stages of health reforms in Slovakia and the Czech Republic. Both countries switched from a general taxation system to a pluralistic

health-insurance system too early (1993). Many health-insurance companies were established, most of which collapsed soon, creating just extra transactions costs and no benefits for the system. When financial markets do not function, pluralistic insurance cannot deliver (Nemec and Lawson 2005).

Did the situation improve? Can public bodies get enough competitive bids? Is the private sector ready to compete and co-operate with government today? We feel that the responses will not be solely positive. Certainly, the situation improved. However, the business environment in most CEE countries is still far from perfect. According to our opinion (and that of others), short-term profit strategies prevail while fair long-term business strategies are still rare. One example from our research may support these statements.

The city of Michalovce in Slovakia organized seven large-scale procurements in 2009. The average weighted number of bids (for financial amounts) per one invitation was 1.1. We cannot prove that this is just the result of the low level of competitiveness; intentionally discriminatory formulated tender conditions may deliver the same result, but at least it is a clear example that competition is not present. If the failure is caused by the city management, why does (fair!) business not complain?

Democracy, citizen as watchdog for government's malfunctions

The expectations at the beginning of the transformation were optimistic, but today we know well that democratic institutions and norms were not fully developed in CEE during the period of transformation, which lasted twenty years. The structures exist, but the behavior is "semi-socialist".

Table 8
Opinions of citizen – selected CEE states

Country	Agreement with pluralistic democracy		Agreement with market economy		People worse off than in communism	
	1991	2009	1991	2009	Better	The same or worse
East Germany	91	85	86	82	x	x
Czech Republic	80	80	87	79	45	51
Slovakia	70	71	69	66	29	66
Poland	66	70	80	71	47	47
Hungary	74	56	80	46	8	88
Lithuania	75	55	76	50	23	63
Bulgaria	76	52	73	53	13	80

Source:

Two Decades After the Wall's Fall. The Pew Global Attitudes Project. www.pewglobal.org

A lot of research on attitudes, disillusion and norms was realized in connection with the twenty years from the changes in 1989. Their results are not very positive for any NPM attempts (Tables 8 and 9).

Table 9
The three most critical problems (%)

Country	Corruption	Criminality	Drugs
East Germany	x	47	50
Czech Republic	71	55	51
Slovakia	52	55	46
Poland	58	49	49
Hungary	76	69	x
Lithuania	78	76	66
Bulgaria	76	76	74

Source:

Two Decades After the Wall's Fall. The Pew Global Attitudes Project. www.pewglobal.org

A lack of sense of individual responsibility, paternalism and fiscal illusion remain important features of citizens' behavior. For example in Slovakia, 67 % of respondents believe that their problems need to be solved by the state (Bunčák et al. 2009). In the Czech Republic, the issue of co-payments in health care significantly influenced regional elections in 2009; social democrats used their introduction as a main fighting tool against the governing party – people still feel that “there is a free lunch”.

In these conditions, the rent-seeking behavior of politicians and bureaucrats is fully effective (from an economic point of view) as the simplest way to maximize individual benefits, at least from a short-term perspective.

On the other hand, we need to stress that rent-seeking strategies will be realized independently of the presence of NPM measures. The service may be outsourced to relatives or friends, but it can also be channeled internally (Beblavý and Sičáková-Beblavá 2006). Our data about the costs of local public services clearly support this statement.

“Quality of the state of law”

The possible success of NPM is also connected with the “quality of the state of law”. The state is switching from the role of the provider to a regulatory function: such a change is impossible (technically possible, but cannot deliver results) in conditions where the regulation and guidelines do not exist and where the law is not respected.

As of today, we can find too much evidence that respecting the law is not the rule for governmental officials and not required by citizens. In CEE, a minister can publicly say: “I know that the Law was not respected by our action. However, the fine is just a transfer from one state pocket to another, we need not care. And we have fire engines, which is most important” (simplified statement of the Slovak Minister of Interior, commenting on the breach of the public procurement law in 2005), and nobody cares: party preferences remain unchanged.

Many difficult NPM instruments are introduced without having any explanations, recommendations and guidelines for users available. Some countries have public procurement offices, for example, but if we check their web pages for standard templates, guidelines and other navigation, too few might be found – very poor results after more than 15 years of passing the first procurement laws. Navigation on the implementation of NPM techniques like outsourcing, contracting and benchmarking is almost invisible on the government’s web pages. And even if some navigation does exist – as for the PPP projects that are very popular today – it also includes apparent mistakes (such as the ideas that PPP is the tool with which to react to the lack of public resources or that PPP starts only today).

The effective use of NPM tools should be based on data and evidence. These are almost not available. For example, only recently countries started to switch to accrual accounting rules, but this is still not enough: full cost accounting might be found only in a very small sample of public organizations (universities, hospitals).

The effective use of NPM tools needs also to be supported by new control and audit approaches, focusing both on legality and results. However, the current systems of public sector control/auditing in use in most if not all CEE countries predominantly belong to the old-fashioned administrative procedural type of control. New laws on financial control were passed by national parliaments under pressure from Brussels, but in reality, effective mechanisms to control/audit real efficiency, economy and effectiveness and quality of public-sector institutions and processes are still not in place (Pavel 2009b).

Territorial fragmentation

Several CEE countries “suffer” from extreme territorial administrative fragmentation (Table 10). “Classic” examples are Slovakia, which has only 5.5 million inhabitants, but almost 2,900 municipalities, 68 % of which with less than a thousand inhabitants, and the Czech Republic with almost 10 million inhabitants, but close to 6,000 municipalities, 80 % of which with under a thousand inhabitants (see also Table 10).

According to Davey (2002, 35), such municipalities struggle with large implementation deficits: “Reform programs are challenged by the inability of such communities to provide administrative and financial capacity, and the scale economics and catchment areas necessary for essential services”. For this reason, we feel that

territorial fragmentation, in the absence of effective inter-municipal co-operation, may also be an explanatory factor in accounting for the differences between Estonia and Czechia and Slovakia.

Table 10
Average size of municipalities in selected CEE countries

Country	% of municipalities below 1000 inhabitants	Average population of municipality	Average area of municipality (m ²)
Bulgaria	0	35,000	432
Poland	0	16,000	130
Hungary	54	3,300	32
Slovakia	68	1,900	17
Czech Republic	80	1,700	13

Source: Davey 2002, 36

Corruption

It is difficult to measure corruption. Probably the most frequently used Transparency International CPI indexes describe opinions about corruption and do not measure it directly. Many methodologies are sensitive to the level of awareness – when respondents become more aware about the problem, results worsen. In any case, the risk of corruption in CEE is relatively high. We provide one set of data as an example (Table 11).

Table 11
Indicators of corruption in selected CEE countries

Country	Year	Observations	A	J	K	L	M
Czech Republic	2002	182	35.93	26.58	1.21	14.29	...
Czech Republic	2005	208	29.73	36.82	1.98	25.49	...
Czech Republic	2009	250	8.73	30.31	1.49	25.12	35.15
Estonia	2002	134	35.14	24.76	1.04	4.58	...
Estonia	2005	172	18.31	7.97	0.18	3.68	...
Estonia	2009	273	1.60	0.28	0.00	5.43	66.45
Slovakia	2002	110	64.44	56.18	3.35	32.04	...
Slovakia	2005	143	35.87	38.20	2.02	13.64	...
Slovakia	2009	275	11.63	23.06	2.31	33.11	20.67

Source: <http://www.enterprisesurveys.org/>

A: % of firms expected to pay informal payment to public officials (to get things done)

J: % of firms expected to give gifts to secure a government contract

K: value of gift expected to secure government contract (% of contract)

L: % of firms identifying corruption as a major constraint

M: % of firms believing the court system is fair, impartial and uncorrupted

The high risk of corruption is the source of an increased risk connected with implementation of most NPM-type arrangements. To see this issue complex, we need to be fair: as already indicated, if officials are corrupted, they will withdraw their rent with or without NPM arrangements. However, in the case of NPM tools, such rent might be “channeled” to two partners – bureaucrats and suppliers –, and thus its total amount might be higher.

Education and training

NPM needs public managers and not only public bureaucrats. Our recent findings (Nemec, Spacek and Suwaj 2009) from the research in Poland, the Czech Republic and Slovakia are very interesting from this point of view. We found that public-management programs are rare in Poland and do not exist in the other two countries. In this stage, we were only able to check some selected administrative reasons for this situation. At least for the Czech and Slovak conditions, it is apparent that neither rules for civil service education and training nor accreditation rules provide motivation for establishing a public-management program.

3.2 CEE countries differ!

The previous text provided many examples of missing mechanisms and limited environments for the successful implementation of NPM. To provide a complex picture, we need to stress again that our picture was just a general simplification, the concrete situations differ. For any of the above-mentioned (and not mentioned) facts, some countries are better off, some are still underdeveloped.

The best way to check the situation is cross-country studies with a uniform and tested methodology. We tried to realize one such research (Table 12) as a reaction to the too large differences between Slovakia, Czechia and Estonia concerning the use of benchmarking (Nemec and Merickova 2010]. Why is Estonia better off? It is difficult to prove, but we feel that less fragmentation and less corruption and more responsibility may be part of the explanation.

4. Conclusions: Where do (should) we go?

The analytical part of our paper leads to clear conclusions. NPM as the reform ideology cannot help developing countries. Also NPM tools and mechanisms delivered very mixed results in the CEE region, more negative than positive: mainly not because of their character, but because of their wrong implementation or non-implementation (we still feel that, for example, benchmarking may really help).

Table 12
Selected responses from municipalities (%)

	Strongly disagree/disagree			Agree/strongly agree		
	EST	CR	SR	EST	CR	SR
1. The municipal employees are committed to continuous service improvement.	3	4.11	7.32	96	95.89	92.68
2. My authority reviews the need for the services we provide at least once every three years.	12	37.20	29.27	87	62.80	70.73
3. Municipal employees are encouraged to question the need for each service to be provided.	13	25.79	39.03	87	74.21	60.97
4. My local authority delivers high quality services.	7	18.32	19.51	93	81.68	80.49
5. My authority regularly compares the costs of internal and external delivery alternatives of supportive services (cleaning, catering, etc.).	x	17.37	35.37	x	82.63	64.63
6. My authority compares the costs of its services with other local authorities.	5	51.41	45.12	94	48.59	54.88
7. My authority regularly compares the quality of internal and external delivery alternatives of supportive services (cleaning, catering, etc.).	x	22.05	35.37	x	77.95	64.63
8. My authority compares the quality of its services with other local authorities.	7	45.98	39.15	92	54.02	60.85
9. In my authority, there is a zero level of corruption.	x	5.43	17.07	x	94.57	82.93

Source: Authors' research for Czechia and Slovakia; Tõnnisson and Wilson (2007) for Estonia

As indicated at the beginning, the current global crisis would motivate governments to a new phase of public-administration reforms, at least to revitalize the public-finance system, currently coping with large deficits and fast increasing debts. If the IMF prognosis (Table 13) became reality, we may expect Greece not to be the only state close to bankruptcy. Simple cost-cutting (also via some NPM mechanisms, including the sale of the last state-owned resources) may be a short-term escape, but we need more long-term policies.

Table 13
Debt prognosis

	Average 1993–2002	2003	2007	2008	2009	2010	2014
USA	64.9	61.2	63.1	70.5	87.0	97.5	106.7
Euro Area	68.6	68.7	65.8	69.1	78.9	85.0	91.4
Japan	117.3	167.2	187.7	196.3	217.2	227.4	234.2
UK	43.1	38.5	44.1	51.9	62.7	72.7	87.8

Source: IMF World Economic Outlook Projections, April 2009

What “reform model” should be proposed to CEE governments? Returning to pure legalistic “Austro-Hungarian” traditions would not deliver enough within the conditions of limited respect to the law, typical of most transitional countries, attempts to improve the performance of public administration by extra laws, norm and regulations cannot work. Another potential option may be available: more and more frequently we may hear about the “Neo-Weberian” state (Pollitt and Bouckaert 2004, in CEE especially Drechsler 2009).

Pollitt and Bouckaert (Table 14) tried to define the main features of this model of the state already in 2004.

If we compare their description of the “Neo-Weberian” model with important EU documents, especially “European Governance: A White Paper” (2001) and “European Principles for Public Administration” (1998), we may conclude that their contents are almost similar. Thus, the most important norms for the “Neo-Weberian” state, but also the “Modern Governance” state, would be:

- reliability, predictability, coherence;
- openness and transparency;
- accountability and responsibility;
- professionalism;
- participation;
- effectiveness.

What does this mean? In a simplified way: “Adieu NPM” should mean that managing by contracts, objectives, competition, etc. as the goal, is a forgotten story (not only for CEE, but generally).

But governing by predictable, reliable and coherent, open and transparent, accountable and responsible bureaucracy, using evidence- and consultation-based policy-making and simultaneously properly managing the efficiency, economy and effectiveness of any government operation is the future target.

Is such a model realistic? Generally and in CEE conditions? We are afraid that any model cannot be fully implemented in reality. How far governments will be able to go depends on many factors – internal and external. Could the possible future public-finance crisis be such a moving factor?

Table 14
The Neo-Weberian State (summary)

Neo-	Weberian
Shift from an internal orientation towards bureaucratic rules to an external orientation towards meeting citizens' needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally come in handy) but the creation of a professional culture of quality and service;	[but:] Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalization, technological change, shifting demographics, and environmental threat;
Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and direct representation of, citizens' views ...;	[but:] Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus;
In the management of resources within government, a modernization of the relevant laws to encourage a greater orientation towards the achievements of results rather than merely the correct following of procedure. This is expressed partly in a shift from <i>ex ante</i> to <i>ex post</i> controls, but not a complete abandonment of the former;	[but:] Reaffirmation of administrative law – suitably modernized – in preserving the basic principles pertaining to the citizen-state relationship, including equality before the law, legal security, and the availability of specialized legal scrutiny of state actions;
A professionalization of the public service, so that the “bureaucrat” becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizens/users;	[but:] Preservation of the idea of a public service with a distinct status, culture, and terms and conditions.

(Pollitt and Bouckaert 2004, 99–100)

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