

Contemporary Governance Models and Practices in Central and Eastern Europe

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Contemporary Governance Models and Practices in Central and Eastern Europe

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From Pre-Weber to Post-NPM: Challenges to Modernization of Public Administration in Latvia and Norway

Harald Koht¹, Iveta Reinholde²

Abstract

This chapter presents findings from research on public service delivery in Norway and Latvia. By providing a comparative perspective we seek to show that while some of the problems faced by public officials in the two countries may be quite similar, there are also some inherent cultural issues of trust and accountability that are particularly vexing in countries where the tradition of public service has yet to be firmly established. Efforts to study and modernize public administration must take account of these differences that can be seen as challenges to the adoption of Good Governance, an administrative reform movement where some tools from earlier New Public Management may be included.

Keywords: Accountability, Good Governance, Latvia, New Public Management, Norway

1. A Multi-level View of Public Administration

The current academic critique of public administration is largely based on claims that it fails to serve the citizens by being too bureaucratic, too rule-based, and too hung up in “red tape”. Moreover, public criticism of bureaucracy sharpens in pre-election periods and thus strengthens the political will to follow through with reforming and modernization activities. This type of criticism has resulted in efforts at modernization to make public administration more efficient and responsive to citizen demands.

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Since the 1980s attempts at “re-inventing government” have generally been labeled New Public Management. However, these efforts often fail to consider whether “really existing” public administration fits the ideal-type model of bureaucracy as described by Max Weber in his seminal work on governance.³

In contrast, anecdotal evidence suggests that a major challenge to public administration in many countries is its frequent failure to live up to reasonable expectations regarding impartiality, rationality, rule-based decision-making, honesty, and other characteristics of Weber-type bureaucracy. These failures may be especially relevant in countries in various stages of development or transition, but highly-developed countries also suffer instances of breakdown or disasters that expose flaws in their administrative systems. In these cases we can speak of the re-surfacing of cultural traits and beliefs that pre-date the administrative ideals of Woodrow Wilson and Max Weber.

While Max Weber himself can be credited for pointing out that a negative aspect of bureaucracy consists of depersonalization, Robert K. Merton in his influential article “Bureaucratic Structure and Personality” (1940) laid the groundwork for the systematic critique of public administration. Specifically, Merton pointed at such “dysfunctions of bureaucracy” as goal displacement and the rigidity of the bureaucratic personality. This early critique has been the foundation stone for administrative reform efforts since World War II.

The focus on “dysfunctions” in formulating demands for reform fits well with the ideas of paradigm shifts introduced by Thomas L. Kuhn (1970). In this view the introduction of the bureaucratic model of public administration represents a regime change that invalidates all previous approaches. Kuhn’s followers appear to have disregarded his caution that, “A student in the humanities has constantly before him a number of competing and incommensurable solutions to these problems, solutions that he must ultimately examine for himself.” In this respect public administration belongs to the humanities, rather than the hard sciences. Yet, in the public administration and management literature, the “bureaucratic paradigm” has been prevalent for decades to the exclusion of other approaches (Park & Comeaux, 2014, p. 51). Correspondingly, the market model has served as the favorite approach to modernization of public administration.

2. The Current Hegemonic Approach: The Market Model

Perceptions about current problems of public administration world-wide vary considerably. B. Guy Peters (1996) identifies four major approaches, but also claims that, “If there is a single alternative to the traditional model of public administration

favoured by contemporary politicians, academics, and probably the public it must be the market model” (p. 21).

This model has been applied to the administration of all countries from the affluent to the poorest, from the most stable to countries in transition. According to Peters, supporters of market-like reforms have promoted them in order to combat such diverse problems as indolence, overzealousness, bureaucratic self-interest, and the undersupply of public goods. Although the model has been criticized as inappropriate for developing countries, where formal institutions and external checks on public administration are weak (Schick 1998), market-like reforms were and still are attractive for their promises of improved public service quality and efficiency.

Johan P. Olsen (2014) identifies the market model with the neoliberal reform efforts introduced in the United States and Great Britain in the 1980s (p.97). Jonathan Boston (2011) in addition indicates managerialism and agency theory as key theories that informed especially the movement for “New Public Management” (p. 20). Oddly enough, these neoliberal reforms implied the use of detailed external controls (Olsen, 2014, p.211). The market-oriented approach includes the idea of “generic management” – the suggestion that all formal organizations are fundamentally alike – which is supported by some academics, but mostly by suppliers of management tools (Peters, 1996, p.29).

While there has been no lack of academic criticism of New Public Management together with announcements of its imminent demise, its continued status as a major approach to the study of public administration reform shows in the continual flow of new research publications, not least of which is the recent, monumental handbook edited by Christensen and Lægreid (2011). However, this massive volume has no chapters or references to the application of NPM in Central and Eastern Europe. Research into New Public Management is largely confined to Western Europe and English-speaking countries in other parts of the world. One possible reason for this state of affairs lies in the complexity of reforms in Central and Eastern Europe where administrative reforms served as an integral part of economic and political reforms. This explanation creates difficulties in formulating precise assumptions with regard to the most significant factors in the modernization efforts: market requirements, domestic needs, or international pressure. However, tools offered by New Public Management were accepted in CEE countries because of attractiveness, modernity and the illusion of modernization. At the same time, Western Europe, according to Elizabeth Meehan (2003, p.26) took steps to shift from New Public Management to the Good Governance approach and to substitute governance through market with governance where networks and partnerships matter.

³ For a characteristic example of this approach to the study public administration reforms in Europe see the recent report by G. Hammerschmid et al. (2013).

3. Characteristics of Public Administration Pre-Weber

What could non-bureaucratic or pre-modern problems of public administration possibly be? The list may well include such occurrences as despotism, corruption, nepotism, simony, patronage, scapegoating, willful arbitrariness, as well as disregard for the rule of law. While some of these seem quite familiar even today, others, such as simony, may just have historical significance. The actuality of these problems usually has deleterious effects on the quality of decision-making, equal treatment, and fairness. In his classic discussion of "The State as a Work of Art", Jacob Burckhardt saw the flagrant nepotism of the Renaissance pope Sixtus IV as a particular evil aspect of the corruption of the political system. In 1473 the efforts of Sixtus and his followers to make the papal throne inheritable "threatened at one time to destroy the Papacy altogether" (1990, p. 83).

A royal coup paved the way for the imposition of the absolute rule of the king in the united realms of Denmark, Iceland, and Norway in the 1660s. Paradoxically, this event led to a centralized bureaucratic structure of government. The coup was supported by the clergy and the bourgeoisie that battled the arbitrary power of the nobility (Mykland, 1977). But as we shall argue in the following, bureaucracy did not put an end to all aspects of pre-Weberian government.

While in the popular mind the Soviet system represented the embodiment of excessive bureaucracy, this was not the case according to scholars such as Anders Åslund. The communist administration was not all that large, and most countries saw their bureaucracies swell with the transition (Åslund, 2002, p. 373). For obvious reasons, we can find few contemporary studies of the public administration from the Soviet era. However, Alexander Solzhenitsyn (1918–2008) wrote fictionalized accounts on how everyday life could be affected by the willful arbitrariness of powerful officials. In his tale "For the Good of the Cause" Solzhenitsyn (1963) showed how enthusiastic, voluntary efforts of students to build a new school for themselves were thwarted when party officials arbitrarily turned the completed building over to a completely different purpose.

For Woodrow Wilson and his Progressive allies in the US an important target for reform consisted of the practice of patronage usually called the "spoils system". Patronage allowed winners of elections to fill appointed offices with political friends and relatives. The Progressives started civil service reform on the federal level in 1883. However, in a recent book on African public administration, Merilee S. Grindle (2012) makes the point that a patronage system for recruiting officials is not only thriving in many countries, but also has some beneficial aspects. Some authors even claim that aspects of corruption or "honest graft" must be accepted in developing as well as well-established democracies (Sharma 2013; Rauch 2014). However, the common view remains that "corruption harms the economy and the society as a

whole," as expressed in a recent European Commission report (European Commission [EC], 2014, p. 2).

4. Pre-Weberian Aspects of Modern Public Administration

Some years ago one of the authors conducted with the help of student assistants a survey of the openness of Latvian public agencies to citizen requests for information. The telephone survey included simple questions regarding the size of the agencies and their budgets that should according to law be available to anyone. Yet, officials often refused to provide the requested information over the phone. Sometimes, this refusal took the form of passing the buck or creating bureaucratic red tape by asking for written requests. More surprisingly, an official would demand that the caller should appear in person at the ministry or independent agency to get the requested information (Koht, 2003, p. 186). This locating of trust only in face-to-face meetings, that is the need to see a face, can be found in many societies, according to Pollitt and Bouckaert (2000, p. 158).

Table 1

Relevant concerns in deciding cases in elderly care.
Average scores of respondents in each country. Ranked according to stages of ethical reasoning. N≈101.

	Norway	Latvia	Lithuania	p
1. I can be punished for making the wrong decision.	39.4	61.1	39.7	**
2. I have to maintain good relations with other people involved in this case.	60.3	65.7	66,6	
3. I have to maintain long-term relationships with other people to get along.	49.3	71.9	64.0	**
4. Respect for the authority of law is part of one's obligation to society.	81.5	66.4	77,4	**
5. My plan of action needs to be rational and strive for the equal treatment of all.	82.6	67.7	81,8	**

Notes: Scores higher than 50 indicate support or agreement with the statement. Scores below 50 indicate disagreement. Varying *n* for each statement.

Kruskal-Wallis Multiple Sample Test for comparing distributions across groups: ** Answers are significantly different at the $p < 0,01$ level

Source: Kjørstad & Tufte, 2014, table 5.3.

More recently, both authors of this paper have been involved in a project to study elderly care at the local government level in three countries: Norway, Latvia, and Lithuania (Kjørstad & Tufte, 2014). The research focuses on the importance of legal thinking, professional attitudes, and personal ethics in deciding individual cases by local government officials. As shown in *Table 1*, the emphases in regard to core administrative values vary considerably in each of these three countries. Norway and Latvia can be found at extreme ends, while Lithuania occupies the middle position more similar to its southern neighbor Poland (cf. Stewart *et al.*, 1997).⁴

The variables in *Table 1* have been drawn from the work of Stewart *et al.* (1997; 2002). While Norwegian respondents put a heavy emphasis on respect for the law (4) and rational action (5), Latvians are concerned that they may be punished for making the wrong decisions (1), and they tend to emphasize the need to maintain long-term relationships with other people to get along (3). These data show that Norway has well-functioning formal institutions while Latvia still relies on informal communication as a main source of bureaucratic power.

Overall, the Norwegian case-workers seem so rule-oriented that they appear overly rigid in their interpretation of client rights and needs, and in that sense seem representative of the “dysfunctions of bureaucracy” outlined by Robert K. Merton. However, while the fear of reprisals expressed by Latvian case workers may be a sign of pre-Weberian public administration, this phenomenon is not unknown to modern management theorists such as Kathleen D. Ryan and Daniel K. Oestreich (1998).

5. Recent Public Management Reforms in Latvia

5.1 Before the 2008 financial crisis

The administrative transformation process in Latvia began with the collapse of the communist regime in 1990. Latvia started to build its national public administration based on the principles of Weberian bureaucracy—looking for inspiration in German laws as well as in the laws of the Republic of Latvia approved before World War II. In the mid-1990s, under pressure from international organizations and as a result of policy transfer, NPM ideas were introduced to public administration in order to break bonds with the previous regime and to ensure quicker integration into the European administrative space.

Already in 1997, the European Commission in its report *Agenda 2000* pointed out problems of public administration which might negatively affect Latvia's capacity to cope with *acquis* (EC 1997). Because integration into the EU was the

goal of both domestic and foreign policy, Latvia invested considerable efforts to modernize its administration. In 2001 the government set out to reform structures and policy processes through a Public Administrative Reform Strategy, which included a Strategic Planning Unit at the State Chancellery (Verheiljen & Dobrolyubova 2007). After becoming an EU member state in 2004, Latvia slowed down its modernisation activities while concentrating more on the representation of interests in EU institutions.

5.2 During the crisis

The last administrative reform wave started in 2008 as a result of the economic downturn affected by the global economic crises of 2008. The sharp decrease of GDP along with increase of unemployment pushed the government to promise to modernise administration.

Latvian promises to implement structural reforms were included in a letter of intent to the IMF in December 2008 as a pre-condition for being granted an international loan. The government developed an action program for 2009–2011 containing five main paths regarding fiscal measures, the social safety network, economic measures, policies for the financial sector, and sector reforms (labelled later as structural reforms) (European Community 2009). The government tried to implement effective measures to cope with the unpleasant economic conditions by carrying out a complex set of activities to stabilise the banking sector, and as result decided to nationalize Parex Bank – one of the largest Latvian banks.

The government, however, lacked funds to cover everyday expenses after financing the nationalisation of Parex. Subsequent fiscal consolidation measures included tax increases (e.g. personal income tax, excise tax, value added tax, and property tax), an increase in user fees and the introduction of new taxes (e.g. tax on capital income). Tax increases were linked to decreases in all kinds of spending: wages, benefits, and allocations for service delivery (European Community 2009; Latvia 2008a). Salary cuts in the public sector had a direct impact on private sector wages as well and turned out to be shocking for citizens, who had experienced mainly wage increases over the previous ten years.

However, the notion of structural reforms included in the Letter of Intent was completely different from their actual implementation and public perception. In practice, structural reforms were perceived and implemented as the reshaping of institutional arrangements in public administration, in the health and education sectors, and the elimination of some public organisations. But, there were no defined policy alternatives or guidelines that could have provided a vision for extensive reforms and modernisation efforts.

In March 2009, after the appointment of the new Prime Minister, Valdis Dombrovskis, the general speed of structural reforms increased. He came with a political

⁴ Differences in municipality size may explain the difference in results between Latvia and Lithuania. At the time of the survey Latvian municipalities outside the major cities were much smaller than their Lithuanian counterparts.

commitment to evaluate all public functions and to provide a more or less clear plan for reforms aiming at a small and effective public administration.

5.3 The “Optimisation Plan”

Dombrovskis’ public administration reform plan called the “Optimisation Plan” was developed in a short time span and envisioned a small, professional, and socially-oriented public administration (Latvia State Chancellery, 2009a). In fact, the objectives repeated the aims of the previous reforms plans of 1995, 1997, and 2001, including the idea of a professional and small-sized administration. The first draft of the Optimisation Plan (developed in April 2009) was harshly criticised by local experts and stakeholders; as a result a revised version of the plan was published and approved by the government already on 25 June 2009.

The final Optimisation Plan included both short-term as well as long-term activities. However, the plan concentrated only on reforms in public administration and civil service, not on reform in the public sector as such. According to the Optimisation Plan, the civil service system (both as general civil service and as specialised civil service) was to be simplified by including more positions at the central and local levels (Latvia State Chancellery, 2009b). Though this simplification was clearly in line with NPM, the government did not make this link explicit. Later, in 2013 and 2014, simplification was extended to public service covering central and local government. Before the crisis of 2008 any discussion of civil service in local municipalities was blocked by the local municipalities themselves and the association representing local municipalities.

The State Civil Service Administration was abolished and all its functions distributed between the State Chancellery and the Ministry of Finance by the end of 2008 following a decision of the government (Latvia, 2008b). Thus, the Ministry of Finance was made responsible for the system of civil servants and their salaries, while the State Chancellery was responsible for human resource policy in public administration in general.

However, the Optimisation Plan had an impact on the main processes in bureaucracy like recruitment and dismissal of employees, salaries and promotion. In practice, during 2009 and 2010 recruitments to public administration were rare due to dismissals. The crisis showed that stability of tenure in public administration was illusory.

In 2009 the public administration (public agencies of central and local government) employed 205,263 persons (around 9.1% of the total population), and the government planned to dismiss 25,000 persons within the next three years (LETA, 2009) in order to decrease public expenditures; of which staff costs constituted the major part. The existing State Civil Service Law allowed the government to dismiss civil servants if an agency was going to be eliminated. In fact, there was no addi-

tional job security for employees of public administration, and they were exposed to the same conditions as any employee in the private sector.

Limited promotions, increased dismissals, and salary cuts were the main elements of the last reform wave. Balancing or reducing public expenditure was the main goal. The first cut in the Salary Fund, of 15 percent, was made in January 2009, right after the first negotiations with the IMF and the EU. In June 2009 the government cut 20 percent off the salary of the civil servants at the top and middle level management positions. The government took as given that their salaries were higher than the average salary in public administration. Thus, cuts in salaries for top and middle management would affect fewer civil servants and might be perceived as a sign of social justice to equalise salaries and to ensure certain proportionality ratio among salary and position filled. However, the final decision was still left to the discretion of the heads of the particular ministries and agencies. A choice—to cut all salaries—or just to cut the so-called “large” ones for managerial positions—provided discretion for management with a negative side effect discovered later.

A sharp division between the lowest and highest positions in public administration “de facto” established by top management pushed the government to increase the lowest salaries in 2013 (Latvia Finance Ministry, 2013). In fact, the salary cuts eliminated all differences between the status of a civil servant and an employee, thus a labour contract become more rewarding than the status of civil servant (Latvia State Chancellery, 2009a, p. 19). The transfer to labour contracts, providing more flexibility in dismissal and promotion of servants, represents a retreat from classical Weberian concepts of a permanent civil service

5.4 Following the crisis

At the same time, the crisis paved the way to introduce the unified remuneration system at central and local levels. The law “On Remuneration of Officials and Employees of State and Local Government Authorities” was approved by parliament on 1 December 2009, a year after the start of the economic crisis. The unified remuneration system was based on a simple assumption: the prime minister’s salary is the highest in the system, while other salaries are to be set accordingly.

Finally, the Weberian public administration assumes training as a key element for the development of public administration. All training activities were partly frozen during the crisis. In June 2009, the government decided to end all allocations for training purposes, thus the government subsidy for the School of Public Administration dropped by 99 per cent in 2010 in comparison to 2009 (Latvia State School of Administration 2011, p. 3). Since the 2010 budget allocation was just around 700 euros, the school provided courses for user-fees (p. 6). Agencies had two choices—either to pay the school for training or the employee covered the costs himself. The well-off agencies could afford to pay for at least some training courses, thus ensuring the qualification and motivation of staff while other agencies found

themselves in desperate conditions. In general, this cut-back approach raises the question whether or not the government perceives public administration as a tool for the implementation of policies.

Despite the ambitions of the Optimisation Plan of 2009, the practical implementation of the reforms served as across-the-board cases of cut-back management in order to reduce governmental expenses in the short term. However, the effects of these policies will be felt by Latvian public administration for a long time.

6. Recent Public Management Reforms in Norway

In recent years, reform in the public sector, both at the state and the local level, has focused on changes in the organizational structure⁵. In a remarkable report, the Directorate for Public Administration and Information Technology (DIFI), which itself came into being in 2008, has charted the rapid pace of reorganization since 1992. The DIFI report shows that the number of state agencies declined steeply from more than 350 to less than 250 over a period of fifteen years (DIFI, 2008). This reduction was accomplished either by fusing agencies at the national level or by devolving tasks to municipalities or to market actors. However, there are several instances of reverse processes whereby major state responsibilities, such as hospitals and food safety, have been centralized at higher levels of the government. For this reason, observers such as DIFI find it difficult to detect a common pattern behind these reorganization efforts, except perhaps sector interests and political expediency.

Another government report (Norway Statskonsult, 2006) that has taken a closer look at the reorganization of ministries and other state agencies concludes that a leading principle of this process has been to create clear distinctions between the different tasks and roles of public administration. Service provision has been outsourced to agencies that have either been privatized or given semi-independent status as publicly-owned corporations or foundations. To monitor and control the activities of these autonomous entities, the government has found it necessary to establish several supervisory agencies such as the Norwegian Railway Inspectorate (Norway Statskonsult, 2006, p. 27). When the county hospitals were nationalized in 2002, they were not put under direct ministerial control, but incorporated into at first five, later four, regional state enterprises.

Although reorganization remains the most tangible outcome of the modernization of Norwegian public administration, the reform agendas since 1992 have included other goals such as improving efficiency, quality, and user orientation. However, these admirable aims have too often failed to show significant positive results (Norway Statskonsult, 2006, p. 28). Computerization has not improved productivity

⁵ This account draws extensively on Koht 2009.

and communication as much as expected. Different information technologies have been allowed to proliferate in the public sector without much central coordination. The report notes there are divergent opinions regarding citizen participation: The government in one instance promoted the idea of consumer choice by encouraging competition among service providers; on another occasion the government sought the direct involvement of citizens in the shaping and delivery of their services (p. 28).

Other public sector reforms favor management by objectives (MBO) and results rather than traditional Weberian-type rule-orientation, although the actual production of new regulations after 2000 remains higher than in the 1990s (DIFI, 2008, p. 87). MBO has given agency executives more freedom concerning budgets, recruitment, and salaries. On the other hand, managers are required to follow—though they often disregard—stricter rules regarding purchasing and contracting, partly as the result of the EEA treaty with the European Union.⁶

6.1 How to measure effects

DIFI sought in 2008 to report actual results regarding the effects of reorganization, but disappointingly found only a few systematic evaluation studies, some written by consultancy firms, others by academics and master students (DIFI, 2008). Scholars, however, point out that frequent reorganization and the introduction of MBO resulted in the establishment of several independent agencies and supervisory bodies. The cumulative effect of these changes has led to increased power of administrative leaders at the expense of the ministers (Christensen & Lægheid, 2004, p. 133). In addition, these reforms have contributed to the fragmentation of the state as depicted in the main report of the commission on power and democracy in 2003 (Norway, 2003). Yet administrative reform in Norway has not meant the radical introduction of market-based solutions as has been the case in some other countries such as Great Britain.

In a 2013 survey DIFI found high levels of job approval among civil servants. Particularly, they were satisfied with the content of their jobs, the presence of clear, over-arching goals, and regular performance reviews together with their supervisor. Satisfaction with job content, the perception of fairness, and participation in decision-making are all significantly positively related to work commitment (DIFI, 2013a, p. 7), while participation and “culture” are perceived as vital in supporting performance (p. 8). In this survey, the researchers have deliberately avoided measures developed for commercial purposes, but instead chosen criteria drawn from government white papers and investigation reports.

⁶ The Kingdom of Norway has since 1994, together with the Republic of Iceland and the Principality of Liechtenstein, enjoyed a mutual treaty with the European Union, which allows for full integration in most economic fields, except farming and fisheries. Norway also participates in other types of EU cooperation such as education, research, and passport-free travel.

6.2 Value-oriented reforms

In a white paper published in 2009, the cabinet explicitly pointed at the prevalence of market-oriented reforms in many countries, but argued that public administration should represent certain fundamental values to ensure stability, continuity, and a good framework for a well-functioning society (Norway, 2009, p.9). The paper goes on to list these democratic and administrative values: Participation and user-orientation; clear lines of responsibility and division of work; instrumental coordination; effectiveness; good management practices; professional competence of the civil service, and a favorable job environment. Most items would – at least superficially – be easily recognized by students of Max Weber (1864–1920) and Henri Fayol (1841–1925), but the white paper includes also more recent ideas about human relations, citizen participation, and environmental concerns (pp.9–11).

6.3 Effects of a terrorist attack

The 22 July 2011 terrorist attack on the Government headquarters and a youth holiday camp, which cost 77 lives, revealed to the official investigation commission serious failures of public administration. Its primary recommendation for administrative reform argued that managers on all levels of government should systematically work to strengthen their “attitudes and culture” regarding recognition of risk, implementation ability, coordination, information technology, and results-based leadership (Norway, 2012, p. 458). Despite its apparently limited scope, this non-partisan investigation report led to a widespread, critical appraisal of the implementation ability of several state services, particularly of the police (DIFI, 2013c, p. 8).

In addition the investigation pointed at the important contribution of civil society in the rescue work. Volunteers responded quickly and effectively to rescue survivors and provided first-aid treatment to the wounded and traumatized (Norway, 2012, pp.202–204).

In 2013 DIFI conducted a broad survey regarding citizen satisfaction with life in Norway in general and with public services on the local and national levels of government. More than 11,000 respondents took part. Generally, the public shows a higher trust in the quality of public service delivery than in their political leaders (DIFI, 2013b, p. 2). However, the majority show dissatisfaction with three important aspects of public administration. They think public agencies use their resources ineffectively; spend too much time on handling and deciding individual cases, and fail to fit individual needs (p. 18). In other words, citizens are looking for greater flexibility and participation.

In the same year, another DIFI report evaluated the role of independent agencies or directorates in Norwegian public administration. The research sought to answer whether the directorates provided added value in implementing public policy (DIFI, 2013c, p.11). Considering the large number and variety of directorates in Norway, there is no wonder that the relatively brief report does not provide concrete

answers to this question. Instead the report points at values and criteria for determining whether directorates provide added value, such as democratic and legitimate governance; professional legitimacy; efficiency and coordination, and correct and user-oriented application of authority. In practical terms the authors of the DIFI report are worried about excessive growth in directorate size. They conclude that the government ought to establish new procedures to learn on a day-to-day basis how directorates actually contribute to public administration (p. 5–6). Since 2000 these independent Norwegian agencies have suffered a seemingly endless maelstrom of fusions; fissions; re-organizations; horizontal and geographical mobility; closures, and not least the creation of new agencies. To what common end is not clear.

6.4 The Auditor General focuses on administrative performance

The Office of the Auditor General each year produces a number of reports that offer recommendations for administrative improvements and reforms. The most important reports – about 15 every year – are transmitted for discussion in Parliament. In a 2013 report on the efficiency of hospitals, the auditor general advocated several steps to make hospitals more effective with regard to patient flows, increased productivity of surgical operation rooms, and standardization of medical practices (Norway, 2013a, p. 11). In contrast the report on the performance of the Directorate of Health emphasized problems of management such as delays and lack of systematization of the implementation of new regulations and guidelines. The office proposed more emphasis on establishing workable internal routines and procedures (Norway, 2013b, pp. 85–88).

While the Auditor General typically investigates individual ministries and agencies, the office from time to time also tackles broader issues and practices. In 2013 the office critiqued both the substance and quality of governmental policy reports or white papers. While regulations exist to oblige the government to evaluate the economic and administrative consequences of policy reforms, they are not fulfilled in practice. The Auditor General expects the ministries to do a better job in calculating societal consequences of new or revised policies and in presenting alternative policy options (Norway, 2013c, pp. 56–57).

So far we have reviewed a limited set of recent proposals for administrative reform produced by public agencies. Although both DIFI and the Auditor General have a statutory obligation to provide critical evaluations, their reasoning may be limited by organizational and professional selectivity, or as expressed by social anthropologist Mary Douglas, “the burden of thinking is transferred to institutions” (Douglas, 1986, p. 83). Thus, a proper study of public administration reform in Norway should include the ideas of other actors, such as independent management consultants and university scholars. However, such analysis lies outside the scope of this paper, which is to make illustrative comparisons between challenges to public administration in Latvia and Norway.

While press reports, court cases, and anecdotal evidence suggest that Norwegian public administration experience incidents of corruption, malpractice, and arbitrariness, only a few reports investigate such phenomena in a systematic fashion. This may have to do with the limited set of questions usually asked in such studies. Tantalizingly, a recent report by the respected engineering and consulting firm Det Norske Veritas (DNV GL) depicted the Customs Service in highly unusual terms. Veritas accused the agency of covering up deficiencies in its IT and communication systems by maintaining a climate of fear among employees. Respondents expressed concern that their opinions conceivably could harm both relations at work and their prospects for career advancement. However, the Veritas team noted that it had no similar experience of this kind from other assignments (Det Norske Veritas, 2013, p. 28). For this reason the Customs Service report may actually be quite exceptional, or even indicate a more general failure to ask the right questions.

7. Discussion: From Emphasis on Structure to Efforts at Good Governance?

7.1 Norway

The review of recent reports about public administration in Norway indicates that proposals for reform to a large extent focus on management and re-organization, rather than introducing elements inspired by business. This characterization is particularly valid regarding the period leading up to the disastrous events of 2011, but there are signs that a change of emphasis in public administration reform began earlier. While typical NPM reforms have a clear customer-orientation, Norwegian modernization efforts after 2000 have given more emphasis on citizen participation, particularly in area planning (Jensen, 2004). Since 2011 this approach has so far culminated in the embrace of the contribution of civil society to governance.

While re-organization efforts at the beginning of the 21st century have been marked by the introduction of hierarchical controls to ensure compliance, the current trend promotes ideas of professional legitimacy and a positive organizational culture. Although the precise meaning of culture in public administration is difficult to define, the terminology should be seen as a response to perceived failures of team efforts and coordination. While issues of efficiency and performance continue to be major concerns, there is a renewed interest in policy analysis to allow the calculation of exogenous costs and effects of new policies. The aims of administrative reforms have thus moved towards a broader view of government's contribution to fulfilling the ideals of "Good Governance".

7.2 Latvia

The reform process in Latvia has been challenging and full of contradictions not only in the last few years. The whole reform path since the 1990s indicates that

throughout the period Latvia has been seeking the best reform and modernization models. However, reorganization was given primary importance rather than reform goals. The terminology used to describe the reforms as well the direction of accomplishments indicates the correctness of this assessment.

The language used to describe modernization has changed over time as well. Before membership in the EU, Latvia discussed widely the structural adjustments that were necessary for a democratic state and membership in EU (Palidauskaite *et al.*, 2010, p. 45). After being accepted as a full member of the EU, Latvia considered modernization for governance as the appropriate term describing all kinds of improvements in public administration emphasizing quality of administration (Latvia State Chancellery, 2008). After the economic crises of 2008, structural reforms as a term describing the agenda was back (European Community, 2009).

At the same time, the Latvian reform experience includes almost all models – classical Weberian model, NPM, and a mix of both. The classical Weberian model can be found in the first civil service law passed in 1994. This law was based on German civil service law and the law of civil service from pre-WWII Latvia. In the mid-1990s ideas of NPM became wide-spread. NPM in the form of performance contracts, agencies, and contracting out was accepted as a business model offering client-oriented and effective bureaucracy. The Law on Public Agencies was passed in 2001 with an idea to establish business-like service delivery organizations and to ensure transparency in the use of public funds. However, public agencies did not work as intended. The State Audit Office has often pointed out problems with financial transparency in agencies (Latvia State Audit Office, 2014a). Thus, policy transfer of attractive reform ideas from elsewhere remained the main policy instrument to ensure quick administrative modernization without taking into consideration possible negative effects in the long term (Reinholde, 2006).

The proposed reform agenda was sharply turned around by the economic crisis of 2008. Before membership in the EU, the reform and modernization agenda was defined by internal or external needs, taking into account the best available reform models. The crisis swept away all models outlined in previous reports. As never before, the government now gave priority to the issue of the operational cost of public administration. Administrative costs of public administration and costs of policies were the main issues discussed between the government and International Monetary Fund as well as between the government and social partners to ensure balanced public expenditures. However, at the same time the State Audit Office insisted that structural reforms should be carried out based on impact assessments, so that decision makers might have a clear view of the costs of these reforms (Latvia State Audit Office, 2014b). This discussion was in line with the NPM idea of "value for money".

In conclusion, centrally designed and managed reforms in Latvia show evidence of a government-based approach. All kinds of reforms require mandates by

the government expressed as normative regulations. At the moment, governance networks play a minor role since even decisions reached within networks must be institutionalized to ensure proper implementation.

8. The Way Ahead: From NPM to “Good Governance”

Although market models since the 1980s have dominated much of the discussion of public administration reform, B. Guy Peters in his 1996 book presents what he regards as three other emerging models: The participatory state; flexible government, and deregulated government. Of these, the idea of the participatory state has had the greatest impact in stimulating analysis and reform efforts that can be seen as serious rivals to New Public Management. Several international organizations such as the World Bank, OECD, and the European Union have embraced the ideal of “Good Governance” as a vision for government reform (Koht, 2009). OECD (2008) provided the following definition:

Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration.

This definition encompasses ideas for reform presented in the 2005 OECD review on modernizing government, such as open government, but passes over market-type mechanisms. The governance approach promises to break with the constraints of the Weberian approach to the study of public administration, while similarly the movement for “Good Governance” goes beyond a strictly defined NPM perspective on public sector reform. By emphasizing the relationship between government and society, the governance approach invites comparisons between a wider range of political and administrative systems than NPM which in practice has been limited to highly-developed political units. We expect that the role of networks and partnerships in policy decision-making will increase in both countries. However, due to country-specific perceptions of what the concept of governance should encompass, the Good Governance approach will differ in Latvia and Norway.

A particular challenge to governance in Latvia, Norway, and other countries concerns diversity management in public administration. While Sabharawal *et al* (2014) focus on the training of public servants, Latvian scholar Juris Rozenvalds (2014) sees diversity management as closely linked to people’s ability to arrange their lives so that economic and social sustainability can be achieved for society as a whole. In this context, public administration faces challenges as regards institutional arrangements and public service delivery as well as the capacity of public servants to win the trust of a variety of publics. Diversity management is also closely linked to issues of integration and human rights in the European context

(Köhler-Olsen, 2014). For US scholars, social equity, which encompasses diversity issues, has long been deemed a major pillar of public administration (Garrizales & Gaynor, 2013). Thus, a governance approach shows a promising way to useful comparative research of public administration in a global perspective. For some practitioners, however, the NPM approach with its simpler world-view may continue to be attractive as an alternative to the more complex approach represented by the “Good Governance” movement.

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