

# EBS REVIEW

ISSN - 1406 - 0264

## CHANGING EUROPE AND EXPERIENCES OF PUBLIC ADMINISTRATION REFORM

- The Economic Development and Administrative Capacity of a State
- Changes in Europe and its Impact on Estonia Joining the EU
- The Program and Implementation of Public Administration Reform in East and Central Europe
- Meeting the Challenge of Public Sector Reform: A Managerial Perspective

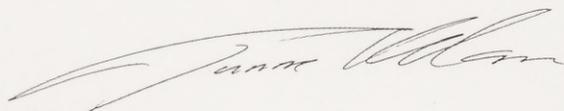
## THE POSSIBILITIES AND PERSPECTIVES OF PUBLIC SECTOR

- Expectations of Businesses for Co-operation between Public and Private Sectors
- Public Administration Reform and the Non-Profit Sector
- The Effectiveness of the Public Sector and the Development of Democracy with the Help of Information Technology
- Public Administration Reform and Administrative Law Reform
- Proposals for the Implementation of Public Administration Reform Based on Research of EBS Students
- Public Service Reform and Local Government
- Personal Resources and Ethics in Public Service



## Dear Reader,

There are two quite opposing ways to achieve administrative capability. The first might be defined, as a method of absolute management and control while the other is a citizen-friendly method of public administration. Which will we choose?



Tunne Kelam  
Deputy Chairman of Riigikogu



# EBS REVIEW

EESTI KÕRGEM KOMMERTSKOOL

## CONTENTS

### PUBLIC ADMINISTRATION REFORM

**Mari Kooskora**  
EDITORIAL

2

### PUBLIC ADMINISTRATION AND CHANGING EUROPE

**Gunther Werheugen**

SPEECH AT THE TOWN HALL OF  
TALLINN, 31 MARCH 2000

3

**Olav Aarna**

OPENING SPEECH AT THE SEMINAR PUBLIC  
ADMINISTRATION AND CHANGING EUROPE

5

**Tunne Kelam**

WELCOMING SPEECH AT THE SEMINAR PUBLIC  
ADMINISTRATION AND CHANGING EUROPE

5

### THE CHANGING EUROPE AND EXPERIENCES OF PUBLIC ADMINISTRATION REFORM

**Mihkel Pärnoja**

THE ECONOMIC DEVELOPMENT AND  
ADMINISTRATIVE CAPACITY OF A STATE

6

**Henrik Hololei**

CHANGES IN EUROPE AND ITS IMPACT ON  
ESTONIA JOINING THE EU

8

**Vladimir Chysky**

THE PROCESS OF PUBLIC ADMINISTRATION  
REFORM IN THE CZECH REPUBLIC

10

**Jiri Marek**

THE AIMS AND OBJECTIVES OF PUBLIC  
ADMINISTRATION REFORM IN  
THE CZECH REPUBLIC

11

**Dalia Gineitiene**

INTERACTION BETWEEN LOCAL  
GOVERNMENT AND THIRD SECTOR

13

**Ludmila Malikova**

ADMINISTRATIVE REFORM IN SLOVAKIA:  
PROBLEMS AND PERSPECTIVES

15

**Luca Brusati**

MEETING THE CHALLENGE OF PUBLIC SECTOR  
REFORM: A MANAGERIAL PERSPECTIVE

21



### THE POSSIBILITIES AND PERSPECTIVES OF PUBLIC SECTOR

**Raivo Vare**

EXPECTATIONS OF BUSINESSES FOR  
CO-OPERATION BETWEEN PUBLIC  
AND PRIVATE SECTORS

26

**Mall Hellam**

PUBLIC ADMINISTRATION REFORM AND  
THE NON-PROFIT SECTOR

28

**Andres Ploom**

THE EFFECTIVENESS OF THE PUBLIC SECTOR  
AND THE DEVELOPMENT OF DEMOCRACY  
WITH THE HELP OF INFORMATION TECHNOLOGY

32

**Taavi Veskimägi**

THE STREAMLINING STATE FUNCTIONS

35

**Arno Almann**

PUBLIC ADMINISTRATION REFORM AND  
ADMINISTRATIVE LAW REFORM

37

**The EBS student research team**

PROPOSALS FOR THE IMPLEMENTATION OF  
PUBLIC ADMINISTRATION REFORM BASED  
ON RESEARCH OF EBS STUDENTS

39

**Angelika Kallakmaa-Kapsta**

FINANCING OF LOCAL GOVERNMENTS

43

**Sulev Lääne**

PUBLIC SERVICE REFORM AND  
LOCAL GOVERNMENT

44

**Harry Roots**

MANAGEMENT CULTURE OF PUBLIC  
ADMINISTRATION IN ESTONIA

52

**Anu Virovere, Mari Kooskora**

PERSONAL RESOURCES AND ETHICS IN  
PUBLIC SERVICE

59

**Erik Keerberg**

CERTIFIED TRAINING PROGRAMMES IN  
PUBLIC SECTOR

60

**Brent McKenzie**

MANAGEMENT THREATS AND OPPORTUNITIES:  
AN ESTONIAN CASE STUDY

64

**EDITORIAL BOARD:** Mari Kooskora - Editor-in-Chief,

Arno Almann, Anna Laido

**TRANSLATOR:** Anne Timmermann, Ulvi Haagensen

**LANGUAGE EDITOR:** Michael Haagensen

**DESIGN AND LAYOUT:** DuoGraaf

ISSN - 1406 - 0264

ESTONIAN BUSINESS SCHOOL, LAUTERI 3, 10114, TALLINN

Phone: 372 665 1300, Fax: 372 631 3959,

E-mail: [ebs@ebs.ee](mailto:ebs@ebs.ee), Internet homepage <http://www.ebs.ee/>

## DEAR READER,



We are glad that this time we can present you an issue much thicker and comprehensive than the previous ones. This 11th issue is dedicated to the topic of Public Administration (PA) and contains materials the international seminar "Public Administration and Changing Europe", which was organised by Estonian Business School and Estonia is in the process of integration into EU and our seminar focused upon public administration reform in the context of EU enlargement, we included the speech by Mr. Gunther Verheugen, EU Commissioner, which he gave at Town Hall of Tallinn in March this year. In his speech he stressed the need to complete the key reforms, such as pension reform, land reform and also public administration reform.

The seminar "Public Administration and Changing Europe" was organised by the Centre for Baltic Studies EBS and supported by the Open Society Foundation East-East program and by City Government of Tallinn and held in Tallinn, May 19-20, at EBS.

The seminar was organised by our university because of our understanding the importance of PA reform, willingness to contribute to its implementation and continuing tradition of organising international seminars each year.

The given seminar focused upon PA reform in the context of EU enlargement. Estonia is among other East and Central-European countries whose foreign policy priorities are targeted at joining the EU. Therefore reforms, including the public administration reform, should be carried out bearing in mind future membership of the EU. Increasingly there is a need to inform the populace on EU related matters. The seminar brought together representatives from the government, local au-

thorities, public sector, private sector, universities and institutions responsible for co-operation with the EU from Estonia and other East and Central European countries.

According to the Estonian Minister for Foreign Affairs, Toomas Hendrik Ilves we can not look at European Integration as 'a one-time event'. "Since 1991, our plans have not only focused on what we must do to 'get into Europe' or 'be European'. Rather, they have centred upon the building of a society that is prosperous, democratic and stable."

Many Central and Eastern European countries including Estonia are at this stage of starting to implement changes in the public sector, to make it more efficient and citizen-oriented, to support the private sector and the whole society. There are wide ranging discussions going on concerning this topic, but there has never before been such an international seminar-workshop in Estonia that has brought all the different sides together and giving them the opportunity for dialogue, discussion and exchanging experiences with societies sharing similar problems.

The main objectives of the seminar were:

- To network together academics and professionals from East and Central Europe (from Estonia, Lithuania, Czech Republic, Slovak Republic and Bulgaria), as well as a representative from university of Italy;
- To be able to transfer specific expertise and exchange experiences between the countries and associations concerned as well as to raise public awareness of this common, problematic and urgent issue which concerns everybody;
- To engage people in discussions on the subject, by providing the space and opportunity for discussion, dialogue, debate and networking;
- To benefit from experiences in countries both East and West who have or have had similar problems.

The long-term benefit of PA reform in all countries is to increase the effectiveness of the public sector and therefore improve government legitimacy.

The seminar lasted for two days and was divided into four sessions. The first day was about changing Europe and experiences of PA reform and the second day focused on the possibilities and perspectives of the public sector.

The seminar was opened by Mr. Tunne Kelam, Deputy Chairman of the Riigikogu (Estonian Parliament), Ms. Mall Hellam, Executive Director of the Open Estonia Foundation and Prof. Olav Aarna, Rector of EBS.

The first day consisted of two sessions and the key presenters of the first session were:

Dr. Mihkel Pärnoja, Minister of Economic Affairs, who addressed the issue of economic development and the administrative capacity of state; Mr. Henrik Hololei, Director of the European Integration Department, State Chancellery of Estonia, who spoke about changes in Europe and its impact on Estonia joining EU and Mr. Andres Ploom, Head of the Working Group, EBS-CBS, with the presentation about the effectiveness of the public sector and development of democracy with the help of information technology (IT).

The second session was dedicated to experiences of PA reform in different countries, and it was opened by Mr. Väino Sarnet, Director of the Office of Public Administration, State Chancellery of Estonia who gave an overview of the program and implementation of PA reform in Estonia.

The audience heard the experiences of the Czech Republic, presented by Mr. Vladimír Chyský from the Department of Information Systems/Information Technology in PA, Ministry of the Interior of the Czech Republic, who spoke about the process of PA reform in the Czech republic; Ms. Dalia Gineitiene from the Dept. of Public Administration, Kaunas University of Technology, Lithuania, spoke about interaction between local government and the third sector;

Ms. Ludmila Malikova, an expert from the Public Administration Board of Slovakia, gave an overview about administrative reform in Slovakia, its problems and perspectives, and Dr. Luca Brusati, the Representative of Bocconi University, Italy,

whose presentation was about meeting the challenge of public sector reform: from a managerial perspective.

The second day was more oriented towards the future and started with a presentation by Mr. Raivo Vare, Chairman of the Board of Pakterminal, who gave an inspiring and interesting presentation on expectations concerning co-operation between the public and private sectors. He was followed by Ms. Mall Hellam, Executive Director of the Open Estonia Foundation, who spoke about public administrative reform and the third sector. We would like to emphasise the presentation given by EBS students who made their proposals for PA reform in Estonia. Their presentation was based on group research, with all 2<sup>nd</sup> year PA students contributing to the final report.

The last session commenced with Prof. Arno Almann's informative and comprehensive overview of PA reform and administrative law reform. Mr. Sulev Lääne, Senior Adviser to the Legal Chancellor of Estonia gave a thorough presentation about PA reform in regional and local authorities. Mr. Taavi Veskimägi, Head of the Central Government Department of the Ministry of Finances, in his presentation -"Streamlining State Functions"- brought out the need for setting certain criteria by

which it is possible to value the progress of reforms. In his opinion the criteria is a clearly defined goal, the target, future vision of the state. And last but not least a presentation was made by Associated Prof. of EBS, Anu Virovere, who summed up the seminar with the thought that all reforms are made by people and success depends on the people's capability and motivation to make changes.

The seminar participants were from the following organisations and public agencies: Open Estonia Foundation, World Bank, Estonian Parliament, Chancellery of Estonian Parliament, Chancellery of Estonian Government, local governments, the Chamber of Trade and Commerce, the Association of Entrepreneurs, Ministry of Finance, Ministry of Justice, Ministry of Social Affairs, Ministry of Internal Affairs, Ministry of Agriculture, Office of the Legal Chancellor, State Auditing Office, European Integration Department and the EU Information Secretariat.

The seminar was also attended by other universities and educational institutions, among them Tartu University, Tallinn Technical University, Tallinn Pedagogical University, Estonian Public Service Academy, Estonian Institute of Public Administration, Baltic Defence College and representatives from many private sector organisations.

The participants of the seminar had two hard-working days and the results are summed up in this review. Here you will find articles based on the presentations, slides, theses and comments. All presentations and translations are recorded and available from the Centre for Baltic Studies at EBS. The original texts in Estonian will be available at the following URL: [www.ebs/conference](http://www.ebs/conference).

Hopefully the present review will encourage you to further reflection on the topic of PA reform and its impact to everyone.

We would also like to thank everybody who was involved in this particular seminar, the speakers, the translators, those who helped us with organising, all who were present, the audience, foreign guests and especially the Open Society Foundation, whose help has been invaluable.

On behalf of the Organising Committee and Editorial Board of EBS Review,



**Mari Kooskora**  
Head of the Organising Committee  
Editor-in-Chief of EBS Review

## **Speech by Gunther Verheugen, EU Commissioner responsible for Enlargement, AT THE TOWN HALL OF TALLINN, MARCH 31, 2000**

Ladies and Gentlemen

It is a great honour for me to speak to you on my first visit to Estonia as EU Commissioner. We have reached a very important point in the development of our relations, now that Estonia is coming closer to become a member of the EU, and I warmly welcome this.

An important landmark in the success story of Estonia's relations with the EU was the Luxembourg Council in December 1997. It was then when the EU Member States invited Estonia to open accession negotiations, which started in March 1998. Two years have elapsed since then and considerable progress has already been made by Estonia in these negotiations. We have been able

so far to examine almost all chapters of the acquis and provisionally close eight. Further progress should be achieved in the remaining months of the Portuguese Presidency of the Union.

In Helsinki, last December, the European Union added six other candidates to the list of countries negotiating membership. We now have the chance to integrate Europe politically, ensuring lasting peace and prosperity.

The Helsinki decision can be rightly defined as a historical one. We are on the way to changing Europe, learning the lessons from the past. Enlargement does not mean widening the European Union in a technical sense of the word,

having a greater market or more consumers. Not at all. Enlarging the European Union means first of all shared values, integration, and building up a socially inclusive Europe.

This integration process is the only reasonable way we have to ensure lasting democracy and freedom, respect of human rights and the rule of law, peace and stability on our continent. Against the background of the events in Bosnia and Kosovo, we all understand how important this is.

I am also sure that an enlarged Europe will be able to better promote prosperity and a fair and caring society in neighbouring countries and around the world.

Ladies and Gentlemen, I want also to take this opportunity, to stress that Estonia's progress would have not been possible without the concur of all sectors of Estonian society, which have positively responded to the reforms that have put your country on track towards accession. Participation and support to this process by Estonian civil society will continue to be essential, before and after accession. Before, in order to make it possible for Estonia to complete the remaining key changes for membership and afterwards in order to be an active actor in the European construction.

Preparation for accession is not just a diplomatic exercise. It is a process, which concerns the society as a whole. We need communication on the enlargement process. We need public discussion. And we have to strengthen public support. Until now, public support has been a matter of concern, in the Union as well as in some candidate countries.

The ambitious schedule we have set ourselves will keep us busy for some time to come. The Union must prepare itself to welcome you and the other candidate countries, and we are committed to doing so by the end of 2002. The issues on the table are complex. Our institutions need major reform to ensure that they can continue to function effectively even with a much larger number of participants. This will not be easy, but finding acceptable solutions to common problems is what the Union is all about.

For you, equally difficult decisions lie ahead. It would be wrong of me to focus only on achievements today, because several issues still need to be tackled with sustained vigour and commitment. However, sometimes people make the mistake of believing that the preparations for membership in the Union are the reason behind new challenges or burdens. We should be very clear on this point: the modernisation of all candidate countries is essential independently of accession to the Union. What the membership perspective gives is the sustainability of the reforms.

First of all, I want to urge you to continue in your effort to create a modern,

democratic and inclusive society. Over the last years, you have already achieved remarkable results in your policy towards integration of non-Estonians in Estonian society. I am for example, very pleased that the Estonian Government has recently approved a truly comprehensive State Integration Programme. Although this is not an easy task and much remains to be done, what has been achieved so far constitutes an important step in the right direction.

In this context, I am fully aware of the challenges you are still facing. You are all well aware that large sectors of the Estonian population still do not feel fully a part of Estonian society, they need to learn Estonian and will need your helping hand in other ways too. The commitment of all people in Estonia to their home - to Estonia - is the basis for building up a more integrated society, in which the differing origin or culture of its citizens is part of its richness and a solid basis for its future. Looking further forward in time, focusing on the new generations, as new opportunities will open to them is a pragmatic way to approach this task.

One of the fears people often have about joining the EU is that their country will lose its national identity. Some may also fear losing their cultural or linguistic identity. I want Estonian people to be reassured that diversity and local identity are the very heart and soul of Europe - a heritage we cherish and will preserve at all costs.

Europe's wide range of national traditions, cultures and languages can sometimes be a source of difficulties or misunderstandings. But it is also our strength. European integration is about people of different backgrounds coming together, seeing things through one another's eyes, appreciating one another's cultures and discovering the European values they have in common. And when people from different cultures put their heads together they are capable of producing brilliant new ideas.

On the economic front, the Commission appreciates the progress Estonia has made so far. Since independence, Estonia has courageously undertaken diffi-

cult and drastic policy and structural decisions. Efforts are still needed but the efforts made so far have already paid off and have put Estonia on track to deal with the demands of an open market economy and EU membership.

However, this progress has to be pursued continuously and with vigour. Key reforms, such as pension reform, land reform and public administration reform need to be completed. You need to prepare your country for the open European market of 500 million consumers. European consumers are spoilt for choice and have become used to demanding products and services of the highest quality. It is in this market that Estonian producers and service industries must compete. It is about competitiveness and quality. In this sense, the way forward for your country is innovation, investment and restructuring.

My speech would not be complete without mentioning the "acquis communautaire" - the huge body of Community legislation that needs to be digested by any country wishing to become a Member State. Estonia has already made considerable efforts in this area as we have reflected this in our latest Report. However, many areas still need a lot of work and the pace of alignment and reform has to be sustained.

I take this opportunity to reassure you that the Commission will do all it can to support your accession preparations, within the limits of the means available to us.

A major element in this policy is the Community's financial assistance to the candidate countries. This year Estonia will receive significantly higher amounts of Community support through the Phare programme and the new preaccession funds known as ISPA and SAPARD. While this money can, of course, be no more than a small contribution to your overall needs, I would nevertheless invite you to make the best possible use of it, targeting funds at priority accession preparations.

I wish you success in your ambitious project.

Thank you.



## Opening Speech at the Seminar Public Administration and Changing Europe



**Prof. Olav Aarna**  
Rector of Estonian Business School

Honoured Mr. Deputy Speaker of the Parliament, Honoured Minister for Economic Affairs, Participants of this International Seminar, Ladies and Gentlemen,

Ability to administer and inability to administer have become the most important key words in the development of the Estonian public sector, in connection both with the proposed reform and the strive to become a member of the European Union.

Based on everyday experience, it is well known that a construction supported by three legs is stable. A tripod as a metaphor for stability, can also be applied to a description of community activity. According to current thinking, community effectiveness is ensured when supported by three legs - the public sector, private sector, and the third or non-profit sector. It is important that the three legs be of similar length to ensure the necessary stability. This is achieved with an appropriate allo-

cation of roles between the three sectors. The allocation of roles among the three community sectors is not a permanently fixed situation but one that changes both in time and space. Space, in the sense that there are no two countries in the world with exactly the same community organisation. Likewise community organisation constantly changes with time, and as time progresses, the more rapid these changes become.

Now to address the question of why the Estonian Business School (EBS) - principally a tertiary business school - is conducting a seminar directly related to the public administration and administrative ability. There are at least three answers. Firstly, EBS has progressively broadened its profile and two years ago we established a bachelor program specialising in public service. Secondly, the mission of any self-respecting university is to be supported by three pillars - study/learning, science and development as well as service to the community.

Thirdly, EBS has developed a tradition over a number of years to organise an international seminar on a topic of general interest every spring. In many cases the topic has been higher education, last year the topic was business ethics and now this year's topic is - 'A State Capable of Administration in a Changing Europe' In the organisation of this seminar EBS had moral support from many organisa-

tions and individuals, both in Estonia and abroad. Our special thanks go to the Open Society Foundation, one of the more successful organisations in Estonia's developing third sector.

The seminar is planned as a two-day event. The theme of the first day could be titled 'A Changing Europe and the experiences of public administration reform'. The program will address administrative reform not only within an Estonian context but further afield, especially concerning the experiences of Central and Eastern Europe. Here I have the special pleasure of welcoming speakers to this seminar from Bulgaria, Italy, Lithuania, Slovakia and the Czech Republic. The theme of the second day of the seminar is 'Development Opportunities in the Public Sector'. The focus of this theme is directed mostly towards the possibilities of the future. In addition to the invited seminar speakers, on day two, EBS Public Administration students will also present papers.

EBS, in being the organiser of this public seminar and as the oldest and biggest private university in Estonia and the Baltic states, would like to contribute, at the international level, to this important dialogue about community development.

I wish you fruitful discussions and new ideas in order to help promote administrative reform in our countries.



## Welcoming Speech at the Seminar Public Administration and Changing Europe



**Tunne Kelam**  
Deputy Chairman of Riigikogu

The key phrases of this two-day seminar could be 'a changing Europe' and 'a changing us', since administrative capability was and is the touchstone, to prove whether we are capable of uniting with

international alliances. There are two quite opposing ways to achieve administrative capability. The first might be defined, as a method of absolute management and control while the other is a citizen-friendly method of public administration. Which will we choose?

In the context of joining the European Union, recent debate has centred on 'a citizens' Europe' and 'a regions' Europe' and from this arises the need for the creation of new standards and the tightening of relationships. By this I mean the need to tighten up and improve the relationship between the citizens and the public and non-profit sectors. Necessity is a powerful stimulant. As Woodrow Wilson

said 'The best form of government is the spontaneous and active cooperation of citizens.' - and this aids communication between the citizens and the state.

Towards administrative capability, the priority of public administration is certainly to improve access to and quality of public services, as well as standardising the system for managing documents, in order to achieve the aim presented in the Government's Administration Reform program as - 'achieve more with less'.

I wish all the participants of this seminar success and plenty of food for thought.



# THE ECONOMIC DEVELOPMENT AND ADMINISTRATIVE CAPACITY OF A STATE



**Mihkel Pärnoja, Dr.**  
Minister of Economic Affairs of Estonian Republic

## Theses

When we discuss the state's economic development and administrative capacity we discuss the role of state in the economy and how well or poorly the state has been coping with this role.

## Economic Situation and Administrative Capacity in General

### Economic Situation

- One may say that the Estonian economy has managed to sustain external shocks rather successfully;
- Estonia is about to exit a downward phase and will recover its economic growth;
- Estonia's growth prospects should be considered as good, provided our economy is not be exposed to new external shocks this year;
- The European Commission, too, has considered the ability of Estonia's economy to face the competition pressure of the European Union in the long term quite realistic (Copenhagen criteria);

### Administrative Capacity

- Because of our continuing efforts in the Euro-integration process, it is too soon to talk about considerable cuts in spending in the government sector;
- The volume of legislation that we have to transpose and implement is no less than for any member state.

Therefore we have to do the same amount of work with fewer public service resources, compared to, for example, Poland;

- Administration of a small country is relatively more expensive than that of a big country (larger public sector spending from GDP);
- So far the focus of the Euro-integration process has been on the transposition of EU legislation, however, now the implementation of legislation and reinforcement of institutions required for that purpose is becoming more relevant;

## The State's Role in Guiding Economic Development

- The role of the state is to create an economic environment that would promote socially and regionally balanced economic growth.
- Different government agencies perform different tasks in the promotion of economic growth:
  - The Ministry of Economic Affairs – creates a favourable business environment by means of various support systems, by facilitating technological development and export, as well as performing tasks related to market supervision, protection of industrial property and supervision of public procurement;
  - The Ministry of Finance – is involved in monitoring the macroeconomic environment, financial supervision and competition supervision;
  - The Ministry of Transport and Communication – concentrates on infrastructure and communication networks;
  - The Ministry of Education – deals with the capital of human resources;

Other ministries also play an important role in economic development, but do that indirectly.

- The Ministry of Economic Affairs is aimed at developing an environment that offers businesses opportunities for growth. In order to achieve this, the Ministry has set the following priorities:
  - traditionally: legislation and implementation thereof (market supervision, public procurement, protection of industrial property, quality infrastructure, etc);
  - support to technological development and innovation – an important role in the improvement of the export capacity of businesses, priority 2001;
  - development of an effective business support system – underway, priority 2000.

### Legislation and Implementation

- These are traditional activities, with emphases now shifted to the implementation-side of legislation:
  - Market supervision: energy market supervision, technical supervision and consumer market supervision. Shortage of resources (both financial and human) is the most serious problem here;
  - Reorganisation of public procurement system;
  - Quality infrastructure: standards, metrology, product testing laboratories, accrediting system for the evaluation of laboratories, etc.

### Support to Technological Development and Innovation

- Major problems:
  - Government spending low (has been around 0.6% of GDP for years);
  - Expenditure for research and development (pyramid);
  - Private sector expenditure for development activity low;
  - Objective: to raise the total research and development (R&D) expenditure to 1.2 % of GDP by the year 2002;
- Primary activities:
  - Sharp increase in state financing of R&D, and of technological de-

velopment and innovation in particular;

- Activation of the corresponding private and foreign capital expenditure;
- Improved institutional efficiency in the organisation of R&D (Technology Agency) by the state;
- support the development of innovation support structures (scientific and technological parks, innovation centres, etc);

**Development of a Business Support System**

- An entrepreneur must be able to receive support and assistance all the way from establishment to the export of an end product
- Overview of the reorganisation of foundations

**Summary and Administrative Capacity**

- All the above tasks require a high administrative capacity from the state.
- The most serious problem is how to attract good specialists to the public sector. This has to be done somehow, because we have set the objective of enhanced economic competitiveness through technological development and support to the business environment. In order to achieve this double objective, strategic planning of the state's economic development is required and that in turn calls for good civil servants.
- Low salaries of civil servants are seen as the major problem, however, in certain fields (e.g. technological development) the shortage of people with respective knowledge is also a problem.



**Estonia's Main Economic Indicators 1995-1999**

	1995	1996	1997	1998	1999*
GDP (real growth, %)	4,3	4,0	10,6	4,7	-1,1
GDP per capita (EEK)	27430	35696	44118	50502	51626
Processing industry (real growth, %)	2,9	2,2	16,9	2,9	-3,4
Producer price index, growth %	29,0	23,1	11,1	8,2	3,3
Export growth, %	24,5	18,8	62,6	12,0	-0,7
Import growth, %	35,3	33,6	58,5	9,2	-6,4
Current account deficit, % of GDP	-5,2	-9,2	-12,2	-9,2	-6,2

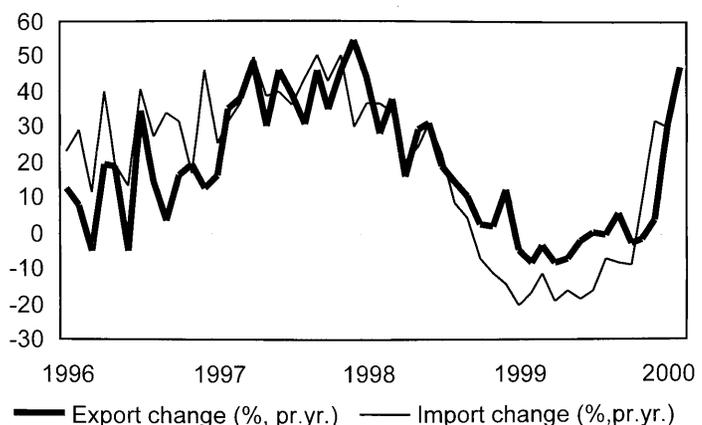
Source: Statistical Office of Estonia, Bank of Estonia  
\* Preliminary Data

**Estonia's Main Economic Indicators 1999-2004**

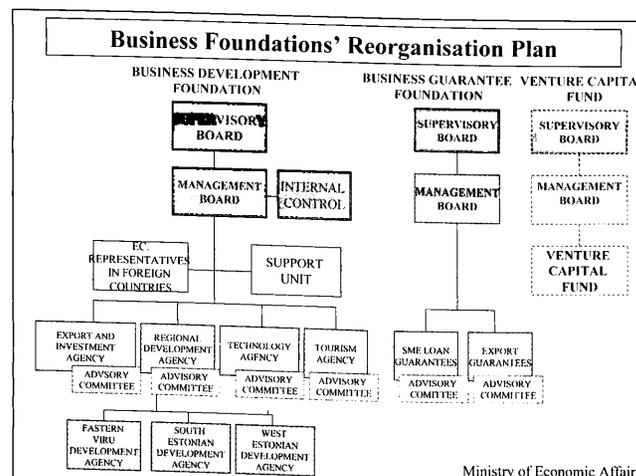
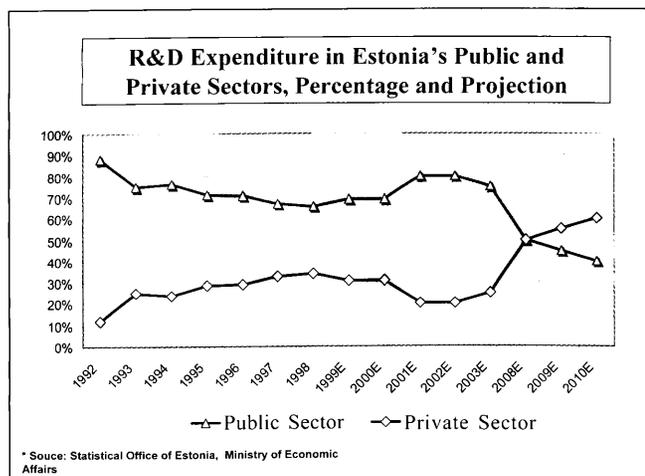
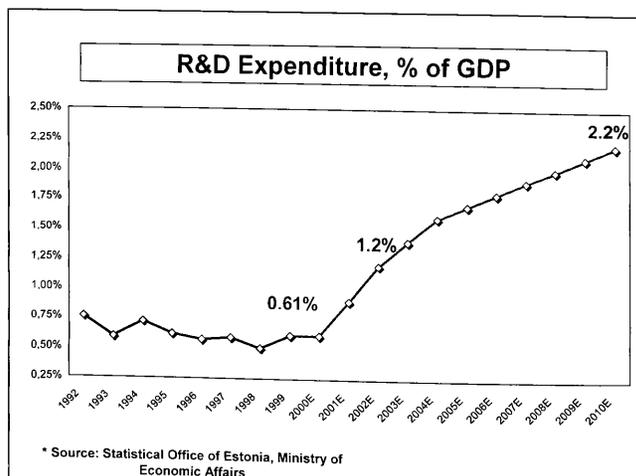
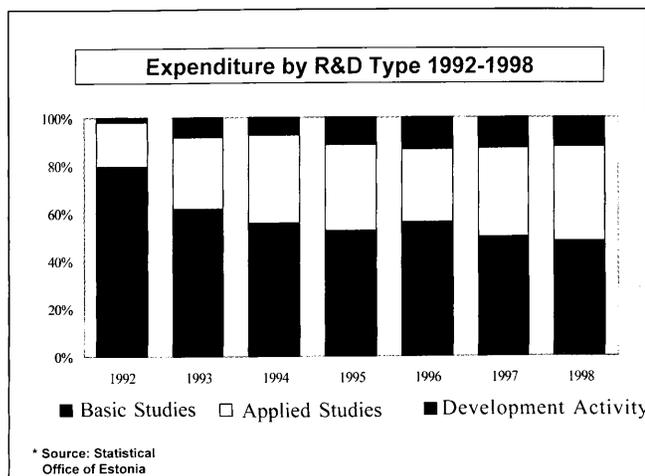
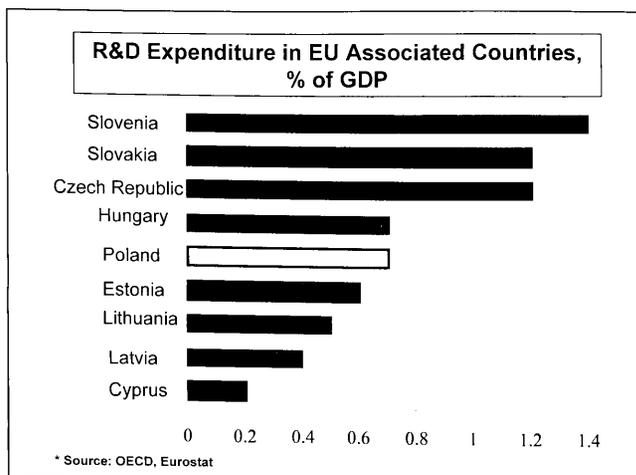
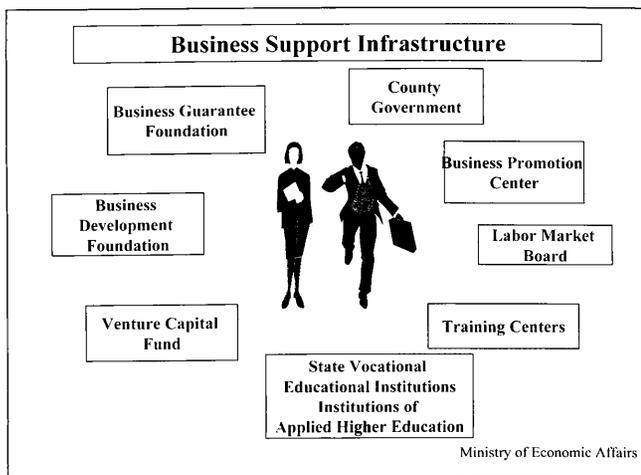
	1999	2000	2001	2002	2003	2004
GDP (real growth %)	-1.4	4.1	5.1	5.2	5.2	6.0
Investments (real growth %)	-16.0	8.0	8.6	7.4	6.8	8.0
Exports of goods and services (real growth %)	-0.7	5.4	5.6	5.6	5.6	6.3
Imports of goods and services (real growth %)	-6.4	5.9	5.6	5.3	5.3	6.1
Current account balance (% of GDP)	-6.2	-6.6	-6.2	-6.0	-5.7	-4.4
Consumer prices (growth %)	3.3	4.5	4.1	3.4	3.2	3.0
Unemployment rate (based on ILO methodology %)	11.9	11.4	11.1	10.7	10.4	10.1
Wages and salaries (real growth %)	6.3	2.3	3.9	4.6	4.6	5.3
Budget deficit/surplus (% of GDP)*	-4.7	-1.1	0	-0.5	0	0

Source: Statistical Office of Estonia, forecast of Ministry of Economic Affairs, Ministry of Finance

**Estonia's Foreign Trade 1996-2000**



Source: Statistical Office of Estonia



- ### Basic Functions of Prospective Agencies
- EXPORT AND INVESTMENT AGENCY**
    - attracts investments
    - develops exports
    - develops transit
  - REGIONAL DEVELOPMENT AGENCY**
    - co-ordinates regional business centers
    - develops regional centers
    - supports businesses
  - TECHNOLOGY AGENCY**
    - accelerates technological development through projects and development activity
  - TOURISM AGENCY**
    - organizes marketing on international markets and in Estonia
    - develops tourism products
    - handles tourism projects
- Ministry of Economic Affairs

# CHANGES IN EUROPE AND ITS IMPACT ON ESTONIA JOINING THE EU



**Henrik Holoiei**

Director of European Integration Department,  
State Chancellery of Estonia

Estonia's main goal in regard to joining the European Union is to complete talks by the end of 2001. Besides harmonisation of legislation, Estonia's focus is to improve the collaboration between various institutions, among others improve cooperation with the European Commission, northern countries and Holland. Collaboration is important principally because projects often don't cover the prioritised areas.

In regard to administration capability, the central issue for Estonia is whether we are capable of implementing our laws. The assertion that Estonia's administration capability is low, is not quite true. Various expert assessments have shown in part, the opposite. On the basis of these assessments Estonian officials are notable by their ability to speak foreign languages, their knowledge concerning their field and familiarity with computers. The shortfall lies in the fact that, this tendency is noticeable principally at the level of the more senior and older officials and the conclusion can be made that it is the young officials who need training.

Unfortunately the central government does not consider this idea very seriously, it tends to regard training as a disruptive factor, which hinders the everyday work of the officials. Increasing awareness in regard to this

would indeed help and if well organised is certainly possible.

Why does the European Union talk so much about administration capability?

Public administration is generally an internal state matter, but surely the im-

and in this area Estonia can certainly participate. Information technology is precisely the area where Estonia can find an answer to the question - 'What can Estonia give the European Union?'

Globalisation certainly also means greater openness and access to official documents, though this requirement is currently being fulfilled more successfully than in most of the founding members of the European Union. Through openness we can also affect the direction in which Europe is heading.



**On the basis of assessments Estonian officials are notable by their ability to speak foreign languages, their knowledge concerning their field and familiarity with computers.**

portance of political integration over economic integration in the European Union lies behind this emphasis.

From the point of view of Estonian legislation the focus is more on implementing laws, as well as making the business environment friendlier and safer, rather than on joining the European Union.

What else in the European Union is changing and will affect us? Federalism and globalisation are strengthening. In principal European Union economic policies are liberal like Estonia's, with the exception agricultural economic policies, though here too the proposed changes are in response to problems of implementation.

Globalisation also signifies the exertion of pressure in regard to the development of information technology

# THE PROCESS OF PUBLIC ADMINISTRATION REFORM IN THE CZECH REPUBLIC



**Vladimír Chyský, Mgr.**  
Department of IS/IT in PA, Ministry of the Interior,  
Czech Republic

## Introduction

My short contribution about the process of public administration (PA) reform in the Czech Republic is divided into 3 parts. The theme of the first is the evolution of the public administration and its reform in the last 10 years. I will try to summarize the basic objectives of the reform in the second part. An explanation of the concrete contents of the reform will be the subject of the last part.

## The Evolution of Public Administration Reform

Democratic PA reform became the important theme of political and expert discussions shortly after the revolution, which began in September of 1989. One of the first measures in the territorial administration was the abolition of National Committees. The National Committees were bodies which:

- provided functions of self-government and state administration, and
- were established on 3 levels of public administration, i. e. on the municipal level, district level and regional level.

The structure of these bodies were abolished particularly because of their connection with the political power of the Communist party.

Instead of these two levels of National Committees, district offices providing

state administration, and municipal and communal offices as self-government bodies, were established. Regional National Committees dissolved with out the creation of anything to replace them.

This absence at the regional level of public administration lead especially to the centralisation of the performance of the whole PA. The central administration bodies established a lot of detached and de-concentrated units in the territory as a consequence of the lack of regional PA.

In the nineties the idea of the enlargement of the EU(European Union) to the east carried through. The Czech Republic began to negotiate with the EU. Public administration in the Czech Republic was shaped under the direct influence of the EU and its states at least since the first half of the nineties.

## The Objectives of the Reform

We can deduce from this short draft of the evolution of PA in the last years the essential objectives of the whole process.

1. The first task is the decentralisation and further democratisation of PA with an increase of participation among citizens in deciding public affairs, which usually have a strong impact on them.
2. To improve the effectiveness of PA also belongs to these necessary aims. In relation to PA the citizens are taxpayers and are therefore interested in as useful a utilisation of the their funds as possible.
3. The third objective consists of fulfillment of the difficult conditions for EU membership and results from the necessity of EU membership.

## Concrete Contents of the Reform and Associated Aspects

Intensive work on the reform began with the new government after the parliamentary elections in 1998. A department of PA reform was established as a part of the Ministry of the Interior. The department worked up a concept of PA reform, which was approved by the government and discussed by the parliament. A number of draft acts were prepared on the basis of the concept, which we can divide into organisational and financial components. The first part of the drafts was worked out by the Ministry of the Interior, the second by the Ministry of Finance.

A model combining state administration and self-government in the territory in one body was chosen according to a parliamentary recommendation. It has been implemented at the regional level at present, but this model will probably be used also on lower levels of PA. A broader enforcement of the principle of solidarity took place in the financial acts in the distribution of tax revenue.

The second phase of the reform, which should be realised in early 2003, consists of an abolishment of the District Offices and the delegation of their responsibilities to other bodies. In the Czech Republic there is also a problem of a high number of communities (about 6000), and this fact embarrasses the exercise of PA on the lowest level.

A new and broader use of information systems and technologies (IS/IT) is also beginning to contribute to the process of PA reform. The lack of co-ordination is perhaps one of biggest problems. A civil service act is being prepared in the Czech Republic at present and a new system of education and training for PA employees.



# THE AIMS AND OBJECTIVES OF PUBLIC ADMINISTRATION REFORM IN CZECH REPUBLIC

**Jirí Marek, Dr., Assoc. Prof.**  
Director of Department of Public Administration  
Reform Ministry of Interior, Czech Republic

## Aims of Public Administration Reform

Public administration reform is a process, taking place practically in all post-communist countries. However, is the implementation of public administration reform an objective necessity or does it represent merely a “fashionable” trend? I cannot generalise the experience of all post-communist countries, but can offer certain starting points or achievements from the Czech Republic to support the idea of the necessity of implementation of public administration reform in these states.

The first public administration reform in the Czech Republic took place shortly after the velvet revolution of 1989. It consisted in the abolishment of the political organisation of territorial administration based on the system of National Committees. The regional tier of public administration bodies was abolished without replacement, the district National Committees were replaced with District Offices as the organs of state administration in the territory, and the municipal and local National Committees were replaced with municipal and communal offices as state-independent bodies of self-government.

The abolishment of the regional tier of public administration obviously was due to the political reality of the time. Nevertheless it brought about the necessity of solving the exercise of public administration in the territory on this level. For this purpose the individual ministries began with the more or less unrestrained organisation of their units in the territory – either in the form of detached or deconcentrated units. To define the two terms I should like to add that detached unit forms a direct part of the central institution – ministry, while a deconcentrated unit is a relatively autonomous state administration body in

the territory directly controlled by the respective central institution.

The above mentioned circumstances make it possible to deduce the first two reasons for the necessity of public administration reform in the Czech Republic:

- absence of the middle tier of public administration resulted in excessive centralisation of the exercise of public administration,
- insufficient horizontal co-ordination of the exercise of public administration practically on all levels, and
- Unsatisfactory effectiveness of public administration exercise, resulting from the former.

Further reasons resulted from the new orientation of the foreign policy of the Czech Republic aimed at the accession to European Union. The argument – this measure is essential because of the requirements of European Union – is often applied to support the proposal of some changes. Public administration, however, is an internal affair of every state and European Union does not impose any requirements on its institutional organisation. The conditions for acceptance of new member states, however, include

- the transparency and openness of public administration and, naturally also
- the stability of exercise of public administration, and
- the quality (professionally) of exercise of public administration, because in the interest of the possible and necessary co-operation in the framework of European Union the public administration of any member state must be able to assure and enforce EU law – *acquits communautaire*.

Excessive centralisation of exercise of public administration may reduce its effectiveness, but certainly would reduce the participation of citizens in the administration of public affairs, i.e. result in a partial restriction of democracy.

According to the

- principle of subsidiary

From the macroeconomic point of view it is possible to prove, in our opinion, that most effective for the exercise of public administration is the allocation of decision-making powers to the tier combining

- sufficient information for objective decision-making, with
- direct interest in the solution of the problem.

All above mentioned reasons and approaches can be summed up in three fundamental aims of public administration reform in the Czech Republic:

- improvement of the effectiveness and efficiency of public administration as an instrument for the assurance of the required quality and scope of public services to the citizens of the state while respecting the limited budget funds,
- enhancement of further democratisation of public administration and increase of the citizens participation in the decisions on public affairs as a means of ensuring social cohesion,
- stabilisation, improvement of quality and increase of transparency of the exercise of public administration as a condition for the membership in European Union.

## Institutional Aspect of Public Administration Reform

The establishment of the middle tier of public administration – regions – has appeared as the entirely necessary prerequisite for public administration reform. The concept of public administration reform was drafted in several variants. After its review by the Government it was submitted for discussion to the Parliament which decided, by 167 votes out of the 176 votes of deputies present, on the institutional aspect of public administration reform in the Czech Republic in the form of a combined model of exercise of public administration in the territory.

As it is a model not used in this form in the EU member states, I should like to give its brief description and characterise its advantages and disadvantages. I must start with the definition of two generally used terms the contents of which, however, are sometimes subject to different interpretation.

State administration represents the exercise of the citizen's rights and obligations in the administration of public affairs uniformly in the whole territory of the state, as a law governs the exercise of state administration. Self-government may influence the exercise of state administration only within the limits entrusted to it by the respective law.

Self-government, on the other hand, represents decision-making on the priorities of development of the given territory in the field entrusted to self-government.

With regard to the different character of these two branches of public administration, i.e. state administration and self-government, we can say that the prevailing public administration model is a separate model in which each branch of public administration is assured by its own bodies – offices – which may result in the duplication of some activities.

The combined model represents the formation of a single combined body on the respective public administration level. It represents the establishment of a self-government office to which the exercise of state administration is delegated. The advantage of the combined model may be the integration of the exercise of public administration in the territory; the disadvantage may comprise a greater necessity of control and remedial mechanisms to assure the uniform exercise of public administration in the whole territory of the state.

Under the adopted laws the regional tier will be restored in the Czech republic on the basis of the first elections to 14 regional boards which will take place in November, 2000.

On the basis of the recommendations of the Parliament of the Czech Republic the second (and the third) phase of public

administration reform are under preparation.

Institutionally the second phase of the reform will result in the abolishment of District Offices as state administration bodies and the application of the combined model of public administration exercise also on this level. The concrete mechanism of this step has not been decided yet.

The third phase represents the solution of enormous territorial atomisation of the exercise of public administration in the Czech Republic which has over 6 000 communities for the population of some 10 millions. Moreover, 80 % of these communities can be characterised as small in which the exercise of state administration is difficult to assure. Czech Republic does not intend to take the way of compulsory administrative amalgamation of communities, being fully aware of the significance of citizens participation in the administration of public affairs even in small communities as well as their local patriotism in the best meaning of the term. The solution may be achieved only by economic stimulation of the association of communities to the joint exercise of public administration, which is a long-term process.

## **Contents of Public Administration Reform**

To assure a better horizontal co-ordination of the exercise of public administration in the territory it was decided to incorporate most detached and deconcentrated units of central authorities into the combined public administration bodies – on regional level into the regional office.

The improvement of horizontal co-ordination of central state administration will be improved by the formalised process of self-assessment, possibly restructuring, in order to eliminate duplication in the exercise of public administration, to define clearly the management links and the processes which must be assured on central level. The implementation will contribute to a more effective exercise of public administration. The solution of these problems will be proposed in

the material, which is being prepared for the Government at present.

To enhance democracy, openness and transparency of exercise of public administration the laws are being adopted at present strengthening the powers of self-government bodies in the exercise of state administration as well as the rights of the citizens in the control of the exercise of public administration e.g. through the law on the free access to information.

To assure the stability of public administration and it's professionally the Civil Service Act is under preparation and the concept of education of public servants has been adopted. The system of preparation of knowledge verification will be adjusted to harmonise with this concept.

To increase the effectiveness of exercise of public administration further partial concepts are under preparation, comprising:

- concept of informatisation of public administration, according to which the internalisation can significantly approximate public administration to the citizen,
- concept of public and civil control,
- concept of standards and availability of public services

And, last but not least, the solution of the problems of partnership of public administration bodies with non-governmental non-profit making organisations, the enhancement of the elements of confidence and mutual co-operation of civic society.



# INTERACTION BETWEEN LOCAL GOVERNMENT AND THIRD SECTOR



**Dalia Gineitiene**

Department of Public Administration  
Kaunas University of Technology, Kaunas, Lithuania

After Lithuania became independent it started public administration reform: the centralised management system had to be decentralised in functional and territorial aspects. This was related to the redistribution of functions between national and local governments and increased competence of local governments. One of the aims of territorial administrative reform is to bring local government closer to the people who are interested in prompt and effective solutions to their problems, i.e. to bring the decision making process closer to citizens.

Interaction between the government and its citizens is necessary if the government is to serve its citizenry. "Elected officials and public administrators in Lithuania are no longer just leaders granted the power to make decisions for the community. They are "employees" of the citizens, hired to work on their behalf, and they are accountable to their citizens for the decisions that they make. To make effective decisions they must learn to communicate with their citizens" (2, p.19).

Public administrators should promote democratic processes but, on the other hand, people should also be ready to "accept [that level of] democracy". During the Soviet period, it was officially declared that the public should participate in managing state and public affairs and in deciding political, economic, social and cultural matters. However, it was also stressed that the leading and

guiding force of the Soviet society as well as the nucleus of its state and public organisations was the Communist Party of the Soviet Union (CPSU). It is clear that in reality all activities were regulated and controlled by the CPSU and by state power, and no space was left for initiative unless it conformed to the approved party programs and plans. A legacy of this period, which is the lack of a participatory democratic tradition, is a significant problem of public participation. The approach that a citizen should not put into words her ideas and that she should not express objections to the decisions of government was deeply rooted in people's minds. Now people have to learn how to participate and public officials have to learn how to involve the public in the decision making process. It is difficult for both.

A large space for the development of the third sector, which is becoming a powerful force influencing society, has been opening in Lithuania during the last decade. The third sector or non-governmental organisations (NGO) could help people to learn what it means to be a citizen and stimulate their participation, but it may also act not as a school for wider political involvement, but increasingly serve as a refuge from (and alternative to) it (1).

Many aspects of community life are determined by policies and procedures of local and national organisations, by laws as well as by the economy. Because of the absence of a participatory tradition and a lack of experience and to some extent due to the laws governing contributions to NGOs, traditions of volunteering and contributing by both individuals and businesses are developing slowly. Many citizens do not fully realise the important role, which NGOs can play in the solution of social and other problems. Even if a legal framework exists, the system does not always give the expected results in this field as the public and NGOs are not well aware of the existing legal instruments for public participation.

Due to economic difficulties and unemployment, people are facing problems of survival. Environmental and other similar problems are not among the priorities for the majority of the population now, unless people are directly affected themselves. Citizens' choices are tied to economic motivations. People turn to concentrate on immediate needs that affect them now and try to satisfy their present day needs instead of thinking about various problems, moral values or about future generations.

Nevertheless, at present, there are about 5000 NGOs in Lithuania. The exact number of NGOs is not clear as the national database is not yet complete. Organisations vary in size and activity. It is supposed that out of 50 NGOs registered in municipalities only 10 are actively working. (4). NGOs work in various fields: social services, education, culture and sports, health care, environmental protection, and others. Their responsibilities and obligations for the society constantly increase. For instance, the data base for the Kaunas Non-Governmental Organisation Support Centre shows that from among 300 hundred of the most active organisations in the Kaunas region, 27 percent are dealing with social issues; 17 percent are youth organisations or organisations helping young people to solve their problems; 13 percent are organisations of various specialists; 9 percent are women's organisations, 9 percent - cultural organisations; 6 percent - environmental organisations.

Some organisations not only provide services, but, for instance, environmental NGOs, attempt to engage more people and other NGOs in decision-making through informal discussions, various seminars and meetings, and providing opportunities for commenting on legal acts and other documents. Government is not always ready to accept the third sector as a partner in policy-making. Involvement in the decision-making process depends on the initiative and inven-

tiveness of citizens or NGOs and the responsiveness of the local authorities.

In Lithuania, a sufficient legal basis exists for public participation and NGO activities. The Constitution of the Republic of Lithuania provides citizens with the basic rights important for public participation: the rights of expression, of association, of free assembly and the right to information. Other laws such as the Local Government Law, Public Administration Law, Territorial Planning Law, Environmental Protection Law, other laws and regulations as well as strategies and policies provide for public information and participation. The Law on Social Services (1996) directly speaks about the relations between municipalities and NGOs. It states that municipalities, in organising the provision of social services, co-operates with corresponding non-governmental organisations and religious associations. A bilateral contract concerning the conditions for providing social services, and the management and funding could be signed, and annual accounts of the allocated funds should be rendered to the municipal government.

An important contribution from international organisations such as UNDP, USAID, various foundations promoting democracy along with the Open Society Fund, as well as the Lithuanian Non-Governmental Organisations Information and Support Centres (established in 4 cities), which assist the development of this sector, should be stressed. Various programs are prepared and implemented for the education of members and leaders of NGOs and local and state officials. The results of their work can be seen in practice. A tendency away from direct opposition towards partnership is apparent in relations between local government and NGOs. A decade ago, when there were no legal mechanisms for public participation, people used non-formal ways (such as protest meetings or pickets) more often to voice their opinion. On the other hand, people were used to the situation during the Soviet years when all organisations were financed by the state, and the new NGOs were asking for financial support from governmental institutions even without

clearly understanding their own goals or having programmes for their activities.

Many municipalities now understand that they as well as NGOs have a common goal – to help citizens in solving their most urgent problems. They realise how difficult it would be to cope with various and especially social issues without the help of NGOs. Social services, health care, education and information, culture and the arts, ecology and environmental protection are the main

**Government is not always ready to accept the third sector as a partner in policy-making. Involvement in the decision-making process depends on the initiative and inventiveness of citizens or non-governmental organisations and the responsiveness of the local authorities.**

areas of collaboration between municipalities and NGOs. Usually municipalities provide the following forms of assistance to NGOs:

- joint working groups to solve city's problems,
- training programmes,
- exchange of information,
- help with international contacts,
- premises given for NGOs activities,
- financial support from municipalities budget.

An important step towards more productive collaboration in many municipalities was the approval of principles and regulations concerning collaboration between NGOs and municipalities and setting an order of financial support for their projects. These documents clearly define priorities, set criteria concerning how projects are selected and establish expert committees for evaluation of the

projects. Representatives of NGOs are members of these committees.

Some municipalities have general policies on collaboration with NGOs and other municipalities stress co-operation in separate areas. For example, in 1998, Marijampole City Council (a city with 52 thousand inhabitants) had passed a decision "On the Relations with Non-governmental Organisations" and approved "Principles of Collaboration between the Municipality and Non-governmental Organisations of the Marijampolė City". The document lays emphasis on collaboration based on partnership when solving social, cultural, environmental, educational and other problems. Organisations working in these fields could get financial support from the municipality if they prepare relevant projects. A committee for the evaluation of NGO projects was established and a contact person at the municipality dealing with various related issues was appointed.

In Klaipeda City Municipality the Departments of Social Support, Education and Culture are closely collaborating with NGOs "giving" these NGOs part of their functions. There is an especially, active collaboration with NGOs working on social issues. A similar situation exists in many other Lithuanian cities and towns.

In general, non-governmental organisations understand that it is necessary to join forces and co-ordinate their efforts in order to serve the community better. In 1996, they established the Kaunas Association of Social Non-Governmental Organisations. This organisation is an umbrella organisation with 30 NGOs as members. In 1997, the Coalition of Public and Non-governmental Organisations in the Kaunas Region was established. Its goal is to implement Laws on Social Services and to stimulate NGOs to provide more social services. Kaunas youth organisations established an association "Apskritas stalas (Round table)" and 60 organisations belong to this association. Similar associations can be found in other cities.

There are certain difficulties in collaborations between NGOs and municipalities. Many NGOs are still not capable or

willing to work together to form umbrella organisations because they are competing for resources. Then collaboration between such organisations is problematic, their activities become less effective, and it is difficult for municipalities to deal with so many subjects. Municipalities turn to finance NGOs that have good, long-term projects, so small NGOs could hardly expect to get support. Not all NGOs have enough competence to administer the resources they get. Some organisations are not capable of keeping to the terms of the agreement, to report on their activities and expenditure. When providing services NGOs should be professional and effective, on the one hand, and must provide space for people's initiatives and stimulate their participation in solving urgent community problems on the other. Unfortunately, there are no clear evaluation criteria

about the quality of their services. Accounts are complicated and too much "paper work" does nothing to promote initiative either.

Among problems related to the third sector, it should also be mentioned that a danger exists that organisations in this sector which take more functions from government institutions and are financially supported by them are becoming quasi-governmental and are losing their role as an independent force in society. When organisations are competing for resources, they must become more rational, effective and thus become more like business organisations thus losing their traditional values: altruism, compassion, and solidarity. However, the third sector should remain a mediating structure between private and public sectors.

## References

1. Galston, W.A. & Levine, P. (1997). America's Civic Condition. A Glance at the Evidence. *Brookings Review*, 15(4), 23-26.
2. Lobbying: a guide for executives. (1996) Prepared by E.Jasaitis. Kaunas:KTU.
3. "The Third Sector". Newsletter. The Non-Governmental Organisation Information and Support Centre. [On-line]. Directory: <http://www.nisc.lt/>.
4. Practical Guide for Lithuanian Non-Governmental Organisations. (1999). Vilnius: The Non-Governmental Organisation Information and Support Centre (in Lithuanian).
5. Public administration. (1999). ed.A.Raipa. Kaunas: Technologija (in Lithuanian).



# ADMINISTRATIVE REFORM IN SLOVAKIA: PROBLEMS AND PERSPECTIVES



**Ludmila Malikova**  
Comenius University, Bratislava

Administrative reform has been an integral part of the transition process throughout Central and Eastern Europe. In Slovakia, however, the need for quick public administration reform became particularly pressing when the republic became an independent state in January 1993. The government identified two facets of reform which were vital for overcoming the legacy of the communist regime: decentralisation and civil service reform.

However the path of public administration reform is highly dependent upon the stability of the political scene. Long-

standing conflicts between the coalition and the opposition and high level officials (president vs. prime minister), polarised society. The process of political affiliation is not yet finished and the high level of fragmentation among the political parties at present means that consensus among political groupings is hard to reach, and all decisions concerning legislation and public administration are politically charged. Mr. Dzurinda's current government is the seventh cabinet in ten years.

My article will attempt to contribute to a deeper understanding of the complications involved in reforming public administration in Slovakia. I would like to illustrate the process of building up institutions and the difficulties of increasing management capacity at all levels of government.

## The Political Strategy of Decentralising Power

After the "Velvet Revolution" in 1989, the process of a gradual transition to a pluralistic, democratic political system started in Czechoslovakia. When public

administration reform began in 1990, the main motivating idea was to create new, democratic relations between citizens, municipalities and the state. This idea was the logical expression of the need to change the central system of the state administration and establish a new institutional structure of local democracy.

In 1990, the communist legal system of local administration was replaced by a new legal framework with both a system of self-government and a system of local state administration. Consequently, two parallel structures of local administration were established:

1. Local self-government with its own administration on the level of municipalities (Act 369/1990 on Municipalities).
2. Local state administration on the level of areas and districts (Act No. 472/1990 on Local State Administration). The nature of this reform raised two structural problems in the process of reform: the fragmentation of local self-government structure and politicisation of the state power structure.

## The Fragmentation of Local Power Structures

The first stage of reform was limited only to the formation of single-tier self-government in municipalities and cities. Although the 1993 Slovak Constitution assumes the creation of a higher (regional) level of self-government, political agreement on this has still not been achieved.

The result of the first stage of reform in Slovakia was the fragmentation of local self-governments and the local political elite. 2,871 self-governmental units on the local level were created, but only 123 of them have a population above 5000. Most of the municipalities (1195) have a population of less than 500. This local power structure operates without a sufficient economic base, with an underdeveloped infrastructure and with a high dependence on state subsidies. This situation does not give much opportunity for the majority of municipalities to create and realise their own local policy and establish local democracy on the basis of efficient administration.

Given the highly fragmented structure of municipal self-government in Slovakia, it is necessary to establish a functional regional tier of self-government which respects Slovakia's geopolitical environment as well as the Maastricht Treaty and EU principle of subsidiarity. Devolution of power may serve to reinforce democracy if regional legislative bodies have significant powers of their own, and if dependence on the central government for resources is not too great.

The new government elected in 1998 made an important strategic change in the reform of public administration. The Slovak Government Programme approved by parliament in December 1998 stressed the need for further transfer of the competencies of the regional state administration bodies to the regional self-government authorities which are to be established, and also the need to amend the Act on Territorial and Administrative Structure of the Slovak Republic, to develop cross-border co-operation and to increase subsidiarity (in its

classical meaning) (Programme of Government, 1998).

The Politicisation of the State Power Structure in the Slovak part of Czechoslovakia, 38 district offices and 121 sub-district offices of local state administration were created in 1990. (Act No. 472/1990 on Local State Administration). At the same stage of reform, many institutions of specialised local state administration were created as well (e.g. education offices, environmental protection offices, fire departments and health care

**The process of political affiliation is not yet finished and the high level of fragmentation among the political parties at present means that consensus among political groupings is hard to reach, and all decisions concerning legislation and public administration are politically charged.**

administration). This process split local public administration into many separate, relatively independent administrative structures, leading to the negative features of atomisation and fragmentation of agendas.

From 1<sup>st</sup> January 1993 Slovakia has been developing as an independent unitary state. During the entire five-year period (1993-1998) a long political dispute took place about the reorganisation of local public administration and the creation of the meso-level (regional) territorial division in Slovakia.

The discussion about the new territorial administrative division of the country became a part of the political conflicts between the coalition and the opposition in Slovakia from the very beginning. An increasing tension among political parties did not create suitable conditions

for an efficient consideration of the whole concept of the reform and its implementation.

The government in 1994 approved the first document on the reform of the public administration - "Strategy for reform of the public administration in Slovakia". In this document, it was made clear that reform would solve the following basic tasks:

- a) Improving the organisation of the local state administration
  - b) Forming self-government at the regional level
  - c) Decentralisation of powers from the state bodies to the regional self-governments and forming the preconditions for its realisation
  - d) Defining the new territorial and administrative division of Slovakia
- (In: Verejna správa, No 16, 1994)

Mečiar's third government decided in 1995 to concentrate administrative reform in particular on the territorial-administrative division and a more rapid reorganisation of local state administration in Slovakia. This strategy prioritised the division of territory and reorganisation of the state administration rather than attempting to decentralise power from the central government to self-governments. The Act of the Territorial and Administrative Division of the Slovak Republic, which came into force on 24<sup>th</sup> July 1996, established eight regions and 79 districts, thus creating two levels of local state administration. (see the Map)

As regards the local state administration (Act No 222/1996 on the Organisation of the Local State Administration), a horizontal integration of numerous specialised agencies took place. 643 first and second level authorities were integrated into 79 district and 8 regional state administrative offices. The new territorial administrative division influenced the organisation and structure of the various authorities and institutions in the public sector.

This, together with deficiencies in the legal position of state administration employees, was a major cause of the high turnover at the top level of the public service. In Slovakia, public service posts are mostly taken as political and not professional-administrative jobs. Therefore loyalty to the governing political par-

ties is expected, and each new coalition government can appoint new heads of regional and district offices.

This meant that in the course of 1996-97, the 1996 reforms facilitated the appointment of people close to Meciar's party (Movement for a Democratic Slovakia - HZDS) to various positions in local public administration offices. The reform awoke distrust among representatives of local self-government and of other political actors. It appeared that public administration reform was strengthening the power of the ruling government party at the local level.

The general elections in September 1998 changed the political situation in Slovakia. The previous government of Prime Minister Meciar was replaced by a new coalition of political parties from both right and left wings of the political spectrum. (Slovak Democratic Coalition (SDK) which is the coalition of following political parties, Christian Democratic Movement (KDH), Democratic Union (DU), Democratic Party (DS), Green Party (SZ), Social Democratic Party of Slovakia (SDSS)) - Party of the Democratic Left (SDL), -Party of Hungarian Coalition (SMK) which is the coalition of Hungarian Christian Democratic Movement (MKDH), Hungarian Civic Party (MOS) and Coexistence) and Party of Civic Understanding (SOP).

In this new political situation, the previous plans to reform public administration are in the process of being significantly changed. The new government made an important strategic change, preferring a more systematic transformation of territorial decentralisation and de-concentration of power and the arrangement of inter-level co-operation between local self-government and state administration bodies. The Government Policy Programme (1998) stressed:

- The need for further decentralisation of the competencies of the local state administration bodies to the regional self-government authorities to be established
- The need to solve the problem of the financial independence of municipalities
- The need to amend the Act on Territorial and Administrative Structure of the Slovak Republic and develop cross-border co-operation.

- The need to increase subsidiarity (in its classic meaning)
- The need to create conditions for increasing the professionalism of the public administration staff and their systematic training and education. (Programme of Government, 1998)

## The Position of Political Parties at the Regional and Local Level

The two municipal elections (1994, 1998)

**Given the highly fragmented structure of municipal self-government in Slovakia, it is necessary to establish a functional regional tier of self-government which respects Slovakia's geopolitical environment as well as the Maastricht Treaty and EU principle of subsidiarity.**

in independent Slovakia confirmed that the process of transferring power to the local level is still very much influenced by the interests of parliamentary political parties. Parliamentary fights between the coalition and the opposition seem to be more a determinant of power than the political programmes of local or municipal importance. In practice, parliamentary political parties usually use their own representatives at the local level as tools for central government, while local politicians use the political parties which supported them during the election to lobby and get state subsidies from central government. The most successful candidates for local elections are those supported by the political parties (HZDS, SDL, KDH, SMK and SNS) which have parliamentary representation.

The fact that the candidates supported by parliamentary parties belonged to the

most successful ones in local elections confirms the immaturity of local policy and its political programmes.

Opinion shows that although on the national level Slovak politics was marked by divisiveness, at the local level co-operation was much more fluid and *ad-hoc*. In the 1998 local election 99 political parties and ad hoc organisations were involved in the local elections and 113 different coalitions appeared in candidate's lists. It clearly shows the tendency of increasing political fragmentation. The political parties not only support their own local candidates, but they support candidates who ran under the banner of locally based coalitions (11,6% in 1998 election). These coalitions are sometimes very strange from the point of view of national politics. For example, even though KDH and HZDS are opponents on the national level, at the local level the two parties sometimes co-operated to the extent of supporting a joint candidate.

The influence of individual political parties is very weak in municipal decision-making. Mayors in Slovakia were asked (1997) about the influence of specific actors in municipal decision-making: "How much influence do you think the following groups, institutions and officials have in decision-making? They responded by listing these entities in descending order of importance as follows:

1. local councils,
2. mayors,
3. executive boards,
4. chiefs of administrative offices,
5. the central government,
6. the local administration,
7. the elderly
8. common citizens,
9. local newspapers,
10. regional or district offices,
11. churches,
12. businessmen,
13. local economic enterprises,
14. political parties,
15. voluntary social organisations.

The respondents indicated that the influence of political parties in the decision-making process at the regional and local level is not as important as for example the local state administration structure or local media.

**The Strong Position of Non-Partisan Mayors** *The Mayor* in Slovakia is a very important member of the local self-government. This is due to the fact that they are directly elected by citizens and hold

top executive power. This system of powerful mayors was established in 1990, when the first free local elections to the local authorities took place. Mayors in Slovakia are elected on the principle of the majority electoral system: the candidate with the highest number of votes in a given municipal area wins. There is a choice of individual candidates, and voting is not necessarily based on candidates' party affiliation. The mayor is an authority on the local level whose leading position in the municipality is defined by law (Act No.369/1990 on Municipalities) and is enshrined in the Constitution of the Slovak Republic.

The social status of a mayor in self-government is considerable: it is practically impossible to understand what is happening in a municipality without contacting the mayor. Mayors represent their community as an independent territorial area with its legal autonomy inside the state as a whole. (The Constitution, article 64, part 2, 1993) Therefore they occupy what in essence is an exclusive position. The mayor is, at the same time, an executive authority in the community. They direct the municipal council and are responsible for carrying out its own local competencies as well as the state competencies which have been transferred to the local level. From a jurisdictional point of view, their activities become part of the state administration and implement legislation.

In Slovakia, the tendency mostly to trust the independent candidates, especially when electing the mayors is very strong. Because most of the municipal self-governments are very small and the selection of candidates is limited, it is usual in many communities for incumbency to play an important role. Personal contacts and experiences do influence the selection, but many other factors also can play a role. The election results in 1994 and 1998 showed that the tendency to support independent mayors is very significant, in 1994 29,4 per cent, and in 1998, 28,2 per cent.

In the Slovak case, continuity of power at the municipal level is confirmed very clearly by the list of elected mayors in the 1994 and 1998 municipal elections. Comparing results between local elec-

tions (4 years apart) we can observe that there is clearly a strong incumbency factor at work. Of the mayors elected in 1994, 76.3 per cent were re-elected. This fact suggests the high level of mayoral self-confidence, while repeat nominations by the political parties and voters' opinions, may help explain the small turnover of personnel.

## The Civil Service Reform

Slovakia is one of the cases where the civil service is responsive to a majority

**The civil service is responsive to a majority party coalition. The career path of municipal officials is fully dependent on elected politicians, mainly mayors or heads of municipal offices. There are no general rules for awarding promotions.**

party coalition. The career path of municipal officials is fully dependent on elected politicians, mainly mayors or heads of municipal offices. There are no general rules for awarding promotions. The decision to promote civil servants to higher posts is the responsibility of the head of the district or regional office. Such decisions are in practice often based on professional and political agreements.

In Slovakia, the new public service legislation is considered an important instrument for the protection of civil servants from political interference. There is still no special Civil Service Code, and most civil servants are subject to the general Labour Code of 1965 and its successive amendments, except for strongly hierarchical organisational structures like the Police Force (law from 1993), the Railway Police (1998), the Military (1997) the Fire Brigades (1985) and Customs

Officials (1998). (In: *Strategy of Public Administration*, July 1999).

The district and regional office performs the role of state administration in individual areas of the civil service. The system of relationships between the local (district and regional) administration and the central state administration is based on the principle of sectorial accountability. The regional and district structures of administration represent individual branch divisions of the state public administration. Both are under the "one roof" of the state administrative hierarchy.

Political-Administrative Authorities (Top-Down Hierarchy)

I. National parliament of Slovakia (*central representative body*)  
Central government (*central executive body*)

II. Regional offices (8)  
(*Regional executive bodies of state administration*)  
District offices (79)  
(*District executive bodies of state administration*)

III. City or municipal councils (2 871)  
(*Representative bodies of self-government*)  
Mayors (2 871)  
(*Representative bodies of self-government + executive authorities*)  
Magistrate or municipal offices (2 871)  
(*Executive bodies of self-government*)

The transfer of executive competencies and legal authorities in the decision-making area to the individual departments in regional and district offices creates a different system of accountability. For example, the head of an individual department within a regional office is accountable to their respective ministry in most if not all branch state administration matters. The same system of accountability is valid for relations between the respective heads of regional office departments and the district offices' subordinated heads of departments.

Municipal offices (executive bodies of self-government) have a dual accountability:

- To the municipal council of self-gov-

ernment (original competencies)  
- To the district office (indirect competencies)

Professional policy advice may come from the ministerial level, but the municipal self-governmental offices (as was mentioned above) can be controlled and advised only when the law states the ministry has such competencies. Where a municipal self-government has *original competencies* over a particular policy area the accountability of municipal offices is in the hands of the municipal auditor or justice.

Because personnel management in the local public service is fragmented, the local officials are fully responsive and loyal to the authority of the mayor and the municipal council or heads of regional or district offices. They are not protected by the legal status of public servants and they could be replaced at any time. Public servants are not protected from politically motivated decisions so their recruitment and promotion are mainly based on political grounds, even if some professional reason could be taken into account. Because they generally earn less money than their counterparts in the private sector, they also lack motivation, the turnover of staff is very high and there is a tendency to seek outside income and to be more vulnerable to corruption. However, practice has shown that small municipalities have problems in getting qualified officials, and when they have such individuals they usually operate with a high level of administrative discretion. This is because of the daily contact with citizens through the specifics of their work. Administrative discretion is also significant in bigger towns and cities where the town/city office is quite big. Public opinion polls show that there is a deficit of professional ethics and underestimation of the dangers related to the conflict of personal and public interests. Additionally "petty corruption" is tolerated.

(*Podoby korupcie na Slovensku*, I. E. Sicakova, Bratislava, 1999).

The role of public servants concerning policy cannot be developed without a stabilisation of the politico-administrative interface.

A lack of definitions concerning admin-

istrative and special positions on the one hand and political positions on the other hand increases the possibilities for hidden corrupt behaviour such as illegal use of information, misuse of position and power, and clientelism. There are also other reasons for the corrupt behaviour among public servants, such as the non-transparent system of hiring and remuneration of state employees, lack of motivation and lack of ethical norms, standards and control mechanisms in the state administration.

**Slovakia needs to learn from previous unsuccessful reform approaches and to shift discussion to the problems caused less by formal structure and more by the environment within the system itself.**

## Conclusion

The political instability of society over the last years has had a crucial influence on the development of the content and long-term strategy for administrative reform. The process of reform has been highly politicised and ineffective. Besides the lack of management capacities, the current system of public administration has the structural disadvantage inherent in the fragmentation of the municipal self-governmental bodies. This local power structure is highly dependent on the state subventions. Therefore, Slovakia needs to learn from previous unsuccessful reform approaches and to shift discussion to the problems caused less by formal structure and more by the environment within the system itself. At the heart of the current discussion is the question of the

competencies, which should be accorded to the local and regional levels.

The decentralisation of power from state to regional level and the strengthening of the competencies of municipal self-governments would strengthen the interests of political parties to enhance their regional policies and finally it might help to revitalise regional socio-economic development. This development may also encourage the political parties to put more time and energy into the selection and preparation of their candidates for regional and local posts.

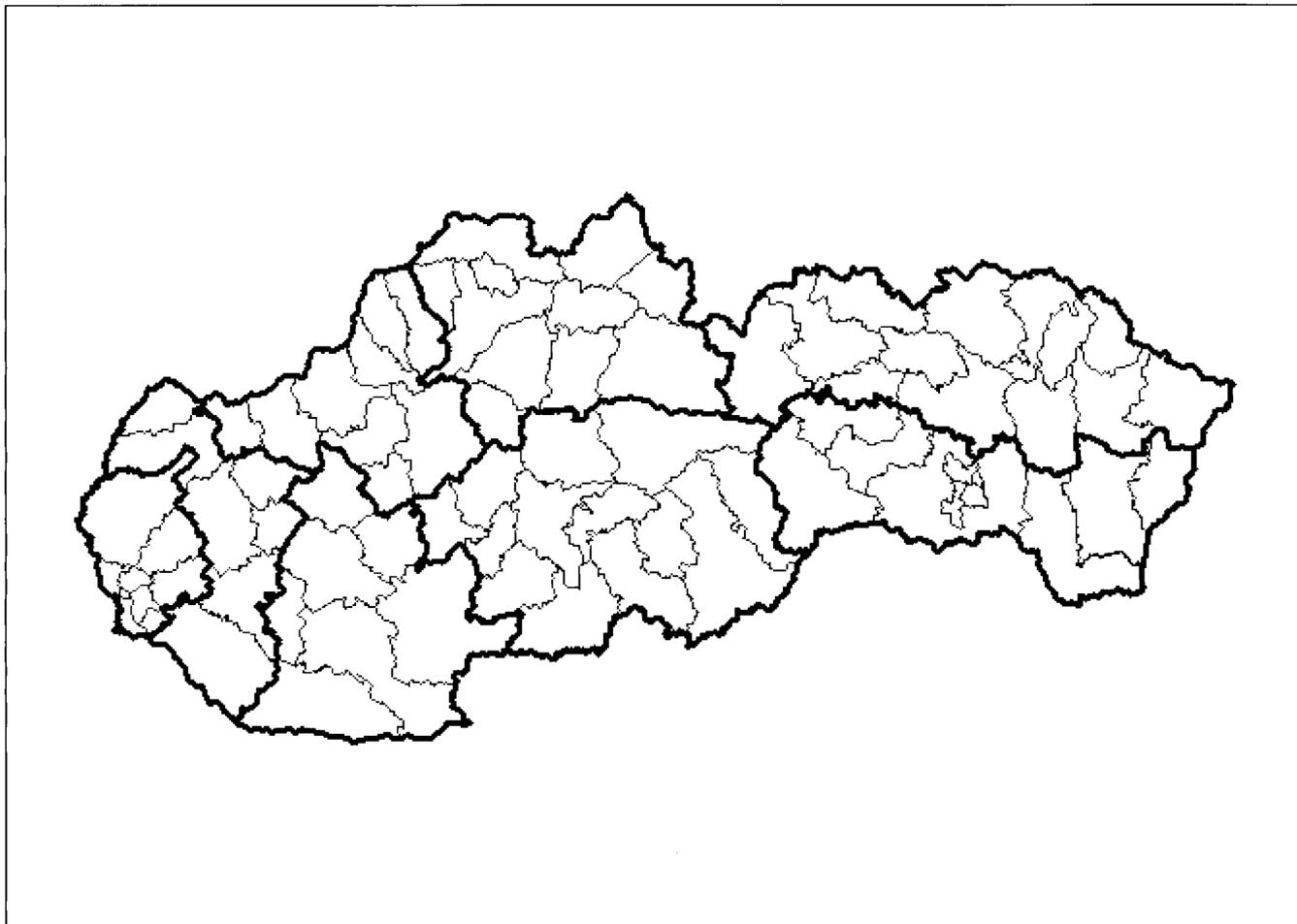
One of most important issues is the establishment of a legal system of relations between locally elected politicians and professional administrators. In Slovakia, civil service laws have not been adopted yet. Therefore, politico-administrative relations are not based on legally defined differences between permanent public servants (officials) and public servants performing political functions (mayors), or between administrators and politicians. The resistance of traditional bureaucratic procedures at the local level is more deeply rooted than the political enthusiasm to develop a more effective administrative system.

The new concept for reform of public administration introduces a more precise proposal for reforming the organisation and management of public administration based on a new legal framework and democratic control. Whether it will be successfully implemented remains to be seen.

## References

1. Baldersheim, H., Illner, M., Offerdal, A., Rose, L., Swianiewicz, P. (eds), *Local Democracy and the Process of Transformation in East-Central Europe*, Westview Press, 1996.
2. Kimball J.D. (ed), *The Transfer of Power. Decentralization in Central and Eastern Europe*, Local Government and Public Service Reform Initiative, Budapest, 1999.
3. Malikova, L. Bucek, J: *The changing attitudes of local authorities, A case study of mayors in Slovakia*, In: Jabes, J. (ed.), *Developing organizations and changing attitudes: Public Administration in Central and Eastern Europe*. The NISPAcee, 1996, Bratislava.
4. Malikova L., *Political Reflections on the transformation of Power in Local Government*, In: *Localities and Politics in the Transformation Process, the Slovak and Czech Experiences*, eds: Malikova, L,

Map 1



Administrative division of the Slovak Republic (regional and district level)

- Mihalikova, S., Friedrich Ebert Foundation, SPESA, Bratislava, 1995.
5. Malikova L., *Reforma miestnej verejnej spravy na Slovensku*, In: *Nove podoby verejnej spravy, Slovenska a flamska skusenost*, eds: F.Delmartino, S.Mihalikova, L.Faltan, Bratislava, 1997.
  6. National Council of the Slovak Republic Act No.221/1996 of Territorial and Administrative Division of the SR .
  7. National Council of the Slovak Republic Act No 222/1996 on the Organisation of the Local State Administration .
  8. Nazory 1 (Opinion), Vol.10/1999, Ustav pre VVM pri SUSR, Bratislava.
  9. uzemnom a spravnom usporiadani Slovenska, In: *Obecne noviny (The Municipal Journal)*, No 20, 14th May, 1996, p. 18.
  10. Politico-Administrative Relations in Central and Eastern Europe: an Irresolvable Stalemate, eds. T.Verheijen, A. Rebrenovic, NIG Working Paper No. 99-3 1999.
  11. Preparing Public Administration for the European Administrative Space, *Sigma Papers*:No.23, 1998.
  12. Slovak National Council Act 369/1990 on Municipalities.
  13. Slovak National Council Act No. 472/1990 on Local State Administration.
  14. Slovak National Council Act No.346/1990 on Local Government Elections.
  15. Sicakova, E. a kol., *Podoby korupcie na Slovensku* , Centrum pre hospodársky rozvoj, Bratislava, 1999).
  16. Surazska,W., Bucek,J., Malikova,L., Danek,P., *Towards Regional Government in Central Europe: territorial restructuring of post-communist regimes* , In: *Environment and Planning C: Government and Policy*, Vol 15, no: 4/1997,
  17. The Slovak Constitution, article 64, part 2, Bratislava, 1993.
  18. The Programme of Government, Bratislava,1998.
  19. Vass,L: *Hungarian Public Administration Reform and EU Accession*, Paper to be prepared at the International Conference "EU Enlargement to the East: Public Administration in Eastern Europe and European Standards", Warsaw, Poland, November 22-24, 1999.
  20. *Volby do organov samospravy obci SR konane 18. - 19.novembra 1994*, Bratislava, SSU, 1994.
  21. *Volby do organov samospravy obci SR 18. - 19.decembra 1998*, SUSR, 1998

# MEETING THE CHALLENGE OF PUBLIC SECTOR REFORM: A MANAGERIAL PERSPECTIVE



**Luca G. Brusati, Ph.D.**  
Bocconi University

Public sector reform, as empirical evidence has clearly shown, is not a simple exercise: it requires careful planning and sustained efforts, but rarely seems to lead to the results hoped for. Most countries are currently engaged in this venture, though, because of growing dissatisfaction among the general public towards the perceived imbalance between the resources required of taxpayers and the standard of goods and services (in both quantity and quality) that the public sector institutions actually manage to deliver.

The key point I am willing to make in this paper is that good laws and good policies are certainly important (provided that we agree on what a «good» law and a «good» policy actually are), but they are not enough. There is a need to take into account what policy analysts usually call “implementation”, and I would rather call “management”. In my presentation I will first clarify what I mean by “public management”; then I will address the features of the transition that governmental bodies are going through; and eventually I will discuss «what it takes» to get through this difficult transition, highlighting the role educational institutions can play in this process

## What Is This Thing Called “Public Management”?

First of all, what do I mean by “public management”? The term can be pretty

ambiguous, so let me start by ruling out what I am *not* talking about. I am not talking about the steering of macro-economic performances in a given country, from the perspective an economist would take. I am not talking about the processes of consensus-building and decision-making at the political level, from the perspective a political scientist would take. Nor I am talking about the design and enforcement of rules, from the perspective a law scholar would take. The “State” (I will explain these quotes in a while) can be a relevant subject of inquiry for many different disciplines: each of them provides different insights, because of different emphasis on different facets of the subject under analysis, and because of the use of different analytical tools by researchers with different backgrounds.

The perspective I stick to is micro-organisational, or “managerial” as I prefer to label it. For this reason I would rather use the term “public sector organisations” instead of “the State”, since the latter implies an all-encompassing, homogeneous monolith which actually is not there (Borgonovi, 1984). When I say “public management” I am talking about the management of resources to achieve given results in the public interest. This is a relatively new field; or, maybe, a new perspective on an old area of inquiry. A few more explanations about this concept, therefore, are most probably needed.

I will not try to come to terms with the tough challenge of trying to define the management process. For the sake of simplicity, I will take for granted that we all share a common view of what management is. It is a strong assumption, though; so let me at least suggest that we keep in the back of our minds the perspective suggested by Fayol (1916), which subsumes under the concept of “management” the activities of planning, organizing, commanding, coordinating and controlling; and that we do not disregard the warning by authors such as Lindblom (1959) and Minzberg (1975;

1996), who remind us that management, in practice, and all the more so in public sector organisations, is far from being the rational and transparent activity described by many textbooks.

I will not either spend too long explaining what I mean by “resources”, but simply highlight that I am not referring only to tangible ones, but to intangibles as well (qv. Itami, 1987). They are important in all service organisations, but even more in the public sector. Let us think about key variables such as knowledge, power, credibility, motivation and capacity to attract voluntary work. They often allow governmental entities to achieve results without any use of tangible resources: suffice it to mention the impact of the so-called “announcement effect” on business firms’ decisions.

A more important question is *who* is actually involved in the process. Who is in charge of managing public sector organisations? Is it a matter of concern for politicians, or rather for bureaucrats? Should we address the elected representatives of the population, or the appointed administrative staff? Starting at least from Wilson’s well-known article on “The Study of Administration” (1887), it is all too often assumed that a sharp distinction can, or at least should be drawn between their functions and their responsibilities: politicians should set the goals, and civil servants should pursue them. In practice, though, such rationalistic assumption must be done away with, together with the vain attempts to better define who should be in charge of what, which overlook entirely all the evidence produced by what goes under the broad label of “agency theory”. On the one hand, the goal-setting process, which is clearly a prerogative of politicians (the principal), cannot but be based on the information provided by the administrative staff (the agent), and must always take into account all implementation problems which could make it impossible to translate plans into practice. On the other hand, the effort to reach the objectives set by politicians entails decisions which do

impact the community in one way or another, and therefore do have political relevance. Public management, therefore, is a complex activity cutting across the hazy boundary between politicians and bureaucrats, and actually involves both. One more question is *where* does public management take place. Some authors, especially those with a managerial background, emphasize the intra-organisational dimension of the process; others, especially those with a political science background, tend to give more importance to inter-organisational dynamics. In the approach I am describing, both are equally relevant. The importance of internal management processes cannot be underestimated: looking at public sector organisations as *black boxes* makes it often impossible to understand the reason for their successes and their failures. On the other hand, inter-organisational relationships have always been a crucial determinant for effectiveness in the public sector, long before management scholars started debating the importance of networks, constellations, and territorial districts, foreseeing the declining role of organisational borders and finding out that the relative size of firms is not a good measure by which to predict their performance. Inter-organisational relationships are even more important at a time when governmental agencies are kept accountable by the community for the satisfaction of needs, but are pressured to entrust the production of products and services to other institutions outside the public sector (Kickert *et al.*, 1997).

The most important point, though, is also the one which is least well-defined. What do we mean by “public interest”? Many management scholars, belonging to different schools of thought, highlighted that the objectives of *the firm* cannot be expressed only in terms of profits (qv. for instance Barnard, 1938; Airoldi *et al.*, 1989; Eichhorn, 1996); on the other hand, it cannot be denied that such a quantitative yardstick makes it much easier to assess performance. The fact that the ultimate goal of public sector organisations is to serve the public interest does not provide managers with the same *rules of thumb* which can be found in the private sector. According

to the wide selection of political science literature devoted to this issue, two definitions of public interest are available. The first is “institutional”, i.e. based on the nature of the organisation(s) involved: public interest is defined as what public organisations actually pursue. The second is “functional”, i.e. based on the nature of the goals pursued: public interest is that which is pursued to satisfy the needs of the community, going beyond the immediate stakeholders of a given institution. Ultimately, both definitions are tautological, thus providing no real insights into the issue. An-

**The fact that the ultimate goal of public sector organisations is to serve the public interest does not provide managers with the same rules of thumb which can be found in the private sector.**

other approach tries to throw some light on the relationship between private and public interests. Here, again, two definitions are available. According to the first one, public interest coincides with that part of individual interest shared by all the members of a given community; according to the second one, public interest is defined as that which is supported by the majority of members, provided that adequate guarantees are in place to protect the interests of minorities. Both approaches make sense, both have significant drawbacks, both are difficult to define in more operational terms: for politicians, and even more for bureaucrats (Olson, 1965).

### Coping With Transition(s)

Let me now pass on to the second key word of my presentation. Public management today is in a process of transi-

tion. The transition I am referring to is not the transition from a centrally-planned economy to a market economy. Although many countries are still dealing with its consequences, this transition, by and large, has already been completed (World Bank, 1996). An Italian writer, Ennio Flaiano, once commented: «We are living in a time of transition. As it is always the case» (*«Viviamo in un periodo di transizione. Come sempre, del resto»*). This seems to be always the case today; far from getting to what Fukuyama (1992) labelled “the end of history”, the world seems to face even more turbulence and uncertainty since the collapse of the Berlin Wall.

Inside public sector organisations, though, a crucial transition has still to be accomplished; and Estonia is far from being alone in this venture. It is a transition in emphasis from outputs to outcomes, from a result expressed in terms of the quantity of products and services delivered to a rationale for governmental action identified in the capacity to steer a community to achieve higher levels of overall performance.

Reliable ways to achieve this transition without backfiring still have to be spelled out, but the growing importance of this issue can be easily be detected. Think about the new roles attributed around the world to local governments, and the powers they are endowed with to satisfy the preferences of their constituencies. Think about the trend towards the break-up and the privatization of monopolies, the setting up of regulatory agencies, and the importance attached to competition laws. More broadly, think about the emphasis on economic development to be secured by the state: no longer on the bases of *pyatiletki* (we should not forget that also many Western European countries, including Italy, had them), but via market-based incentives.

In many areas the responsibility to satisfy the needs of the community is still clearly in the hands of the public sector, which is thus held accountable in case of poor performance. The “production function”, the way in which resources are combined in order to guarantee the products and services meant to satisfy those needs, though, is not the same:

direct provision by public sector organisations proved to be too costly, or no longer politically palatable. In a growing number of cases, production is now entrusted to business enterprises, or to not-for-profit organisations; guidance towards the pursuit of public interest is provided by the state either via the financing of production (“contracting out”) or via its regulation, both direct, i.e. through obligations and prohibitions, and indirect, i.e. through incentives and disincentives (Walsh, 1995; World Bank, 1997).

One of the features of the globalization of economies is the fact that many countries (and both Estonia and Italy are likely to be included in the list) seem to be shifting somehow towards the American model, where the state tries to guarantee the satisfaction of the public interest by relying heavily on the virtues of the market (qv. Porter, 1990). It remains to be ascertained whether, and to what extent, this shift is coherent with the societal structure of Europe, and with the pre-eminence historically acknowledged to communal values over individualism, to the *Gemeinschaft* over the *Gesellschaft*. But there are few doubts about the fact that the shift *is* actually under way (Pollitt, 1993; Lynn, 1998), notwithstanding the fact that the countries which pioneered this approach already acknowledged its drawbacks, and are now dismantling market-based mechanisms.

Within governmental agencies, though, there is often a different kind of transition going on. To put it simply, we can focus first on organisational structures. Public sector organisations are still modelled according to the bureaucratic principles which allowed them to achieve their historical responsibilities, namely defending basic rights and providing public goods. For our own convenience, let me call these “first generation” needs. At a later stage, further needs emerged, especially for products and services which could not be considered public goods in the technical sense of the word, but had some features which made it impossible for the private sector to produce them effectively, such as information asymmetries, positive or negative externalities, or incomplete markets (qv.

Stiglitz, 1986). When the satisfaction of these “second generation” needs was added to the list of governmental responsibilities, resources were thought to be available in abundance: not only in the Socialist bloc, where public consumption had obvious preference over private consumption, but also in the West, where the faith in Keynesian policies implied a large reliance on deficit spending.

As long as tight budgetary constraints are not there, there is no real need to go

**Public sector organisations are still modelled according to the bureaucratic principles which allowed them to achieve their historical responsibilities, namely defending basic rights and providing public goods.**

through the pain of radical changes in organisational structures. The same is true for management patterns, such as hiring practices, compensation schemes or modes of accountability, which have an even stronger potential to influence the effectiveness of the activities performed by public sector organisations. The stability over time which followed makes the current transition even harder: the administrative machinery is by and large still geared to provide “first generation” goods, but the public opinion is now putting pressure on both politicians and top-level administrators for governmental agencies to satisfy “third generation” needs, i.e. to steer the community to the achievement of higher levels of overall performance (Brusati, 1998).

Let me explain this point with a practical example. Urban traffic is clearly an

emerging issue in Estonia, as it is already in many other countries, and it is also an area where the responsibility lies firmly with public sector organisations. How can municipalities protect the community from the negative consequences of the freedom for everybody to own and use a car? There is more at stake than introducing some traffic restrictions, building bicycle lanes, and deciding the level of fines, the staffing of the Police Department, the frequencies of bus connections, the number of traffic lights, or the level of investment in road maintenance. To deal effectively with this issue, municipalities must influence the behaviour of actual and potential car users, through processes such as:

- ✓ advertising the healthy consequences of regular walking and cycling;
- ✓ raising road tolls, oil taxes or VAT on cars;
- ✓ establishing standards for private taxi services;
- ✓ introducing incentives for car pooling;
- ✓ designing zoning regulations, in order to drive decisions by developers;
- ✓ ensuring coordination among different modes of transportation, so as not to discourage commuters to use public transit;
- ✓ influencing the timing of different services, such as schools or garbage collection, or the time slot in which trucks are allowed to resupply retailers;
- ✓ setting transit fares suitable to stimulate both usage and an even distribution of passengers throughout the day, for instance through peak-load pricing.

Major trade-offs must often be faced in this respect, not only between conflicting objectives, but also between the short and the long term: for instance, should we increase or restrict the availability of parking lots? The overall target appears even more complex to reach, if only we take into account that at the same time a Municipality must also ensure high safety standards on the road, safeguard the natural environment, provide stimuli to economic development, minimize the overall burden on taxpayers, and keep the consensus of its constituency.

## The Challenges Ahead: Beyond Accession

What it takes for the Estonian public sector to accomplish these new transitions with the same degree of success as the political and economic transition the whole country went through during the Nineties? Also in the case at hand the problems to be addressed are multifaceted and interrelated, and thus there cannot be a quick fix. The enactment (and the actual enforcement) of new laws is certainly a prerequisite; but it is not the only one. The point I want to make here is that Estonia should not «simply» aim to get the *acquis communautaire*.

I am aware of the significant efforts now being made in this direction, but meeting the formal requirements for accession to the European Union is not enough; or, to put it in a less provocative way, should not be the only, overarching objective. Niccolò Machiavelli, who did provide a few thoughtful insights on how to run a state, in Chapter Six of his most famous book suggests that the Prince should always set to himself very ambitious targets: “like wise archers, who aim much higher than their target, not to get with their arrows to that extent, but to reach the result they set to themselves” (“*come li arcieri prudenti, a’ quali (...) pongono la mira assai più alta che il loco destinato, non per aggiugnere con la loro freccia a tanta altezza, ma per potere (...) pervenire al disegno loro*”). (Machiavelli, 1513).

The ambitious target I am referring to is the development of a new management culture, suitable to meet the challenge of the transitions I highlighted above. There is no doubt that new “rules of the game” will be required for the functioning of the Civil Service: but, at the end of the day, they are a consequence, not a prerequisite of a new management culture.

The development of a new culture does not take place in a vacuum, though. It is a complex process entailing the establishment and the diffusion of new knowledge, new skills, new attitudes, suitable to deal effectively with the new envi-

ronment emerging from the transition I described in § 2. The emphasis, in this perspective, should not be on rules, but rather on people. I am not alone in making this point: as *Reichkanzler* Otto von Bismarck once said, “*Bei schlechten Gesetzen, mit guten Beamten läßt sich immer noch regieren; bei schlechten Beamten, helfen die besten Gesetzen nicht*”.

The key question, thus, is how to develop this new generation of *guten Beamten*, endowed with the knowledge, skills and attitudes required for them to

**The development of a new culture does not take place in a vacuum. It is a complex process entailing the establishment and the diffusion of new knowledge, new skills, new attitudes, suitable to deal effectively with the new environment.**

succeed in the public sector institutions of the new millennium. The most important actor, in this respect, is the Civil Service itself. From the points I made so far, it should be clear that the challenges ahead for public sector organisations are different from the ones business firms will have to face; therefore, the new management culture we are talking about cannot be simply borrowed from the private sector (Nutt & Backoff, 1992). There is a need for the Civil Service to engage in the trial and error process which will eventually lead to the development of new, evidence-based management tools and management culture, specific to the public sector (qv. Bacon, 1999).

The Civil Service, though, can not and should not be alone in the venture of developing these new tools and this new culture. Educational institutions have a crucial role to play, at least in three respects:

- ✓ by engaging in both basic and applied research about public management issues, in order to collect and compare empirical evidence, come up with new interpretive paradigms and check their reliability in practice;
- ✓ by providing educational programmes to the future generations of both public and private managers, in order to make them aware of the importance of an effective interaction between the two spheres of the economy;
- ✓ by offering training programmes to those who are now holding managerial posts in the public sector, in order to facilitate the exchange and the diffusion of the knowledge, the skills and the attitudes needed to run effectively the organisations entrusted to their responsibility.

These areas of activity are mutually reinforcing, so that it makes good sense to develop a commitment towards all three of them together. First and foremost, though, assisting the Civil Service in the development of a new public management culture is a matter of social responsibility; or better again, of good «institutional citizenship» of the educational institutions we belong to.

## References

1. Airoldi, G. et al. (1989), *Lezioni di economia aziendale*, Bologna: Il Mulino.
2. Bacon, K. (1999), “Beyond Training: Developing and Nurturing Leaders for the Public Sector”, paper delivered at the OECD-PUMA Symposium “Government of the Future: Getting from Here to There”, Paris, September 14-15, 1999.
3. Barnard, C.I. (1938), *The Functions of the Executive*, Cambridge, MA: Harvard University Press.
4. Borgonovi, E. (1984), “La Pubblica Amministrazione come sistema di aziende composte pubbliche”, in E. Borgonovi (ed.), *Introduzione all’economia delle amministrazioni pubbliche*, Milano: Giuffrè.
5. Brusati, L. (1998), “Public Management in Transition: The Road to EU Accession – and Beyond”, paper delivered at the Scientific Seminar “European Union, Common Market and Globalization of Economies”, Skierniewice (Poland), May 20, 1998.
6. Eichhorn, P. (1996), “The Concept of the Market Economy and the Principle of Commonweal: A New Field of Inquiry for Management Studies”, in L. Brusati (ed.), *Business, Government, and Society*, Milano: Cuem.
7. Fayol, H. (1916), *Administration Industrielle et Generale*, Paris: Cunard.
8. Fukuyama, F. (1992), *The End of History and the Last Man*, New York: The Free Press.

## ANNEX A

## A DECALOGUE FOR THE DEVELOPMENT OF PUBLIC MANAGEMENT STUDIES

Public management as a field of study has been developed at Bocconi University since 1970 on the basis of the following guiding principles:

1. Economic rationality is only one of the factors influencing individual and organizational behaviour; its importance, though, is growing because of the fact that the gap between available resources and needs to be satisfied seems to be widening.
2. Economic rationality should be applied both to the processes of "wealth production" (typically taking place in business enterprises) and to the processes of "wealth consumption", i.e. the use of resources to satisfy needs (typically taking place in families and public sector organizations).
3. The principles of economic rationality are universal, but translate into different techniques depending on whether they are applied in a market or in an institutional environment. Since some goods cannot be provided by the market, a new management culture must be developed for public sector organizations. This new culture should be based on common grounds, but develop its own toolbox, suitable for the setting where activities take place.
4. Public management should not be mistaken with the political organization of the State. Two separate processes give legitimacy to power: the former is connected to professional skills, and especially to the ability to use resources effectively; the latter is connected to the type of State (political processes and social consensus). It is necessary that the two processes be autonomous, so that they can interact, but remain separately identifiable.
5. Efficiency is not an alternate criterion to equity and social responsibility; rather it is instrumental to the achievement of the goals of public policies. Higher levels of efficiency allow to pursue higher levels of social welfare, as they are specified by each country through its own political processes.
6. Change in public institutions cannot be achieved by transferring any management "model", but rather by triggering complex processes which lead to the establishment of management "systems" guided by new principles and translated into new behavioural patterns\*.
7. In order to foster change it is necessary to encourage the development of new knowledge (both technical and organizational) and new skills (both operational and decisional), and then act on people by creating a proactive attitude toward improvement.
8. The effectiveness of public actions does not depend only on the quality of the processes through which policies are designed; the way in which they are implemented also plays a key role in determining whether actual needs are satisfied or not, and at what cost.
9. The best policies are not those which are rational in abstract terms, but those coherent with existing technical, social, financial conditions and, above all, with the quality of the personnel available in the institutions in charge for their implementation.
10. The public sector is not a unitary system that can be governed with bureaucratic rules, but rather a system of institutions relatively autonomous in their organizational choices, although accountable for the relationship between the results they obtain (in terms of impact on the needs they are expected to satisfy) and the resources they use for this purpose.

\* "Models" are intended here as sets of rules which are abstract and simplified in respect to reality; "systems" as sets of rules which are put into practice taking into account culture, history, values, and behaviours.

9. Itami, H. (1987), *Mobilizing Invisible Assets*, Cambridge, MA: Harvard University Press.
10. Kickert, W.J.M. et al., eds. (1997), *Managing Complex Networks. Strategies for the Public Sector*, Thousand Oaks, CA: Sage.
11. Lindblom, C.E. (1959), "The Science of 'Muddling Through'", *Public Administration Review*, Vol. 19, no. 2.
12. Lynn, L.E. jr. (1998), "A Critical Analysis of the New Public Management", *International Public Management Journal*, Vol. 1, no. 1.
13. Machiavelli, N. (1513), *Il Principe*, Firenze.
14. Mintzberg, H. (1975), "The Manager's Job: Folklore and Fact", *Harvard Business Review*, Vol. 53, no. 4.
15. Mintzberg, H. (1996), "Managing Government. Governing Management", *Harvard Business Review*, Vol. 74, no. 3.
16. Nutt, P. & Backoff, R. (1992), *Strategic Management of Public and Third Sector Organisations*, San Francisco, CA: Jossey-Bass.
17. Olson, M. (1965), *The Logic of Collective Action: Public Goods and the Theory of Groups*, Cambridge, MA: Harvard University Press.
18. Pollitt, C. (1993), *Managerialism and the Public Services*, Oxford: Blackwell.
19. Porter, M.E. (1990), *The Competitive Advantage of Nations*, New York: Macmillan.
20. Stiglitz, J.E. (1986), *Economics of the Public Sector*, New York, NY: Norton.
21. Walsh, K. (1995), *Public Services and Market Mechanisms. Competition, Contracting and the New Public Management*, Houndmills: Macmillan.
22. Wilson, W. (1887), "The Study of Administration", *Political Science Quarterly*, No. 2 (June).
23. The World Bank (1996), *World Development Report 1996 - From Plan to Market*, Oxford: Oxford University Press.
24. The World Bank (1997), *World Development Report 1997 - The State in a Changing World*, Oxford: Oxford University Press.



# EXPECTATIONS OF BUSINESSES FOR CO-OPERATION BETWEEN PUBLIC AND PRIVATE SECTORS

**Raivo Vare**

Chairman of Management Board  
AS Pakterminal

## Prospects Related to the Environment

- “State as a value” also in popular perception
- **No polemics** yet about attitudes towards enterprise - neither in popular perception nor in political perception nor in practice i.e. state administration.
- However, it has been accepted that enterprise creates an existential material base for society and state.

## Prospects Related to the Environment

- A fundamental problem in Estonian society - age structure and aging of society
- Along with reduction in active population some public sector growth
- Result: lack of employees by the time current 40-year-olds retire, and a different redistribution practice to maintain living standards
- Conclusion: state should favour the development of enterprise in every way

## Prospects Related to the Environment

- The previous conclusion raises doubts
- Example: discussion on public reform has not addressed its effect on businesses. No such task has been set since it is assumed that enterprise adapts to whatever is forced upon it. Yet negative attitudes among public servants have triggered a discussion on the complexity of administrative reform. But they could be forced by order, unlike businesses
- Conclusion: administrative reform ideology, too, has a focus on state instead of entrepreneur or individual

## Entrepreneur's Attitude towards the State

- “robber”
- “partner-*domina*”
- “boss”
- “judge”
- “protector”
- “assistant”
- “normal equal partner”
- “nuisance”

## State's Attitude towards the Entrepreneur

- “object”
- “milk cow/Christmas pigling”
- “culprit/bum/dog”
- “trouble-maker”
- “subordinate”
- “defendant”
- “spring calf”
- “arrogant character”
- “partner to be reckoned with”
- “an existential pillar of state”

## Popular Opinion of Both

- “robbers both”
- “social donors”
- “state – stable bread-giver”
- “entrepreneur – non-reliable bread-giver”
- “state – it is either they or us”
- “entrepreneur – it is them”
- “state and entrepreneur are both imperative in society and one cannot be successful without the other”
- “state is clumsy and unfit as an economic agent, private enterprise guarantees success”

## Entrepreneur's Expectations *vis-à-vis* the State

- “mind your own business” (first dominating, later assumed)

- “don't touch, it's a confiscation of what has been earned in the sweat of our brow” (particular reluctance to tax increase and growing regulation)
- “the less redistribution and clearer redistribution principles, the better” (entrepreneur fights for efficiency all the way and takes state's inefficiency very much to heart)
- “stimulate the successful” (not in words alone, but also by not punishing with new regulations and imposts of those who are successful, especially when they compete on foreign markets)
- “set clear-cut rules and see to it that these are obeyed” (conventional assumption, avoidance of excessive regulation – e.g. in Germany (!!)) “grey” economy grows 8% yearly that considerably exceeds GDP growth rate)

## Entrepreneur's Expectations *vis-à-vis* the State

- “less bureaucracy, more order and participatory democracy” (e.g. complaints by a known businessman that with analogous projects, even in Russia a construction permit is issued sooner than in Estonia; institutionalised consideration of entrepreneurs' opinion both at Government and local levels)
- “quickly develop a good infrastructure” (a vital element of business environment and its competitiveness, and to avoid city-state formation)
- “reduce and level regional inequality” (particularly important in Estonia, a country with small territory yet turning into a city-state)
- “help on foreign markets” (export subsidies, state marketing, foreign marketing support programmes, etc.)
- “punish unfair competition” (as a judge on domestic market and, primarily, to restrict dumping in import, and to avoid political decisions *à la* Edelarauttee (South-West Railway))

## Entrepreneur's Expectations *vis-à-vis* Local Government

- **Main:** "help to level regional inequality with its unequal starting position"
- "push through national development projects that give local people jobs"
- "protect us in the corridors of power in Toompea and in offices"
- "give land more readily"
- "take care of local infrastructure and living conditions"
- "don't impose more taxes"
- "less bureaucracy, more order"

## Entrepreneur's Expectations *vis-à-vis* Local Government

- "give credit to the successful"
- "local life must bubble - let's do it"
- "I am willing to give for what is really essential"
- "look, are we worse than Municipality X?"
- "if it weren't for me or the likes of me, life in municipality would be a misery"
- "municipality mayor was "directed" to take orders"
- "you cannot do that, what will Aunt Maali think!"

## Entrepreneur's Expectations *vis-à-vis* Public Opinion

- "we are your bread-winners"
- "give at least some credit, don't curse"
- "prefer Made in Estonia"
- "we are no highwaymen, we are the pillars of society"
- "Swedish trade unions are the worst thing that may happen to Estonia"
- "I've got nothing to be ashamed of, I have money"
- "do as I do, do better than I do" (A. Martinson would like to have many millionaires among MicroLink employees)

## Entrepreneur's Expectations Summary

- Beginning stage: mind your own business
- Later: let's be rational partners with our own roles; entrepreneur should participate in decision making and is prepared for self-regulation
- Levelling of regional inequality – **regional policy is business policy**
- Let's give credit to this work as well, although it makes money

## Entrepreneur and State

- On the entrepreneur's side, expectations for partnership, transparency, appreciation
- Organisations of "white" entrepreneurs as market regulators - self-regulation of enterprise
- On state's side, uphill pursuit of partnership, yet lack of trust and reliance on force

## Entrepreneur and Local Government

- Entrepreneur sometimes even dominates, but partnership is there, especially for *regional political considerations*
- LG has to rely ever more on entrepreneur, and uses force mainly against "aliens"; however, excessive intertwining may be an obstacle

## Entrepreneur Has to Do with Everything

- Employers' organisations have divided tasks and areas of responsibility
- work allocation:
  - \* **Estonian Chamber of Commerce and Industry** – taxes and legislation
  - \* **Estonian Confederation of Employers and Industry** – trilateral negotiations and relations with employees
  - \* **Estonian Business Association** – Estonia's macroeconomic development and policy

## EU - New Challenge for Estonia's Businesses

- What is better, quickly in, or to be on the way?
- Adaption to Euromarket uneven and difficult anyway → purposeful development activity required from the state, i.e. policy incl. administrative reform
- a rather wide-spread opinion among Estonian businessmen : "if there were no secure political aspects, better to be on the way rather than in..."



# PUBLIC ADMINISTRATION REFORM AND THE NON-PROFIT SECTOR



**Mall Hellam**  
Executive Director, Open Estonia Foundation

In today's world, discussions are gathering momentum about the reduced role of the state and increased role of independent organisations as the pillars of civic society and democracy. Towards the new millennium, one cannot ignore the power of the third sector in society. The map of societal sectors is being redrawn and it is clear that the third sector (the people engaged there and the services they provide) is a considerable political, economic and social force. Today we do not discuss whether the role of the third sector grows or not, we discuss, how its growth is proceeding.

Governments have developed their policies on the basis of co-operation between voluntary organisations and the state. Donations have become for companies an inseparable part of their development strategies. Schools and hospitals, shelter homes and counselling centres, theatres and art galleries, local development foundations, voluntary fire services, museums, etc. are all created within the concept of a civic society.

## What is Civic Society?

Civic society is characterised by associations and institutions based on private initiative as well as the autonomy of free enterprise.

## What does society need in order to turn into a civic society and be a good civic society?

There have to be INSTITUTIONS, which protect society against state interven-

tion, and maintain civic society as such. Civic society must have:

1. a system of competing political parties
2. an independent judicial system
3. a system of institutions, which provide information about government activity. Free press has a special role here.

These are the primary institutions of civic society because they ensure the separation of civic society from the state. In order to function, primary institutions inevitably need supporting institutions, i.e. voluntary organisations, non-governmental organisations or, in other words, societies, associations, unions, foundations, independent centres, etc. By means of these organisations, the state is bound by essential and institutional restrictions.

The third sector has a number of functions. A non-profit organisation (NPO):

- incubates new ideas
- releases social energy
- is a nursery of trust and civil ethics
- operates as a watchdog (antibody) for society
- supports administrative policy and provides services
- acts as a constituent part of regional policy
- creates jobs
- acts as a channel for the dialogue between the people and the state.

The non-profit sector does not produce profit in business terms, but produces a different type of profit, namely social capital. By means of societies, associations, unions, foundations, etc. the following is produced:

- new communication opportunities
- social self-assistance
- group identity and information required for group communication
- knowledge and attitudes in order to ease social tensions, etc.

The non-profit sector is an extremely important sphere in the life of society. In

that sphere social wealth is created based on citizens' initiative and voluntary work. This social wealth includes:

- work with children and the elderly
- self-assistance in case of illnesses and social exclusion
- consumer protection
- protection of human and civil rights
- creation of conditions for leisure activities
- environmental and health protection.

It is only natural in today's world that the third sector is being associated with the strengthening of democracy, citizens' initiative, governmental information dissemination, and the delivering of public services. Economic theories confirm that because of the risk of both government and market failures, there are several areas where it is the third sector (as opposed to the public and business sectors), which is able to act. There is a worldwide consensus that, for various reasons, non-profit organisations need to be developed. However, in Estonia the opinion is being voiced that the third sector has business of its own and why should anyone else be interested in their affairs. It is one thing to refrain from hindering the development of the third sector so it can develop on its own; and quite another thing to support it, either directly or indirectly by means of legislation, taxation policy and agreements concluded with NPOs.

The collaboration of NPOs and the state contributes to the evolution of administrative reform, which is a government priority not only in Estonia but also in developed countries worldwide. The reduction of the number of civil servants is among the basic components of administrative reform. For that purpose many countries use *contracting out* more extensively. Excessive co-ordination expenses for governments is one reason for the crises of the welfare state and therefore co-operation between the third sector and the government is seen as a way to alleviate the crises and concurrently reduce administrative expenses. Privatisation very often means nothing more than the transfer of serv-

ices that had been previously provided by the state, to profit-making businesses. However, there are domains that cannot and must not be profit-oriented but which, in turn, can be privatised through the third sector (especially education, culture, the social sphere, health care, etc.).

Usually ministry or local government announces a public tender for providing a service, and NPOs submit their offers. An appropriate NPO is selected with whom an agreement is concluded for a fixed term. Very often government agencies have long-standing partners, but, as a rule, a public tender is held yearly or every second year. In this connection the entire work of civil servants is being re-evaluated in developed countries. For instance, civil servants themselves must not deliver social services but must maintain an overview of NPOs that offer such services. Civil servants co-ordinate and check the activities of these NPOs based on the agreements concluded between state agencies and NPOs. Therefore, instead of specialists in some narrow field state agencies and local governments should employ generalists who would co-ordinate agreements signed with private organisations both non-profit and profit-making.

For example, by concluding agreements with NPOs operating in less developed regions it is possible to pursue regional policy through NPOs that are oriented to public contracts. In addition to direct support, the state facilitates job creation, promotes local population involvement and loyalty to the state in these less developed regions. Through the third sector it is possible to offer a larger variety of services to different groups (minorities!), taking account of local circumstances.

## Let us study the experience in various countries.

### USA

In many countries support for the idea of benevolence has contributed to the creation of structures that, taking advantage of the existing spiritual and human

resources, help to consolidate people at low cost. References can be made to a number of organisations in the USA.

VISTA (Volunteers in Service to America) is engaged in assisting the needy at the local level. In return for their services they receive a scholarship in the form of a minimum subsistence allowance.

The Student Community Service Program – helps to promote benevolence among local students. Regional foundations, schools and societies receive sup-

**Privatisation very often means nothing more than the transfer of services that had been previously provided by the state, to profit-making businesses. However, there are domains that cannot and must not be profit-oriented but which, in turn, can be privatised through the third sector.**

port, which is used for voluntary work and provision of services incl. social care, prevention of drug addiction, coaching schoolmates, etc.

The National Senior Service Corps, the Retired Senior Volunteer Program, the Foster Grandparent Program and the Senior Companion Program are used to give state support to people over 60 years of age who do part-time voluntary work for their region. Scholarships and support are given to local NPOs to employ volunteers, organise and check their activity and assess the results.

The National Health Service Corps employs volunteers interested in providing health care services and organises their work, mainly in poorer and remote places where access to medical services is worse. That organisation gives scholarships also to students who undertake

to work for 2 years under the terms listed above after they have graduated from school.

The AmeriCorps was established in 1993 on the initiative of President Clinton and supports thousands of American students in the form of tuition fees and subsistence allowances so that after they have graduated from schools they work as volunteers in education, environmental protection, neighbourhood security and the social sphere.

US companies can make tax-exempt donations of up to 10 % of their taxable profit to non-profit programmes and activities. Actually, this opportunity is not used in full. In 1992, industrial enterprises donated 1.5 % and other companies less than 0.8 % of their profit.

People in the US believe that the state should strengthen their support of donations made by companies for the development of the region where they run their business. For instance, if in some branch of the economy, efficiency grows 2 % per year - instead of transferring all taxes to the often non-transparent state treasury, the state could offer an additional tax incentive of 1 % to these companies who would like to support regional development in collaboration with NPOs.

### Europe

A couple of years ago the European Commission released an official document titled "Communication from the Commission on Promoting the Role of Voluntary Organisations and Foundations in Europe".

The message of the communication was to address the role in the European Union of the ever growing socio-economic domain - third sector or non-governmental or non-profit organisations.

The range of third sector organisations is broad. Talking about organisations that "produce public good" we mean organisations that meet the following criteria:

1. the organisations are institutionalised
2. revenues and profit are not distributed among the members

3. the organisations are non-governmental, i.e. independent of state and public structures
4. members must not seek personal profit
5. the organisations must operate, at least partly, in the public interest.

Admittedly, it is very difficult to determine the level of independence among these organisations and decide how valid their objectives for the public good really are. However, the 5 criteria allow for an integrated solution.

Political parties, religious organisations, trade unions and employers' organisations have been excluded from the above organisations.

A study conducted by the European Commission in some member states gave the following information:

In Germany, 3.7 % of jobs are in the hands of the third sector, including 10 % of service-related jobs – all in all about 1 million people are employed in the third sector. The latter plays an especially big role in health care and medicine – 40 % of hospital days fell on hospitals that operate as NPOs, and 60 % of the rest of health care institutions are NPOs.

In France, the third sector provides 4.2 % of employment and 10 % of service-related employment. More than a half of health care institutions and social welfare institutions operate as non-profit organisations, and 20 % of primary and basic schools are non-profit organisations. The role of NPOs is especially important in the provision of social services and in sport – over 80 % of sport clubs are non-profit organisations.

In Italy NPOs cover 2 % of employment and 5 % of services, 20 % of nurseries and more than 40 % of residential care facilities operate as non-profit organisations.

In Great Britain 4 % of the active population is employed in the third sector and 9 % of service providers are NPOs. NPOs have an important role in education and research: ALL colleges and 22 % of primary and basic schools are NPOs.

The third sector contribution to GNP in Italy is 2 %, France 3.3 %, Germany 3.6 % and Great Britain 4.8 %.

Job growth figures are most indicative. For example, in 1980-1990 in France 1 out of 7 new jobs were in the third sector.

The following information characterises the co-operation of businesses and non-profit organisations.

Third sector organisations often give valuable training to volunteers who, due to their experience, will later find a job on the labour market as well as maintain their working habits. The third sector offers ample opportunities for the acquisition of social skills and, more importantly, raises one's awareness as a citizen and owner. Voluntary action is also most important for seniors who would like to employ their experience and maintain their active role in society.

The state and the economy have been built up in Estonia; however, there is a long way to go before an open well-operating civic society is achieved. Mainly because next to state agencies and businesses there are no strong associations of citizens, foundations, charitable organisations and interest groups, which would operate in health care, culture, education, social welfare, environmental protection, human rights, etc. domains that today are for the most part on the state's shoulders.

There is no wider discussion yet in Estonian society about the following issues:

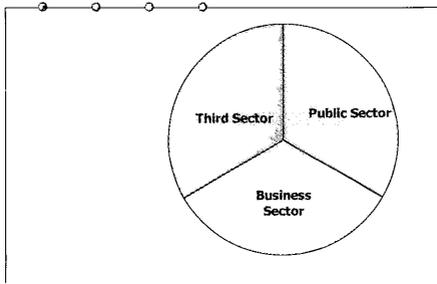
1. Is it necessary to develop the third sector?
2. What role should the third sector play and in which areas?
3. How should the state create an environment favourable for the development of the third sector? How should the financing of the third sector be organised? Should the third sector in Estonia be market-based or state-oriented?
4. How should the relations between the government and third sector be regulated in various areas (through local governments? directly through the central government? Supervision of contractual terms, etc.)

These issues require a clear-cut political position in order to proceed with practical implementation. So far, the approach towards the third sector-state relationship has been one-sided: i.e. the interests of the third sector have been under discussion. The same issue should be analysed from the opposite side: what are the interests of the state in developing the third sector.

In order to guarantee a societal model where all the three sectors – state, business and third sectors – operate together as partners for the common future, the following is required:

- to develop the legal philosophy and national concept to support the activity of non-profit associations and the collaboration of all three sectors
- to motivate donation and collective activity
- to introduce and raise awareness of the values of benevolence and charity as well as social responsibility, through both the educational system and media
- to launch a discussion about the functions and objectives of the third sector.

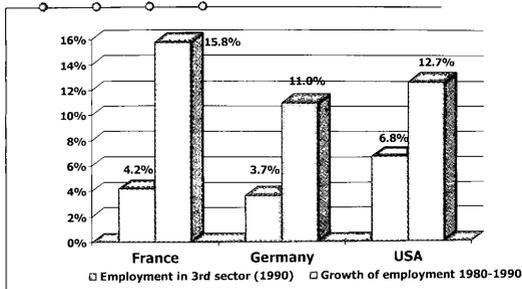
### Civic Society



### Italy

- 2% of jobs in the 3rd sector
  - incl. 5% in the service sector
- 20% of nursery schools
- 40% of communal care

### Employment and Growth of Employment in the 3rd Sector



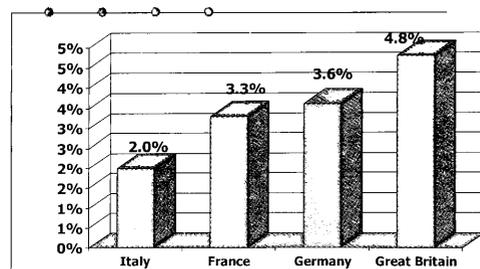
### Great Britain

- 4% of jobs in the 3rd sector
  - incl. 9% in the service sector
- ALL colleges
- 22% of primary and basic schools

### Germany

- 3.7% of jobs or ~1 million people in the 3rd sector
  - incl. 10% in the service sector
- 40% of hospital days in NPO-hospitals
- 60% of other health care institutions NPOs

### 3rd Sector Percentage in GNP



### France



- 4.2% of jobs in the 3rd sector
  - incl. 10% in the service sector
- >50% of health care and social welfare institutions
- 20% of primary and basic schools
- 80% of sport clubs

# THE EFFECTIVENESS OF THE PUBLIC SECTOR AND THE DEVELOPMENT OF DEMOCRACY WITH THE HELP OF IT

## Experiences from the Public sector in Estonia



**Andres Ploom**

Ploom, Siid & Partners Corporate Advisors,  
Member of EBS – CBS Working Group

### Public Administration In Estonia Today, Some key problems

- Poor availability of the public sector - “stiff bureaucracies”
- Public services regarded as slow and inefficient
- The democratic dialogue slowing down
- Decreasing confidence in politicians

Can IT help us provide better services and increase democracy, or is this “new economy” only providing new technologies to a privileged few?

### Public Administration and IT

Estonian local governments (KOV) are providing various services like education, health, environment, housing and social services etc. to their clients. Their clients are the citizens, enterprises and organisations but also government agencies working within the local governments geography e.g. serving the citizens.

The IT focus has been on solving Back-office problems like:

- Cutting costs by automating paperwork
- Increasing efficiency through optimisation of work processes
- Developing systems for communication with different government bodies

- Developing and optimising databases
- Speeding up work with document handling systems
- Etc.

The Back-office focus means that we start looking at the *internal operative work* and try to find solutions to do whatever we are doing more efficiently, which is OK if we are sure that we are doing the right things everywhere. Since we are not - I call it “*speeding up the mess*”!

- IT - the way we use it today - is not the solution!
  - We need good ideas and plans for increasing:
    - \* Effectiveness - doing the right things
    - \* Efficiency - doing things right
    - \* Openness - a dialogue with our customers (citizens, organisations and enterprises)
- IT - and a new mind-set - will make this possible.

### IT and the New Economy

The fast development of the Personal Computer and Internet communications is the key to what today is called the new economy.

Communication and networking is the base of the new economy, powered by the Internet that provides almost-free network access to enterprises and consumers.

In the new economy an accelerating number of companies are starting to communicate with customers, suppliers and partners using the new global market-space to which Internet provides access.

### IT trends in the new economy

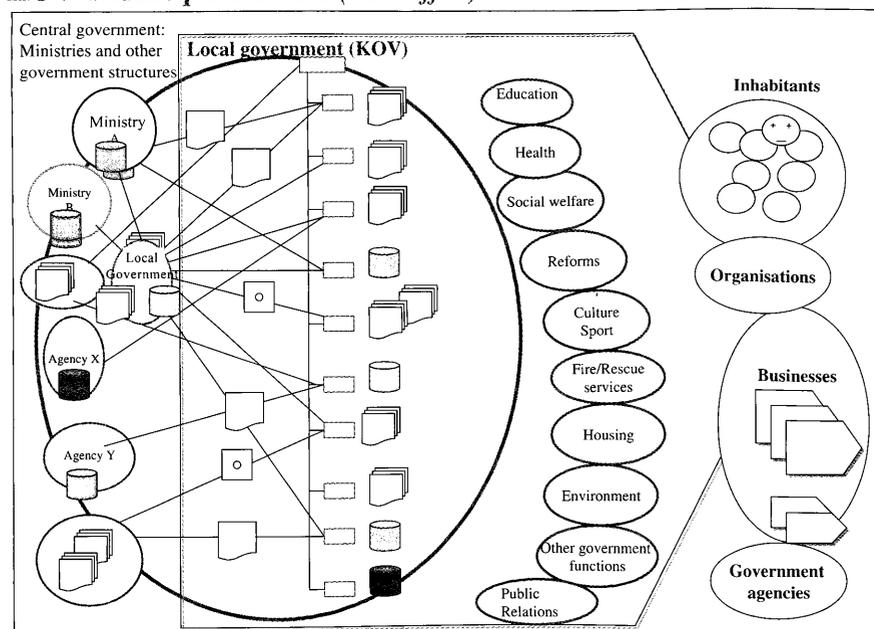
The fast growth of *e-Commerce* is an important trend but it is just the beginning.

We can already see the coming of *e-Business* and the *e-Citizen*. What will come next is only limited by our imagination.

**Figure 1.** Gives an overview of a typical local government and its use of IT.

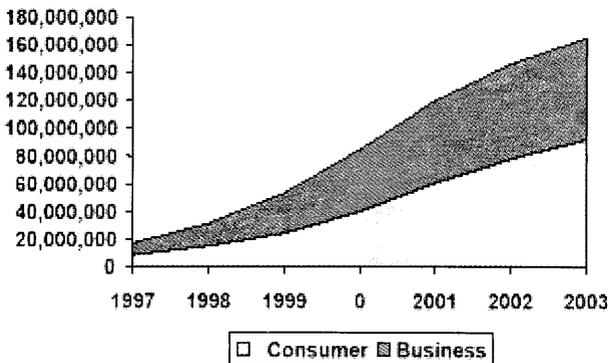
### KOV Municipal services (Back-office)

Ants Siid & Andres Ploom March 2000



# Internet Evolution in Europe

Households and Workforce on the Internet



Source: Gartner Group 1999

**Today:**

**e-Commerce**

Selling products and services via the Internet.

Here we can see three main business sectors today, Business-to-Consumers, Business-to-Business and Consumers-to-Consumers.

**Business-to-Business (B2B)** - the fastest growing sector of the e-marketplace.

(Cisco; Dell, GE)

**Business-to-Consumer** -growing at a pace of 100% per year.

(Amazon.com vs Barnes & Noble)

**Consumer-to-consumer**

Classified ads moving from newspapers to the Internet

Internet Auctions - Consumer-to-Consumer sales.

(eBay, Amazon.com)

In the public sector today we are just learning – and we have a lot to learn.

- Public sector Internet means mostly one-way communication.
- Internet is made for interactive multi-media, but so for most public home pages the main content is text

**Tomorrow:**

**e-Business**

e-Commerce is only the beginning, it is the first fragile step towards the world of e-Business, where companies will use the communication and information technologies in all phases of their interactions with their Business partners, cus-

tomers and suppliers.

Cisco is a fore-runner in this area, almost becoming a virtual corporation, coordinating most of its business with suppliers, partners and customers through the net.

**The e-Citizen** is the smarter and more demanding

consumer/citizen that is beginning to show as a result of this development. We will certainly see more of these phenomena tomorrow.

Already in today's e-commerce we can now see a shift of power from seller to buyer

Some effects:

- Smart customers and demanding customers are grouping together to buy products and services (E.g. bank loans) and thus get more value for their money.
- Citizens will compare service quality on a global basis and will not accept paying high prices (taxes) for low-content / no-quality services
- They demand participation - both as citizens and as clients of the services society offers
- They create "network communities" (local or global) based on common interests.

As e-Citizens, will we build our own societies? And if so what do we need from the old?

The following is an extract of "The declaration of independence of Cyberspace" (John Perry Barlow - Feb 8 1996)

"Governments of the Industrial World, you weary giants of flesh and steel, I come from Cyberspace, the new home of Mind. On behalf of the future, I ask you of the past to leave us alone. You are not welcome among us. You have no sovereignty where we gather. We have no elected government, nor are we likely to have one, so I address you with no greater authority than that with which liberty

itself always speaks. I declare the global social space we are building to be naturally independent of the tyrannies you seek to impose on us. You have no moral right to rule us nor do you possess any methods of enforcement we have true reason to fear" ...

"We will create a civilisation of the Mind in Cyberspace. May it be more humane and fair than the world your governments have made before"

The citizen is the key to Public Administration IT development.

But we have to change the old mind-set and focus on the citizen and the Front-office

We have to move the focus from speeding up the old mess or finding problems suitable for IT solutions in the Back-office - to finding the Front-office needs of citizens, organisations, enterprises, etc.

Let us start **(1)** by discussing what needs a citizen has to communicate with politicians and decision-makers and find the IT opportunities to support these needs and then **(2)** find the relevant Back-office systems to support it.

IT offers us new opportunities in support of both democracy and public services. Opportunities, the potential of which, we only have seen the start.

**With the help of IT we can:**

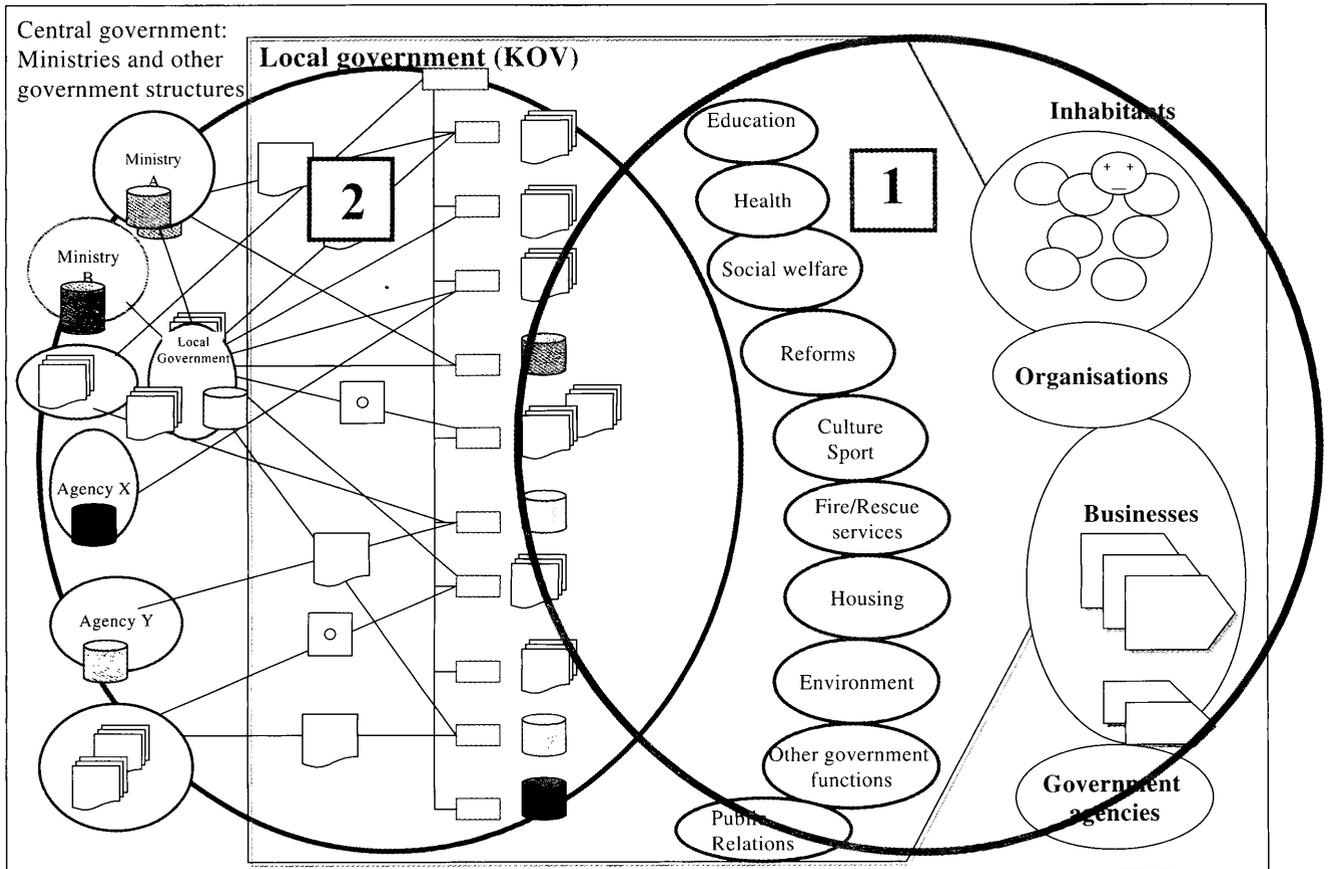
- Provide the services and the quality the citizens need - and nothing else
- Increase efficiency
  - \* Speed up the processes and lower the costs - Minimising opportunities for corruption
- Create a direct dialogue with the citizens
  - \* To increase the democratic dialogue

Can we make the development of democracy as thrilling as other Internet surfing?

  - \* To have the citizens participate in designing tomorrow's services
- Stimulate citizen networks
- Help the little citizen to make himself heard - market powers alone won't do it

# KOV Front-office & Back-office

Ants Sild & Andres Ploom March 2000



Move the focus from Back-office to Front-office! (fig 3)

## How?

The limitations for using IT to increase efficiency and develop democracy lies mainly in our imagination and our understanding of IT.

The following are important building blocks in this work:

- Information highways with Internet access for every citizen
- Access by:
  - PCs, Notebooks
  - Smart Phones
  - Interactive TV
  - Pocket devices
  - ...
- 24hour/ 7day availability
- Info kiosks, citizen centres
- Citizen self services
- .....
- Systems that follow up citizens needs and internal readiness for quick changes

- Ongoing development of the Back-office support for accurate, speedy and available information in the right places

## The Estonian Advantage

In Estonia I can see a number of advantages of which I want to highlight the following:

- We have done a lot of good analysis. (covering most of the Back-Office)
- We have not – so far managed to create the mess of old, dispersed IT solutions that western countries have built up during the last 30 years. This means that maybe 80% of our investments in IT are used for building the future, and only 20% to clean up the old IT systems. In western countries that started building their IT systems long ago, the situation is the reverse – maybe 80% of IT investments have to go to cleaning up and” re-engineering”. So our investments – even if they are smaller than in most western coun-

tries – can be a lot more efficient.

- The utilisation of the new Information and Communication technologies is growing very fast in Estonia
  - Internet user growth is among the fastest in Europe.
  - Mobile Phone use is also growing at a high pace, and Estonia is a forerunner in providing new mobile phone services, e.g. via the Internet.
- In the Internet economy small is beautiful! **“In the new Internet economy it is not the big winning over the small, but the fast winning over the slow”** (John Chambers, CEO Cisco)

## Finally

*It is easier to act yourself into a new way of thinking than to think yourself into a new way of acting*

Source: Richard Pascal

*The right time to go from analysis to action is now.*



# THE STREAMLINING STATE FUNCTIONS



**Taavi Veskimägi**  
Head of Department of Central Government,  
Ministry of Finances

Every citizen-taxpayer has probably contemplated what services/goods he or she gets in return for taxes paid. Or what is the value of the state in a societal agreement?

According to Estonia's Economic Development Plan, the projected percentage of government sector (the central government and local governments together) spending in GDP will be 39.5 % in the year 2000, 37.0% in 2001, etc.

As you notice, the Government has embarked on the gradual relative reduction of government sector spending that defines the playing field for administrative organization, as well as limiting the quantity of services/goods provided. Consequently, one has to be able to do more for the same money by employing the existing resources more efficiently and expediently, which means redistribution of resources between various functions and domains.

Is the above percentage of GDP low or high, considering the specifics of public administration in Estonia as a small country and our relatively low gross product? This is probably a wider issue, and goes beyond public sector and administrative organization. Indirectly, we have to ask whether we want to have a state in the classical meaning of the word, and want to operate accordingly. If yes, then there are certain inevitable functions, and it does not matter which organization, sector or individual performs these functions. It is public interest that determines the size and scope of the public sector as well as the functions it

performs. In order to define the position of the public sector we might attempt to define -

- what the sector pays for and what the sector does
- what the sector pays for but does not do
- what the sector neither pays for nor does

Unfortunately, today in Estonia we have received no answer to these questions.

**What is needed is a different approach to public administration and its duties as a whole. Instead of focusing on process, the administrative organization must become result-oriented; a transfer is required from one paradigm of public administration to another.**

No consensus has been reached at the macro-level of political governance on the list and scope of duties of the public sector i.e. there is no consensus on the size of the public sector in society.

The idea of a minimal public sector, which has been declared since the early nineties, has not materialized. Resulting from general tendencies and partly from our own background, the demand for public sector goods has constantly grown whereas the preparedness to spend on consuming the goods has remained the same. As a result, the state has assumed responsibility for the majority of public functions and its role in society has grown out of proportion. In this context, a sense of perspective concerning the functions being performed today, as well as the functions that the state in principle should but does not currently perform, has been lost. Of

course, apart from the fact that the needs of the public have changed there are also additional tasks related to the prospective accession to the EU that have played a role here.

And here we come to the reasons that underlie the need for administrative reform in Estonia as well as the majority of recent reforms in other countries: **the state is too expensive**, the state is administering too many processes, there is an excessive proportion of futile administration.

The role of the state in contemporary society is a product of a traditional approach to public administration, and Estonia is not unique here.

In our country, too:

- Government fails to stand against the constant growth in spending.
- Budgeting in agencies proceeds from budget base (% allocated additionally) rather than real needs.
- Annually the number of officials in government service is increased because of added duties and as a result a large number of officials are underloaded or not loaded at all.
- The amount of regulations constantly grows and these are forced and consumer-unfriendly.
- Public servants are very low-paid and therefore they have two or more jobs and other (financial) interests, which take up much of their time and energy.
- Each minister protects above all his or her own departmental interests in the government.

One could continue, but these key points should indicate that the approach described allows no coordinated, strategic, objective-focused operation.

The reorganization of functions, etc. cannot be a solution. What is needed is a different approach to public administration and its duties as a whole. Instead of focusing on process, the administrative organization must become result-oriented; a transfer is required from one paradigm of public administration to another.

Which means that the management model of public sector must be redefined, and the strengthening of financial management and the organic introduction of reporting and auditing systems to the management process has a major role.

The state's financial management can be strengthened by means of changes to the ideology of budget procedures. Instead of the budgeting oriented to incremental growth, resources should be pegged to results; i.e. result-based budgeting principles should be applied. Such an approach may create conditions for the optimization of spending in the coming years since it allows the assessment, based on the basic efficiency and quality criteria, of how efficiently the resources are being used for the provision of public services.

The initial objectives that can be reached by means of result-based budgeting in public administration are as follows:

- Introduce in agencies strategic planning through budget;
- Connect resources to objectives;
- Strengthen public control over the performance of agencies through public mission statements;
- Define goods/services offered by agencies, introduce the principle of marketing in administrative organizations.

The approach that pegs the (non-) allocation of resources to the pursuit of final results rather than functions assumes that an administrative organization operates in a similar way to the private sector. That approach creates a basis for the streamlining of the state's activity, because all administrators have to define, what goods/services society gets in return for budgetary allocations, how these goods/services support the strategic goals of the government. Thus it is possible to understand eventually, what is being done and why.

And only after that kind of revision is it possible to determine what functions to transfer, if at all, and to whom.

The state should keep such services that can be defined as:

- Strategic services, where the abandonment of state control over the entire process may jeopardize public administration capacity and affect the functioning of its basic areas of responsibility;
  - Critical services, the preparation and provision of which cannot be guaranteed in all situations otherwise than by direct control of the entire process;
  - Other services, in case market evaluation is complicated or there is a risk of a monopolistic situation, or if the
- Provision of services must be uniform, standardized and comprehensive i.e. all-including;
  - If citizens have to pay for service, the pay must be reasonable. This also applies when it is the state that pays for the service. The pay must be in compliance with the service provided;
  - Transfer should ease public sector budget pressure and reduce aggregate public spending;
  - Private monopolies are dangerous; however, they cannot always be totally avoided.

**The essential objective – to do more at less cost – can be achieved in the Estonian public administration only through updating the state's financial management, by orienting agencies to results instead of incremental spending.**

One has to admit that streamlining functions by means of redistribution between various administrators without essential changes to the administrative organization and public sector management model has no bearing on qualitative changes in the public sector. The essential objective – to do more at less cost – can be achieved in the Estonian public administration only through updating the state's financial management, by orienting agencies to results instead of incremental spending.



private sector or third sector decline to provide the respective services.

Of course, in case a public service is covered by the budget, it can be transferred only if there is a mechanism for and control over the movement of money, and in case a service pays its way, the pricing, co-ordination and approval mechanisms must be in place.

When transferring public duties, account should be taken of certain conditions proceeding from the character of public duties. The following criteria should be met before the transfer in order to avoid any problems later:

- Transfer assumes the existence of effective co-ordination and control mechanisms;
- Quality of services should not deteriorate;

# PUBLIC ADMINISTRATION REFORM AND ADMINISTRATIVE LAW REFORM



**Prof. Arno Almann**  
The Chair of Law and Public Administration  
Estonian Business School

During the two days of the seminar we have analysed the background of public administration (PA) reform which is 'the changing Europe'; the objectives of PA reform which are ensuring the administrative capacity of state, taking into consideration PA reform experiences of other states as well as the challenges and expectations of the reform.

The above-mentioned approaches confirm the understanding that PA reform encompasses the different structures in society as well as the different spheres of public administration and therefore affects institutions and citizens. In brief, PA reform concerns everyone and everybody. This sounds a bit silly - how about... every institution and every citizen.

The term "reform" is also related to betterment and to the pursuit of something new in our traditional thinking. The most important reform is deemed to be the movement against the autocratic power of the catholic church in the 16<sup>th</sup> century known as "reformatio" and understood as "ethnic cleansing" in different countries throughout history.

The public administration reform is similar to "reformatio" in terms of re-evaluating old ideas and replacing them with new ones.

At the same time it is necessary in the course of this re-evaluation to consider the multi-dimensionality of PA reform. The organisational, social, economic

and territorial dimensions have been touched upon in the seminar presentations and discussions.

The fact that PA reform is tied to politics makes it multidimensional. Politics cannot remain neutral towards PA reform because the changes that occur as a result of the reform concern the most visible and important branch of state power

**Public Administration reform encompasses the different structures in society as well as the different spheres of public administration and therefore affects institutions and citizens. In brief, Public Administration reform concerns everyone and everybody.**

- the organisation, competence and functional scope of executive power.

The ties between PA reform and politics may be expressed in the objectives of the reform, in the power ambitions of different interest groups or in the reform implementation methods.

As far as PA reform is tied to political power, the question of one additional dimension of the reform occurs - it is the legal dimension.

The legal dimension determines the legal space for PA which might prove to be too narrow for the public policy solutions proposed in the course of the reform or it may prove to be incapable of regulating and organising the changed social relations.

Evaluating the viewpoints presented in the PA programme as well as the insuffi-

cient regulative nature of the relevant laws, we must talk about the need to change several laws regulating the competence of the carriers of administrative power and administrative proceedings.

Because the main task of the administrative law is constituting executive power and regulating the relations that occur during the process it is bound to be one of the most voluminous legal branches in the legal system of a state. Therefore amendments to the law and newly adopted laws affect the majority of legal relations in administrative law in the course of PA reform.

As a consequence there have been discussions among lawyers about the need for reforming administrative law in parallel with the general PA reform. Although the planned administrative law reform model has not been discussed in public so far, and most of the planned changes are still at the outline stage, there are some completed draft legal frameworks for the planned public policy solutions in the course of PA reform. (e.i. the Administrative Process Act and Administrative Coercion Act.)

The law on the arrangement of local government has been amended for several years now, and we also foresee major amendments in the Public Service Act.

However, in my presentation I am not intending to dwell on these drafts any further as far as there are some superficial and topical inconsistencies involved in the drafting process.

Emanating from today's topic I would instead like to bring out the link between two reforms - the PA reform and the administrative law reform and shed some light on the related legal-theoretical problems. It is true that in the excitement of reform theory and science is often deemed to be unnecessary and scholars are perceived as a disturbing phenomenon. It is also forgotten that science is most unique among cognitive forms because it is based on recognis-

ing regularity and generalisation and therefore carries a determining role in finding solutions. At the same time it lacks the aggressiveness so inherent to politics and preserves the neutrality and the role of a peaceful bystander even when scientifically grounded solutions are, in the course of PA reform, being replaced with primitive schemes and occasional ideas.

Proceeding from the above I have a proposal to the people who are responsible for PA reform:

PA reform must be built upon well-organised and clear theoretical foundations. This does not, of course, happen overnight. Already a couple of years ago the daily newspaper "Postimees" appealed to the public to create a think-tank - a centre where material is produced as the foundations of coming changes.

To confirm the continuous necessity of this think-tank I would like to draw your attention to the following problems:

### **First problem:**

Legal continuity and theoretical continuity. We are proud that we have restored our state on the basis of a legal continuity. The theoretical basis of the legal order has changed and transformed over the years and therefore the new administrative and legal-political solutions must obtain modernised legal form and develop further to adjust to the new circumstances.

### **Second problem:**

The release of law from being a mythological cure-all. We are used to perceiving the law as an almighty phenomenon and the only solution to many problems has been to adopt a certain law. Because of the myth that law can solve everything the actual quality of legislation has been overlooked at times. Consequently many laws are of insufficient regulative nature and legal negation will pursue. Sometimes the legislator has understood that it is about time to get rid of this mythological status of law and look at the law also from the implementor's point of view. As a result of one self-reflection a group of parliamentarians presented

an impressive draft the objective of which was to make the language of law more understandable.

### **Third problem:**

Taking into consideration the real possibilities of law.

Legal regulation has its limits. The upper limit is the social importance of relations that need to be regulated and the necessity to form a complex of those societal relations and to link them in order to create a societal network. The lower limit is to create a protective 'shield'

**Public interest as the common phenomenon to PA reform and administrative law reform proceeds from the citizen. The ability to implement public power is imposed upon the people and this requires that public power is executed in the public's interests.**

for people against disorders and contingencies in society.

### **Fourth problem:**

The balanced development of the two parts of the law - public law and private law.

Public law and private law are mutually contributory and mutually dependent aspects of law. The backwardness of one part inevitably affects the other. The preferential treatment of private law and therefore a stagnation in the development of public law has brought along problems we delicately refer to as the insufficient administrative capacity of state.

### **Fifth problem:**

This pertains to the aim and subject of PA reform. Re-allocation (the government functions delegated to the ministry, the

ministry's functions delegated to the county) or concentration (bigger counties, bigger towns and municipalities) of power are often been perceived as the central problems of PA reform.

Here is a potential threat to build a state-centered administrative model, where in the veil of public interest the nation and state power become one.

Public interest as the common phenomenon to PA reform and administrative law reform proceeds from the citizen. The ability to implement public power is imposed upon the people and this requires that public power is executed in the public's interests. According to the principle of the public's interests, legitimacy is provided by citizens and citizens are also the subject and the ultimate objective of the reform.

One leading public servant offered an impressive comparison in one of his presentations concerning PA reform. When it was asked how people react to the plans to unite municipalities they live in, he said: "When we dry the swamp, do we ask the frogs?"

The response given by this seminar, addressed to all the people who are responsible for designing and implementing PA reform would simply be: "If we don't ask the frogs, who do we ask?"



## EBS 2nd year Bachelor of Public Administration (BPA) student presentations: THE BASIS FOR PUBLIC ADMINISTRATION REFORM



**Kätlin Klippberg**

Co-authors: Pertti Prits, Margit Kuus, Oleg Andzulis

Administration reform is an undertaking which includes the whole community and which to a lesser or greater extent affects us all. Undoubtedly, we are not indifferent to the proposed administration reform, because in two years time we will have to work in that reformed administrative system and the hope that we will not have to learn from the mistakes of our predecessors, (i.e. the current reformers) but rather from our own, remains. All EBS Bachelor of Public Administration (BPA) students participated in the preparation of this presentation.

The presentation resulted from the fact that in the subject 'State Administration' we were all required to complete a home task which dealt with a topical issue concerning public administration reform. This complex task forced us all to follow the process and more importantly to understand and think along with it. At seminars held later all these assignments were discussed and the more appropriate ones were combined, and the result is this four-part presentation.

If, to many 'older players' our conclusions seem somehow too familiar then let me remind you of the aphorism regarding 'the mother of wisdom' and sincerely hope that you do not get cross with us nor become offended.

Why is public service reform in Estonia necessary?

To begin with I will quote Aivar Ojaverre

'Every bureaucratic system has the characteristic of hardening with time and the longer the period of time, the more difficult it is to change the system. It would be an extremely naive hope that the bureaucratic system would reform itself' At many various discussions as well as at today's seminar we have heard the

phrase: 'The aim of public service reform is to formulate a democratic and effective public service which meets the requirements of the 21st century in Estonia'

In other words a state where administration coincides with the interests of the people is in accord with EU requirements or is in summary a state capable of administration. What kind of state is capable of administration and how can this ability be measured?

In our opinion a state capable of administration can be presented using two kinds of standards:

### I. External standards

1. The state must be capable of carrying through requirements placed on them by the EU.
2. The state must have integration ability for cooperation with other states.

### II. Internal standards

1. Social standards - The State must be safe for its citizens and be able to ensure everyone's legal rights and freedoms. For example Local Government Organisation Act (LGOA) paragraph 3, point 2.
2. Economic standards - expenses that are made by the public service must be effective or have maximum return.
3. Legal standards - everything connected with the reform must be in accord with the law, though this is not so important, since it is also necessary to improve the current uneven system of legislation.

All these standards together represent a wholeistic system, which is able to react to community changes.

In summary it is necessary to create a system with optimal effectiveness from the current unwieldy system.

Unfortunately achieving this is very complicated, because even the coordination of the creation and implementation of administration reform is an art in itself. Where should administration reform be performed? Those who have been proposed to implement the reform are mentioned in the State Government Administration Reform principals and to name them all here would be a waste of energy. We hope you do not misunderstand that these proposed members are completely appropriate. Though administration reform is not simply the task of some ministries and carried out by only certain reform institutions. All interested parties need to be included in this process, that

means all of us!

It is paramount to the implementation of the whole reform that the whole leadership system must be logical and without fail provide an avenue for feedback. To achieve this continuous (education and) training will be necessary.

What will the institutions tasks be?

An office of public administration should be the central institution dealing with supervision and assessment up to a point, being responsible for divulging information, planning, coordinating, initiating and encouraging cooperation.

Various bodies (local government units, ministries, county governments) have a very important role in the implementation of administrative reform, because they are the ones that will do the bulk of the work. The main emphasis is on the senior leaders, who must at the same time both pass on information as well as receive it. Unfortunately all this work cannot be borne by the senior leader alone, but there would also need to be a reform agent, who deals with supervision of and communication between the participants.

In the successful implementation of administrative reform, consultants and experts also hold an important role - both externally and internally - because it is never easy to observe oneself, these would perform the task of analysing and consulting as necessary.

It would also be necessary to find or establish a competent body whose task would be to supervise. This would need to be done according to strict guidelines, which would be understood by all and to ensure that it is legally carried out. In our opinion this evaluation should be given by the client, in other words the citizens. Unfortunately they, for whom this reform is being done have not been included in the implementation or creation of the reform. Though - unfortunately asking the opinion of everyone would be unthinkable, because time and finances are limited. But we do have representatives of the people in the parliament (riigikogu), which sadly has been a mere spectator. The parliament has a vital role in addition to many others, as supervisor over the various institutions. And here is the next suggestion, why not let the parliament carry out the supervision of the creation and implementation of administrative reform?

# DELEGATION AND MONITORING OF ADMINISTRATION FUNCTIONS



**Janne Palmet**

co authors: Urmo Merilo, Laur Samlik, Kerttu Talvik

When speaking of the state or administration at all, the sum total of the various organisations and people are principally considered. Those who act as the administrative body and to whom the law has determined specific rights and responsibilities. In the case of a multitude of various bodies to avoid doubling up, defining and regulating proficiency levels is vital.

The question also arises, whether it is expedient for the state to carry out all public administration duties through their own institutions. So what are these necessary administration tasks which could be delegated to private organisations and how independent should the service provider be to whom the tasks are delegated.

The administration organisation is a complete and balanced system. Problems in the functioning of single parts of the system inevitably affect other parts of the system.

Delegating administrative functions from state service providers to legal private entities, non profit organisations or local government bodies, does not release the state from responsibility for the results. When the administrative body, whose functions are transferred, is unable to fulfil these functions then this causes repercussions throughout the whole administrative organisation.

A relevant example is the case relating to Eesti Televisioon where insufficient

monitoring of the independent service provider caused damage both financially as well as to the firm's reputation. To solve the problem it was necessary to make changes to the legislation, but of course this does not undo the damage which occurred.

To ensure that the activities of the service providers are productive, then in the process of reform there needs to be a well considered state system of supervision. One aim of state supervision should be the monitoring of economic use of current community resources, as well as ensuring and if necessary improving the quality of administrative service activities. Ordinary citizens are the most interested in the monitoring of state administrations, because to them it provides the only opportunity in the state machine to guard against administrative self interest and injustice, and naturally as tax payers they want to avoid the possible misuse of the previously mentioned community funds.

State monitoring is carried out regarding the expediency and lawfulness of administration. In order to differentiate between internal and external monitoring, internal is performed by the administration's own officials and institutions, while officials and institutions outside the administrative organisation perform external.

Such a system in the public service should guarantee the supervision of all possible administrative activities, the correctness of all legal acts and administrative expediency. Such monitoring is undoubtedly necessary, because without it the whole public sector could start to operate at their own volition, and this could result in improper use of important resources as well as the issuing of incorrect legislation.

Monitoring also has to fulfil the necessary function of ensuring a channel of feedback between the decision-maker and the circumstance created by the decision.

Basic problems associated with monitoring:

- Absence of feedback - monitoring is carried out but it is not known if such monitoring is actually necessary or effective.
- Does constant monitoring solve problems and what kind of monitoring would be the most efficient. Pre or post monitoring - in a democratic state post monitoring is preferred though from the point of view of economic use of resources, the possibility of pre monitoring should be considered.
- Is the monitoring appropriate - this means seriously considering which type of monitoring and which agents would guarantee the most trustworthy monitoring (for example the police raids at Kadakaturg market - is there any point in having sixty police every day of every week checking for pirated goods while at the same time the crime level in the city increases).

It can be concluded that since the administrator's responsibilities and rights are not precisely and clearly defined then the actual process of monitoring has remained vague.

## The main conclusions:

1. The delegation of administrative functions from state administrators to legal private entities, the third sector and local governments, must also include improvement of the system of supervision and more efficient coordination of the institutions performing the supervision.
2. State supervision, as a special kind of supervision, should increasingly begin to fulfil the role of a system of feedback, which would provide accurate information about the decision-makers at the state administrative level. Consequently the results of state supervision should reach the level of leadership at which political administrative decisions are made.
3. Public service supervision which is focussed on the citizens.

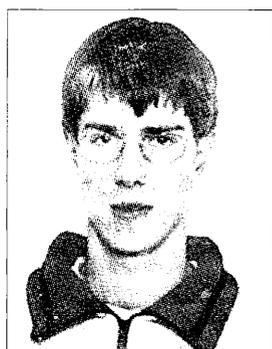
The aim of administrative reform is to create an effective public service which focuses on the citizens, and which is capable of supporting the development of the private sector and the whole community. It has also been established that the public sector has to perform solely those tasks which the private and non-profit sector or local government is in-

capable of completing, or which the state can do better. Since independence, state functions in Estonia have been constantly adjusted. Due to changes in the needs of the community and the preparation for joining the EU, the state has acquired many new functions while some have been lost. Some issues, which may need to be looked at, include:

- whether these functions being fulfilled adequately at the level of state government,
- whether the organisational structures are the most appropriate for carrying them out
- is the state sufficiently prepared to monitor the implementation of delegated tasks



## REGIONAL ADMINISTRATION



**Indrek Brandmeister**

Co-authors: Meelis Laube, Helen Hindrickson, Merle Soomere

Administrative reform at the regional level has turned out to be a most complicated undertaking, as shown by the discussion concerning the number of counties, the function of county governor and the status of county governments. The answer is simple. At the county level the state meets with local government. A quote from Robert Lepikson helps explain this,

‘County government is like a tube, where the water simultaneously runs in both directions. On the one hand organising the mediation of State funds and representing the county before government and on the other hand performing the functions of monitoring and supervision.’

Here we arrive at the question ‘Which functions should county governments and county governors perform?’ The county governor’s responsibility is to represent the state’s interests in the county and to take care of the balanced development of the county, in addition to the monitoring of legalities and ensuring that the activities of the local government are lawful. Consequently

the role of the county governor needs to be clearly defined since his/her responsibilities are so wide ranging.

### What needs to be changed?

County governments should hand management functions over to local governments, to facilitate the solution of regional problems. The county government could remain primarily the monitoring and supervisory body, and this would provide better feedback to the state government; in turn the feedback would help the government make decisions more effectively, which then would help improve county development. The representation of districts and formulation of the county development program and planning should be transferred from the county governor’s responsibility to the town/district units.

To fulfil these functions it would be necessary within the process of reform to also consider the functions performed by ministries and administrative organs located in the county and if necessary take these into the jurisdiction of county governments.

Consequently county government in co-operation with workers monitor and supervise inspection of, for example, fishing or plant protection. The offices of taxation and customs could also be independent from county government. These bodies could then serve many counties. Administrative bodies will need to, in one way or another, hand over some tasks to private firms; especially in areas connected with the allocation of services or production activi-

ties, where it is possible to ensure competition, for example in public transport or social welfare provision.

After the functions of the county are established, tackling the problem of the size of counties is both appropriate and justified. It will also then be appropriate to consider how large an area an administrative body is capable of administering practically and economically.

The next big missing link is: How are county governors assigned to office and who assigns them?

Should it be done based on the current system - where the Prime Minister proposes a candidate and this goes before for local government for approval?

But is this approval of local government representatives sufficiently justified? Another option would be to proceed without the approval of local government. An answer to the problem appears when we consider how the county governor’s supervision over the activities of local government could be increased.

### The following changes could be considered:

The institution of county governor operates as an office of the government, which has the function of regional ombudsman. This would mean that other government offices would have to deal with solving peoples’ grievances.

The county governor could oversee general and specific acts (as in legal acts) of local government.

The county governor could also monitor the use of state funds entrusted to

local governments. This would reduce the workload of the state. The self-monitoring of local government units should be coordinated by the county governor. This would be a good means for increasing discipline within local governments. This would include advice and strategic aid from audit commissions along with the adjustment and analysis of budget audits.

The emphasis on pre-monitoring could decrease while post monitoring increases. The long processes of harmonisation would not occur or would be decreased and in many situations local governments would operate more effectively.

If monitoring functions were broadened it would not be appropriate for appoint-

ments of county governors to be approved by local governments. Because after all what is the point in asking children who are caught up in their play, whether they wouldn't prefer an untimely return to their least favourite lesson?



## LOCAL GOVERNMENT AND ADMINISTRATIVE REFORM



**Eva Narro**  
Co-authors: Karel Kangro, Katrin Heinla, Valeria Maasik

The aim of local government administration reform is to create a local government system, which is characterised by democratic leadership and the inclusion of the population in the resolution of vital issues. For this to occur, the current system needs to be improved in areas such as the management of local government organisations, budget, territorial administration, and the extent of functions and resources.

Firstly we will turn our attention to the nature and responsibility of local government. The aim of administrative reform is to improve the actual ability of districts and towns to organise and make decisions concerning local issues independently and conclusively. Firstly it should be established which function should remain the responsibility of local governments at all. Here it would be necessary to consider the transition to a two stage administrative system, which requires that county governments also be elected by the people. In this case the municipalities would merely have a representative function which is fulfilled by the rural municipality mayor and his/her secretary. The county government

would hold local power and this would save large financial sums in the bureaucracy. In some counties the local government is one of the major employers. Since local government is the closest administrative body to the people, then it would be most appropriate to vest power at this level in local governments. In this case the county governor would hand organisational functions over to local governments and local government associations. The county governor would be left with the tasks of representation and monitoring. However, to implement this the county government must remain a state body, thereby making the two-stage system pointless.

Adjustments would also need to be made regarding the legislated tasks and responsibilities of rural municipalities and towns. One answer has been to define obligatory and voluntary responsibilities. As before, basic education, health care and social welfare would remain responsibilities of the local government. Water, heating, and providing opportunities for participating in sport and culture would become voluntary.

It is totally understandable that there is no point in maintaining some services like senior secondary schooling, water and heating as obligatory for all rural municipalities and towns.

As practice has shown, in such cases it is cooperation between local governments that is expedient. If a culture or sports centre were built jointly by many small rural municipalities, then money would be saved both in the building of it as well as in its maintenance, and there would be more people making use of the

service. Since the previously mentioned voluntary services are of considerable importance then the question of who will carry them out cannot be neglected. One possibility would be to include in the law a requirement, which states that in the case of insufficient resources these services must be offered in cooperation with other counties.

When administration reform is publicly discussed in Estonia then it is generally associated with the process of merging rural municipalities. There are currently 15 counties and 247 local government units, which comprised 42 towns and 205 rural municipalities. It is thought that there are too many regions managing local government services and that they are too small to be able to carry out the functions required of them. Small rural municipalities, such as Kõpu for example with a population of 400, lack financial and physical resources because almost all available resources are needed for the leadership of the rural municipality. In addition to this, considering the number of rural municipalities and towns there is the problem of a shortage of good leaders and educated experts. By merging small local governments and reducing their number by half, the financial base increases even in regard to the number of tax payers in that region. Government costs would be reduced and the skills of leaders combined.

It is feared, however, that if larger rural municipalities were formed, then people living in the outlying areas will be left out of rural municipal life and access to services will be more difficult. However, in order to administer common institutions, rural municipalities do not neces-

sarily need to unite. They can simply sign cooperation agreements and the confusion resulting from the unification process could be avoided.

A more radical possibility would be to completely reorganise the whole the current territorial administration system, by dividing Estonia into between four and nine counties. In this scenario there would not be any problems concerning budgets since the regions would have sufficient tax paying populations. The sums required for leadership would be noticeably reduced, but the cost associated with the reorganisation would be greater than the benefits, and in addition the legal basis would need to be reworked.

A separate problem is that of how to organise the leadership of rural municipalities. The aim of reform should be more democracy, less bureaucracy.

In the current structure the leader of the government and the chairman of the council are separate individuals, since the government and the council are separate bodies. But one proposal foresees that the government be formed from council members and coalition representatives not in the council or politicians. The rural municipality mayor or

town mayor leads the council as well as forming the government and directing government responsibilities. County officials are headed by a non-political rural municipality or town director, who is sworn into office for eight years. In this way, and to ensure efficient rural municipality or town leadership, political leadership is separated from everyday administrative leadership. It is worthwhile implementing this in large towns where the sphere of administrative leadership is extensive. In smaller rural municipalities, which employ fewer staff it would be the bureaucratising of leadership.

Another possibility is for the council to remain as a representative body of the rural municipality and that it chooses its own rural municipality mayor or town mayor, who would also be the council leader. The council commission leaders manage the work of the council and carry out the work during council session recesses. An equivalent body currently fulfils similar functions in rural municipality and town governments. A rural municipality or town secretary would head rural municipality and town offices and the officials working there.

Now that local government capabilities, unification and leadership have been

addressed it would be appropriate to mention how it is planned that the reformed rural municipalities and towns would be financed.

According to the law concerning taxes, local governments can establish local taxes, though only in nine different categories. A good example is the Tallinn vehicle tax. The program of administration reform requires that local government rights should be increased so they can establish taxes, though within certain prescribed parameters (for example they cannot exceed 50% of the equivalent state tax). However it is not of interest to the taxpayer whether they are paying local or state taxes. They are only interested in having good public service, which ensures an ongoing high quality community environment they can influence by participating in council elections. If we want to create a *citizen centred* community, then it is not expedient to increase the taxation burden on citizens in the form of local taxes. It would be necessary to reorganise the whole taxation system so that taxes collected to cover responsibilities, which the law treats as local issues, would be transferred directly to the local government level.



## FINANCING OF LOCAL GOVERNMENTS



**Angelika Kallakmaa-Kapsta**  
The Chair of Economic Theory, EBS

### Theses

The majority of local governments fail to operate efficiently and provide their residents with services. According to the Constitution, the performance of state functions assigned to local government by law is covered from the state budget.

Local governments are dissatisfied with their current revenue base, however, the state budget sets its limits.

Resources cannot be redistributed so that somebody's situation improves and nobody's deteriorates.

Local government revenues are currently the following:

- allocations from state taxes (56 % of personal income tax, 100 % of land tax, allocations from the utilisation of natural resources)
- allocations from the state budget
- local government's own revenues (local taxes, revenue from economic activity)
- loans.

Local governments constantly request that their budgets be increased. Yet most

local governments do not perform the functions they could or should perform.

There are two ways to improve the revenue base of local governments:

- one is to redistribute the existing tax burden between the state and local government;
- the other is to increase the sums transferred from the state budget to local governments;

Local government revenue can be increased also by the imposition of local taxes. Since local governments are of different sizes yet all of them must perform certain functions, this results in inequality.

Public administration has to be efficient and of high quality. Which means an

optimal distribution of functions between public, private and non-profit sectors. At the same time the public sector has been assigned the task of focusing on people. Public sector services must be accessible to everybody and be of high quality. Thus public administrations have been assigned conflicting tasks.

The public sector must perform only such functions, which private and non-profit sectors cannot perform or the state can perform better.

Today, local governments are being financed based on a uniform scheme regardless of whether the given local government performs the assigned functions or not.

Financing should depend on whether the local government performs these functions. Which of course assumes that the functions have been described in detail and there are methods in place for performance assessment.

Today local governments are not inter-

ested enough in what is happening on their territory. Revenue sources/taxes should be introduced such that heads of local governments are motivated to develop local businesses. For example, additional allocations from the state budget could be given to those local governments on whose territory new jobs were created (new jobs produce new potential taxpayers).

The collection of personal income tax must become more efficient. For example, pursuant to an additional precept of the Tax Board, out of additional tax revenue local government employees or revenue officers could be rewarded.

### Summary

- In order to change the scheme of financing, spending that could be transferred to local government budgets should be identified.
- The proportion of local taxes in the

local budget should be intensified.

- Tax collection should be improved and taxpayer-local government relations should be strengthened.

Local government financing must be comprehensively addressed under the administrative reform.

### References

1. Analysis of Revenue and Expenditure of Local Government Budgets. Decision of Chief Auditor of State Audit Office No 70-13/008 of 18 January 2000.
2. Masters, O. Report on the situation of local and regional self-government in Estonia. March 2000, Council of Europe. Congress of Local and Regional Authorities of Europe. Randma, T., etc. Administrative Reform in Estonia. Tartu University, November 1999. (<http://www.riik.ee/riigikantselai/ahb>).



## PUBLIC SERVICE REFORM AND LOCAL GOVERNMENT



**Sulev Lääne**  
Senior advisor to the Legal Chancellor

### Introduction

It is just a year since the formation of the present government after the last parliamentary elections, and discussions at a cabinet meeting began concerning a new program of public service reform. There have been many developments affecting the reform process and many principle issues have been discussed at government sessions, cabinet meetings, among parliamentary factions, and in local governments and their associa-

tions, seminars and meetings have been conducted, establishment of reform structures etc.

At the same time, central to the current discussion are questions concerning the basic goals of the intended changes, what the results of these changes will be in the wider community, and how to achieve these goals.

An important discussion occurred at the instigation of parliament and government leaders on the 12th February at the Tallinn Olympic Yachting Centre, where they endeavoured to clarify the aims of the proposed reform as well as issues concerning its implementation. The following is an example of the aims of the reform:

1. Achieve more with the existing funds and workforce and at the same time strengthen the mechanism for democratic accountability.
2. Improve quality and access to public services.
3. Constrain private sector expenditure.

Surely these are plausible solutions concerning the aims of reform. Though at the same time it is understandable that such a complex process cannot be solved with one seminar.

This conference is a good example of the search for solutions to the problem - a big thank you to the organisers.

To a great extent I support the honoured Jaak Leimanns opinion published in the media, that since our GDP is considerably smaller than that of the small European nations Iceland and Luxembourg, then with the small funds which we have we cannot imitate their public service system or those of other larger nations. Similarly we can not make the simple conclusion that we should simply remove part of the structure, without considering what this will mean for community development. On the other hand, European integration means certain public service principles and standards be applied.

At the same time we have certain advantages - we no longer have to suffer under a long-term strict bureaucracy, excessive draconian practices and excessive legal regulations.

Additionally, when considering change there are certain advantages in our smallness, especially in terms of flexibility. Of course we should be able to make the most of these advantages.

Analysis and prudent implementation also depend on an understanding and knowledge of our own history and the experiences (both positive and problematic) of other democratic European nations.

**Principles for the preparation of public service reform and its implementation which need to be considered.**

Here I will highlight some of my own principles, which should help ensure that the proposed reforms relate to individual persons as well as our public governing institutions, and in many developments, the community as a whole.

1. Define as accurately as possible the aims of public service reform itself and its components and the necessary mechanisms for its realisation, first and foremost where it concerns the people. Establish structures to coordinate preparation for reform, ensure that it is carried out, and create the necessary monitoring and improvement mechanisms.

Define the proposed reform time frames, possible stages, present and future tasks etc.

Make an analysis of experiences at the various levels and areas of the public service both in Estonia and internationally and make the results available to the public and those directly involved in the reform.

2. Constant and general implementation of democracy in its various forms - direct, representational and participatory - at all levels of the public service as well as in the formulation, fulfilling and supervision of the implementation of directives. Concurrently increasing the personal accountability of politicians and officials.

3. Maximum implementation of the principles of the state at all levels of the public service. Clarification of a framework

for carrying out the so-called public service reform based on the constitution and International rights.

Bring the level of legislative activity up to date, implement mechanisms, which ensure the application of legal standards and raise the awareness concerning legal matters among public servants. Implement the necessary measures to ensure availability of legal assistance and to increase people's adherence to the law. Set up as one of the central aims of public service reform the ensuring of personal rights and freedom. Arising from this develop and apply systematic monitoring and supervision, this includes internal monitoring as an elementary part of leadership, in regard to all levels and parts of the public service including the development and implementation of the reform itself.

4. Define as accurately as possible the functions of the public service, transfer these principles to the private and third sectors and define appropriate monitoring mechanisms. Based on this, accurately determine the tasks of the various levels of the public service along with the resulting rights, responsibilities and obligations, as well as decision-making concerning necessary resources.

5. Implementation of subsidiarity, decentralisation and other generally acknowledged European principles in public administration, especially in determining the location and function of local government and regional governance.

Legal and organisational issues concerning preparation for and implementation of regional public service reform.

6. Facilitate development of the third sector and volunteer work and create the necessary development preconditions. Establish collaboration and partnership between the various levels and areas of the public sector, as well the third sector and other institutions which ensure personal rights and freedom.

7. Implement principles concerning the effectiveness, measurability, and outcomes etc. of the activities of the public service including the implementation of services. On the basis of both theoretic

cal and practical analysis apply economic principles to the public service, and pursue flexibility and client centredness in the public service.

8. Cultivate a general principle of economising in the public service and generate an awareness of this principle and facilitate its implementation in all spheres of community activity.

9. Incorporate up to date IT resources into the public service sphere in leadership and all relevant activities.

10. From the point of view of individuals and public administration develop systems of information, administration, registry, licences, etc. (where necessary the creation of new ones) which value justice and dignity.

From the point of view of public servants create a system with a legal basis which ensures foresight, stimulation and job motivation.

Implement the above in conjunction with a continuing system of higher education in ethics (of office). Ensuring constancy and a balanced dynamic in the whole public service system as well as in the development of public service.

In addition to the above, it is important that the whole process be realised in partnership with the appropriate institutions and that there is transparency at all stages of the reform processes and that the respective material be publicly available. People must remain of primary concern at all stages of reform.

In the preparation for and realisation of reform, the creation of a necessary legal basis is unavoidable, which must be backed up by financial and other means. At the same time emphasise the need to analyse the affects and the corresponding connections between the various proposed reforms and other principle changes planned for the community and take this into consideration when implementing reform.

The creation of legal, organisational, and financial mechanisms is necessary, to ensure that public administration remains up to date and that the respective processes be in accordance with community development.

This should help minimise the need to reform the results of the reform in the future.

## Local Government and its Development Concept

### Introduction

Taking into account that time does not allow me to address the previous subject matter in greater depth, I will consider only that which relates to local government. Bad public administration can alienate the citizen from the state, and we are perhaps familiar with this problem. We must support the position of Prime Minister Mart Laar, which was revealed in the form of a press release to the Järvamaa local government council - 'public service reform is not simply the uniting of municipalities. Within the framework of reform the whole work of the public service will be reassessed with the aim of turning the face of the state towards the people.'

To this I would add that it is important to ensure that when the face of the state is turned towards the people, that they still recognise the state and that they accept it as their own.

The designing and implementation of the reform needs to be done in constant contact with the people because after all it is for them that all this is being done.

### General Concept

From the current documents which deal with public service reform and from the viewpoint of local government I should like to draw attention to the paper entitled 'Public Service Reform in the Area of Local Government' prepared by the Ministry for Internal Affairs in April 2000. This document has been discussed at many levels, including government cabinet meetings. The conclusion that this is one of the better formulated, meaningful and systematic reform documents must be drawn, but at the same time it is one of the more problematic.

In the paper the following is noted, 'The local government system in Estonia was restored in the early 1990s. The organisation of local government result-

ing from the reform carried out in 1990 - 1994 is still in use basically in its original form. The peculiarities and problems of Estonian local governments are no longer of a post socialist nature but are more like the long-term local government traditions of Western countries. Estonia has ratified the European Local government charter without reservation. Initially the basic aim of the recreated local government system was to develop democracy. But in developing the system, more and more issues relating to the effectiveness of the day to day business

**The creation of legal, organisational, and financial mechanisms is necessary, to ensure that public administration remains up to date and that the respective processes be in accordance with community development.**

arise. Future problems in the development of the Estonian local government system are connected to the notion of local government proficiency....'

Further it is concluded that, the basic path for the development of Estonian local government is the improvement of the current system in the following areas,

- organisational arrangement of local government
- budgetary arrangements of local government
- local government regional servicing amount of functions and necessary resources of local government

It is also noted that, in ensuring local government proficiency, all these areas are connected and therefore they need to be viewed collectively and local government improvements need to be implemented in parallel.

In many ways this is good, but I am concerned at the emphasis concerning one aspect of local government, namely the organisational and financial side.

Many people are of the opinion that local government as the monitor of initiatives, community activity and social issues - in other words the Local Government instrument- is fully developed in Estonia.

I will quote again...

'Initially the basic aim of the re-created local government system was to develop democracy'.

I cannot agree that it would not be necessary in the process of reform to deal in any depth with the development of local democracy. It will suffice to recall the following statistic, when in the last local government council elections in October of last year, less than half the eligible people took part. This does not mean that issues concerning the effectiveness of the system or proficiency of the administration are not of utmost importance. All these aspects should be kept in mind. Furthermore, in a democratic society the individual is of primary concern, even in today's situation.

So the formulation of the plan needs to be based on the constitution, especially in the enactment of section XIV. The European local government charter (from now on referred to as 'the Charter') is also important. At the ratification of this in 1994, Estonia accepted a list of responsibilities aimed at improvement. An important document which we need to draw our attention to is the report from the VII Session of the Council of Europe Regional and Local Government Congress held in May this year, which deals with local democracy in Estonia, and in particular with our realisation of the Charter.

The proposed plans deal with the development of local democracy along with the allocation of services, reallocation of administrative functions, issues of economics, and local government relations with state bodies, local government associations, etc.

Along with the plan it is also necessary to make an 'inventory' of our legal acts, and determine which laws need to be changed, improved or completely rewritten. It is necessary to decide whether to

improve the current of Local Government Organisation Act (from now on LGOA) or write a completely new act or whether to continue with the amendment of the Local Government Act (LGA) already before parliament.

A worthy example is the analysis in Finland of the rural municipality law (which covers districts as well as towns). The Finnish government has presented to parliament a specific overview titled 'Government explanations to parliament concerning the affects of implementation of the new municipal law on the leadership and activities of the rural municipality'

## Local Democracy

One main aim of reform should first and foremost be the increased involvement of the people in community issues and through this restore the community administration, which was abolished during the fifty years of Soviet rule. Evidently the presented plan needs further working through in the area of local democracy. The three points relating to the administrative functions of local government are insufficient (part I of the plan)

- 1.1 Party political local elections.
- 1.2 Execute reorganisation of local government units.
- 1.3 Determine the role and status of regional local government units.

The extent to which this issue is of importance in the 41 member countries of the Council of Europe is shown in some of the principles established in the Charter preamble.

- local government is one of the foundations of democratic governance.
- the right of the citizen to participate in community life is one of the principles of democracy, this is shared by all the member states of the Council of Europe
- this right can most directly be used at the local level
- the presence of local government bodies which truly work responsibly can ensure leadership which is effective and close to the people, being aware that the strengthening and protection of local government in the various European states provides an important contribution to democracy and that the principle of decentralisation of power supports the building up of Europe.

- democratically elected local governments supported by decision making bodies, which have their own responsibilities and the means and ways for fulfilling these responsibilities and that have extensive autonomy over the necessary funds.

Considering the fact that the European Union considers the principle of subsidiarity as fixed in the Maastricht Treaty and the existence of local and regional democracy as one of its more important principles, then if Estonia wishes to integrate meaningfully with the structures of the European Union, there is no point in cultivating discussion about whether we really need local governments. Not to mention the fact that local government has a special place in our historical development and traditions.

From the point of view of a legal basis our constitution has a special place, in particular in section XIV - 'Local Government', which many foreign experts have considered as one of the better examples from among European constitutions.

In addition to this, in almost twenty constitutional points the tasks, rights, and responsibilities pertaining to local government are defined.

I will quote one central point regarding local government from section 154 of the constitution:

'All local issues shall be resolved and managed by local governments, which shall operate independently pursuant to law.

'Duties may be imposed on a local government only pursuant to law or by agreement with the local government. Expenditure related to duties of the state imposed by law on a local government shall be funded from the state budget.'

From this we can conclude that,

1. There are local issues and all these are decided and acted upon by local governments. Advice not being required of anyone else, they can act independently.

2. The law provides the basis for decision making, the Local Government Organisation Act (from now on LGOA) Article 6 states more precisely the func-

tions and proficiency of local government, this includes, on the basis of Paragraph 3 - Point 2 that local government also decides and organises local issues:

'which are not assigned by law to other persons for resolution and organisation.'

In the same Paragraph - Point 4, it states that:

'Local governments fulfil state functions:

- assigned to them by law;
- arising from a contract between an authorised state body and a specific council.

Therefore in the implementation of the planned reform it is not possible, for example, to put the local government under the subordination of the state executive administrative power, as is seen in more general proposals as well as in specific bills, not to mention some tendencies highlighted by local government associations regarding centralisation of power. This in turn does not exclude, during implementation of reform and in the interests of optimum fulfilling of certain functions, a thoroughly thought through redistribution of these between the various levels of the public service. How citizens can participate in the solution of local issues, the kind of institution and how issues will be addressed, needs to be more firmly set down in laws such as the new LGOA.

We have not yet sufficiently implemented a direct model of democracy, for this we could take the example of Switzerland with their citizens meetings.

Citizens meetings have taken place in many municipalities and towns, especially on the smaller islands, though these until now have had no legal significance. At the same time the Charter emphasises the importance of local democracy, first and foremost in regard to the elected council and its members. The Charter states in Article 3, and I quote, '...the given council or representative body can have executive bodies accountable to it. This requirement should in no way affect the citizens' opportunities to turn to the representative body, use referendums and other functions which directly enable citizens to participate, if these are permitted by law.'

In addition to this, in many states in Germany, councils and executive committees have a practice of organising report meetings for the people once a year. At these meetings they give information concerning the fulfilling of certain tasks and receive feedback. From this, future plans are made according to the expectations of the people. In our situation it is important to amend the council and the executive committee associations, clarify political responsibility (of certain individuals and institutions) and the role of officials, as well as achieve a balance between their rights, responsibilities and obligations.

In many places the proposal focuses on this, but this section needs more thorough attention and the information must be more systematically presented.

### Issues Which Need Either More Precise or More Depth of Attention

An important part of the proposal is the analysis of the functions of local government and the defining of the various levels of the public sector. The constitution and LGOA both make mention of local issues' in general terms and it is important to define what these are.

But for years this has been one of the more complex questions and until now not sufficiently well answered in regard to the state or local government. At the start of the 1990s and more recently some work has been done on this though a completely satisfactory answer does not yet exist. Recently Märt Moll and Tiit Kirss (from local government) along with Danish experts and in cooperation with the Ministry of Finance have achieved results which should enable the defining of both the list of local government functions and the corresponding financial requirements.

Only as a result of this will national government and local government discussions actually become more concrete, until now they were based on general assessments. This does not mean (and far from it) that all that is set down in the law will be guaranteed for municipality and town populations immediately in the following financial year. Firstly, the avail-

able financial resources are limited, and secondly, financial resources do not back all the local government functions, which are currently required by law. (E.g. the Youth Work Act)

A separate issue is whether all municipalities and towns in terms of their proficiency levels are ready to fulfil all the required functions. Until now the transfer of certain functions to the third and private sectors has been in part handled too simplistically. Special attention needs to be focused on so-called mo-

**One main aim of reform should first and foremost be the increased involvement of the people in community issues and through this restore the community administration, which was abolished during the fifty years of Soviet rule.**

nopolistic institutions and in addition it would be necessary to analyse the experiences of northern countries such as Germany, as well as others. In many countries, including the United States a direction is developing where private sector principles are increasingly being applied in the public sector.

It will be necessary to specify all public administration participants included in the proposal for reform, as well as in the decision making and realisation processes.

In contemporary administration and law as well as in the specific area of legislation the principle of commanding and forbidding is no longer relevant and is instead replaced by the principle of agreement. In some cases the issue has direct legal requirements and so it is necessary to pay strict observance to the requirements of the Charter and LGOA.

LGOA Article 65.4 can be seen as a useful example here:

'Local executive bodies are consulted in a timely and appropriate manner which directly pertain to the bodies.'

On the basis of information from local government associations this requirement of the appropriate government bodies is not always observed. The publicising of the 'planning and resolution' process by the appropriate institutions could also be more accurate and more widespread.

The budget and taxation system needs to be brought up to date especially keeping in mind Article 157 of the Constitution and Article 9 of the Charter.

To put it briefly, the issue here is first and foremost the creation of a financial basis which enables the local governments to satisfactorily fulfil their functions, this should be a stable and at the same time flexible system.

On the other hand the balance of local taxes in the municipalities' and towns' income base should be substantially increased, because in this respect we are among the last countries in the Council of Europe. The average figure is close to 30%, in many countries it is even greater than 50%, while in Estonia it swings between 0.1 and 1%. Along with changing this situation we can also consider the stability of development, the actual existence of planning and development programs and actual political options and accountability of councils.

Based on the previous point, and in regard to local government, the practical realisation of the system of employer and employee becomes increasingly imminent. Especially when funds for teacher's wages are handed over to the local government. This also gains significance considering the new law regarding trade union pending acceptance in parliament.

Surely the issue here is whether to apply the principle, in many northern countries, where based on the law a special institution is established alongside the central association of local governments.

An example of this is the Finnish 'Local Government Employment Office' which fulfils the function of employer. It is necessary that the issue be looked at from the point of view of both the state and local governments and we need to start looking for practical solutions which are suitable for all involved.

A complex and separate set of issues is those concerning district and regional leadership.

Together with state internal issues it is necessary to consider the so-called regionalisation tendency in Europe, be these connected with the European Union or the Council of Europe. The uses of European Structure Fund resources, which to my knowledge form 30% of the Unions' overall budget, are linked to the previous point. For example Finland's parliament accepted a specific law for the distribution/allocation of funds, where the central role belongs to regional local governments. In Finland the necessary institutions operate effectively, and their establishment is considered a major change in public administration, which was no doubt influenced by European integration. Naturally there are other possibilities, such as the recreation of the so-called stage II local government system. Here it is necessary to keep in mind that in the case of stage II a distinctive character is the direct election of representatives and the right to impose taxes. Herein lies the primary difference between these and district associations.

A separate and complex problem is that of state regional service development, such as defining the role of regional leader and regional government. Of course the proposed regional public service reform will naturally affect this process. This process is also influenced by the further development of central services, historical as well as socio-economic characteristics, etc.

One option for discussing solutions would be to make use of the experiences dating from 1993. With this in mind parliament accepted a decision in principle, on the basis of which a legal package was compiled which has been used during the last seven years at the town and county level in the formulating of solutions.

I quote:

*'The Formulation of Laws Concerning Local Government.'*

*In formulating laws which concern local government, parliament relies on the principle that local government administration in the Estonian Republic is organised only in towns and municipalities, where the council is elected in general, uniform and direct elections. At the county level, the local government unit selects a county council and this forms the body of representatives. State administration in the county is organised through the county government.'*

The solution to all these issues requires analysis in regard to our experience up 'till now and an awareness of the experience of others. The above is also important because parliament is currently in the process of changing the LGOA where it deals with the re registration of the association of local governments. It is wished that the association of local governments, which is registered in the Estonian business, institution and organisations register, be re-registered by 1<sup>st</sup> November 2001. Already in 1998 the date for this had been extended until 1 October 2000, but since uniform understanding regarding the status of the associations concerned was not achieved, then a further extension of this date was unavoidable. This new period until the target date should be used wisely and Article 159 and Article 160 of the constitution should be kept in mind.

Another important set of issues includes the problems regarding the effectiveness of the public service and the mechanisms for supervision and monitoring. I will address two aspects (not traditionally dealt with), concerning effectiveness - the rights of citizens and the ensuring of freedom from a legal point of view (legal decisions and actions) and supervision and monitoring. It is apparent that public administration is more effective when, decisions and operations do not need to be repeatedly changed or in certain situations completely annulled. The proposed reform presumes greater legal accountability among the activities of the local government within the framework of the constitution and existing laws.

At the same time there is a need to specify the democratic mechanism for monitoring local governments, maybe in the form of a more efficient council audit committee. It is also necessary to establish an active internal monitoring system, which in addition to financial issues should also, cover legal as well as council and government decisions and the analysis of activities relating to local government. The importance of these issues has been pointed out repeatedly by legal chancellor Eerik-Juhan Truuväli. The increasing number of people turning to administrative courts indicates that legal problems that have arisen. In 1999 3,185 cases were presented to district, town and administrative courts alone, where the legislation or actions of town and municipal government included 1,851 which were complaints or protests. But in the number of essential decisions local governments lost over half of the court cases.

Similarly the number of people turning to the legal chancellor or county governor because they are not satisfied with the legislation and acts accepted by local governments is increasing. The participation of State supervision is increasing in the monitoring processes. It is important to stress that in addition to external monitors it is necessary increase local government's own monitoring activity. It needs to be stressed again the known fact that supervision is an elementary part of leadership, in the private as well as public sector. If the State at the instigation of the Ministry for Finance has started the necessary work (attention has also been drawn to this specific problem by the European Union), then from the point of view of local government the solution is far off. This is also relevant regarding the practical realisation of LGOA Article 24 (Supervision of implementation of legislation).

I quote:

*'The implementation of Acts, council regulations and resolutions and rural municipality or city government regulations and orders is supervised by the council and government pursuant to the procedure provided by law and the statutes of the rural municipality or city.'*

In part the new LGOA regulation will help the process get off the ground and

from next year it will be necessary to implement obligatory auditory supervision, even though the system of internal monitoring as a whole is generally lacking. Tallinn is an exception here as well as some other local governments; Tallinn's council and leaders of the audit committee have seriously addressed the issue both concerning content and legality. The need to increase the efficiency of internal monitoring and supervision both in terms of concept and practice is apparent. Together with this it is necessary to increase the role of qualified independent specialists as well as create and implement a thorough legal basis. Everything needs to be done in local government to ensure that the results of the reform in as much as possible satisfy the requirements of Article 14 of the constitution, which states:

'The guarantee of rights and freedoms is the duty of the legislative, executive and judicial powers, and of local governments.'

## Reform of Regional Administration

It has been claimed that one of the greatest losses in the Estonian community brought about by the 50 years of foreign occupation, is the destruction of the organisation of leadership and community structure which had developed over many centuries. This involved the removal of local government with its social and economic dimension. Considerable damage was caused by the removal of community service as a social phenomenon, because this cannot be bought or sold and it develops (or fails to) overtime. In addition to pure political method and force, many unsubstantiated changes to territorial administration also helped to destroy it. This is one reason why these kinds of changes attract so much attention in the democratic world.

Much has been spoken about the implementation of this reform and based on material published in the media there may be the impression that it has already been carried out.

Actually the process is considerably more complicated:

Its is necessary to prepare a proper legal foundation. That the constitution

determines certain limits - especially in Article 2 and 158 - needs to be taken into account.

The latter regulates for example that the boundaries of local government units cannot be altered without considering the opinion of the local governments concerned.

It is important to ensure a uniform foundation for preparation and implementation of reform. Therefore, relevant socio-economic and organisational analysis and methodology are necessary. A time frame needs to be established, assessing possible solutions to problems which may arise concerning previously taken loans, established legislation, the creation of new leadership structures, etc.

There are plenty of issues, such as the simple problem of what general name to give the unit formed by the unification of a town with a rural municipality. Positive experiences have resulted from the mutual agreements made as part of these unifications, within the framework of which efforts were made to solve current issues and prevent future conflicts. Similar such agreements must be given legal foundation. The Ministry of Internal Affairs has begun certain preparations in this regard, though it appears that the whole process has suffered from being rushed.

Here it would be necessary to consider the experience of other countries. For example in Sweden and Denmark prepared an extensive legal, political and organisational program, within the framework of which state politicians and senior officials explained the aims of reform and solutions to the commune citizens and local leaders.

Consequently the provision of services to the population cannot be made worse, and their opportunities to express their situation or local democracy development opportunities should remain. Resulting from this an extensive network of suburban and municipal areas was realised.

But in many German states there was the creation of larger united districts comprising smaller municipal units which represented the people and maintained

a certain decision making power over resources, but did not have a paid body of officials. To some it may seem pointless to place a memorial plaque on the former municipal offices, but for example in the German state of Rheinland-pfälz you can see this in many places. On the one hand this is a sign of respect for ones history, and on the other hand it is a way to cultivate peoples community spirit. For example Swedish, German, and Danish representatives claim that after extensive regional administration reform it will be at least another ten to twenty years before social relations in the new local government units begin to develop. In some areas later adjustment of boundaries was unavoidable. For this reason it is important to consider that in some areas it may be necessary to implement different development models. For example it would be unavoidable in the case of distant small islands. It may also be useful in large sparsely populated areas. Here the so-called categorising principle has been implemented, this means that the legal standpoint of certain local government units will be different. For example in the case of the previously mentioned small islands it is conceivable that their partially unique legal position should be set in law along with their corresponding rights and responsibilities. This does not mean that this so-called categorising principle, which was used in Estonia's first period of independence and in modern day Europe, for example in many German states, would be implemented across the whole state. It would also be possible to implement in certain large, sparsely populated areas a considerably broader legislated principle of compulsory collaboration in certain spheres. This has been used for example in Finland where general regional administration reform was not carried out.

One aim of regional administration reform is to provide the rural municipality with more executive power to make more effective use of resources both financial and human, so that they can fulfil legislated responsibilities and their own initiatives. Various solutions have been used in European states, the principal issue is in the political will to carry out regional administrative reform and naturally there are advantages in planning

appropriately. There is the need to consider any possible problems which may result. It is important to understand why change is necessary. Endeavouring to analyse the situation objectively, I will highlight some points of departure:

- Current rural municipality and town regional administration organisation does not correspond with the settlement system which has developed over the last decades nor has it changed with the socio-economic community. Infrastructure, location of social services,... has changed.
- Due to various factors many Estonian local governments have experienced a decline in population.
- A central issue is the provision and quality of essential services to the population, on the other hand effectiveness as well as cost. Money, as we know, is in short supply....
- Inequality is increased in some parts by insufficient financing, but over all by the great differences in the current resources in each region. In some cases the limited pool of staff and weak administrative capability are problems. Therefore, they are not able to fulfil their legally binding responsibilities.

During the last few years the legislator has continued to pass legal acts, where the local governments receive extra responsibilities, but these are not backed up by the necessary financial resources and/or the necessary experts are not available to fulfil the task. For example the Youth Work Act requires that local governments fulfil certain legislated regulations. This has been done by only a few, such as Tallinn, Tartu, etc. Even more important is that someone needs to actually organise this work. According to Ministry of Education figures only 10 towns and municipalities have employed the necessary specialists. Just as important, is that the area of Youth Employment would be reflected in the rural municipality or town statute, since this document is the basis for the formulation of the annual budget. Unfortunately there are few positive examples to show here. Likewise the increase of youth problems in our society is apparent, be it in the form of alcoholism, drug abuse, street children, crime, etc. The

principle should be clear that in all ways it is far better for the community to spend money on crime prevention than millions on building a new gaol which conforms to European standards. It all seems logical, but more and more young people are leaving the country and small towns and according to the Ministry of Education a significant reason is that they see that there is nothing for them or their children to do in their leisure time. But the situation is not so desperate everywhere. Besides the big towns for example, the rural municipality of Vinni has a leisure centre, as do some others.

The aims of regional administrative reform could be generally expressed as: With regulation and monitoring of regional administrative reform achieve a situation which takes into consideration the local governments completeness, historical and logistical infrastructure connections, location of population and the wishes of the people. It is necessary to create opportunities so that local democracy can develop and the new situation would ensure more effective local government and better services to the people. Competitive municipalities and towns should develop and these should take into consideration current regional centres and their surrounding hinterland.

## In Conclusion

In ten years we have made unbelievable progress though there is still plenty of room for further development. To make the most of this requires serious analysis, wise action and naturally discussion. In the concept paper I cannot find practical solutions dealing with development of relations between local government and the private and third sectors, the sphere of services, legislative activity and many more very important issues. It appears that in this regard the Ministry for Internal Affairs as well as local government associations has further work to do.

Discussions are in progress concerning target dates though this is in many ways a political issue. Work has begun analysing our own experiences and those of other democratic states, though there is yet much to do and this area needs to be formally conceptualised.

The opportunities for the preparation and implementation of administration reform are many - it may seem pretty exciting to some to constantly re-invent the wheel. Though as already mentioned this task may be simplified with the analysis of our experiences and those of other democratic states, not to mention becoming familiar with the standpoint of the state, administrative law and public service theory and implementation.

Therefore it is appropriate to conclude with a quote from Tartu University professor Wolfgang Drechsler's article 'The Public Service as Political Science' which was published in 1997 in the book 'The Foundation of Public Service. A Collection of European Essays' -

*'Despite some efforts to continue reform, meaning the reform and changes of 1989 - 92, the impetus and enthusiasm in Estonia has greatly waned and not only in matters of state. But it is not sensible to take the approach that we need to continue at all costs because for the moment (leaving aside Estonia's remarkable progress and the fact that in the west everything is not so great) things here are not as good as they should be and more importantly not as good as they could be. The most important task, which Estonia faces, is to restore or recreate a national concept - the state as polis and as a citizen's mission statement. Estonia's chosen path, democracy, must acquire true content and meaning and the chosen path for organising economic existence (more or less a free market economy) does not occur without a well functioning state. Arguably, all the bigger problems which Estonia now faces relate to the question - What or what kind should our state be?'*



# MANAGEMENT CULTURE OF PUBLIC ADMINISTRATION IN ESTONIA



**Harry Roots**  
Vice Principal of Estonian Public Service Academy

With regained independence Estonia inherited the Soviet officialdom. "Paternalistic" seems the appropriate term to define the administrative culture of the Soviet period. Proof can be found in the description of the management style that was prevailing in the last years of the Soviet period, given by Maaja Vadi with references to the studies of Heiki Krips (Vadi 1995:25). Top managers of state enterprises were under study, however, there is no reason to believe that their management style and culture differed much from that in other state agencies, including their ministries-curators. The following characteristic features were highlighted:

- Managers disregard the needs, wishes and merits of their subordinates
- Managers support neither career advancement nor personal development of their subordinates
- Managers keep important information from their subordinates
- Managers command
- Managers tend to treat their subordinates as if they were children
- If subordinates differ with the boss, their opinion is disregarded
- Mistakes bring about punishment rather than corrective efforts
- Managers cannot put up with the initiative shown by their subordinates
- Even if right, managers never contradict their superiors
- Managers avoid responsibility as much as possible.

Here we have the so-called general features of bureaucracy (avoids responsibility) combined with directly paternalistic features (treats subordinates like children, commands, punishes, disregards opinions, cannot put up with initiative, does not share information). It is also characteristic that managers apply the same principles to their superiors (never contradicts, even if right).

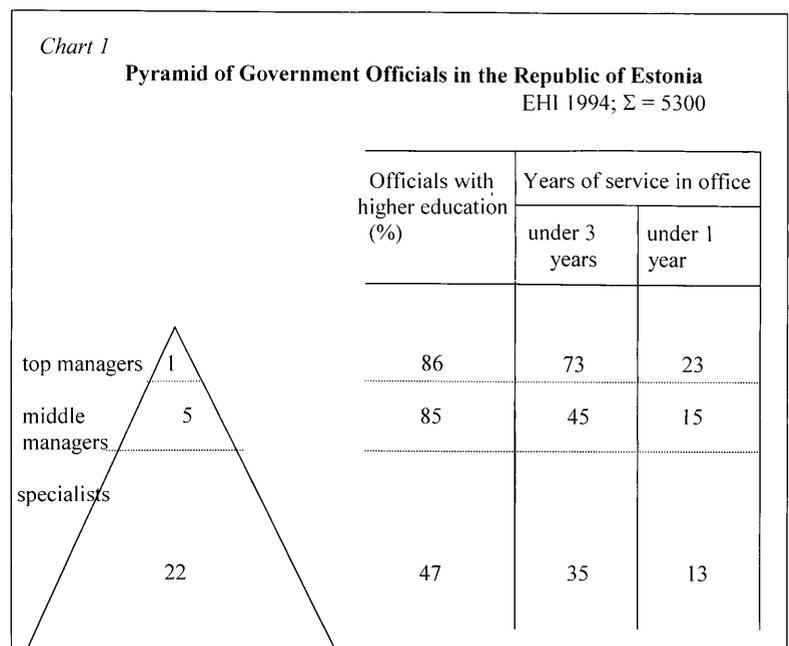
Such sentiments, values and experience prevailed among civil servants when the Republic of Estonia started its independent operation.

Public service was introduced in Estonia with the Public Service Act, which entered into force on 1 January 1996. Until that time officials had been working under employment contracts and without the requirements, limitations or benefits that go with the public service.

This does not mean that the formation of the Estonian officialdom started only with the enforcement of the Public Service Act. On the contrary, our society had been through critical changes and upheavals. The study conducted in state and government agencies in summer 1994 demonstrated that starting from

1991 when Estonia had regained independence, 73 % of top managers, 45 % of middle managers, 35 % of officials-specialists and 33 % of clerical staff had been replaced. The institutional structure of government agencies had changed and that in turn brought about changes in the number of staff and officials.

The emerging private sector absorbed some qualified managers and specialists. Civil servants and top civil servants in particular with their knowledge, connections and inside information were an invaluable acquisition for private companies. Others had to leave because of their "overly red" record or because new ministerial top managers had brought along their "own team". Many new people with no earlier experience or training entered into the civil service, among them also opportunists who had no interest whatsoever in serving the public good. Such people were interested in benefits, power and money, and had to be replaced during the following years. There still was one sure thing – the higher the office the higher the personnel turnover.





The hierarchy of offices was more or less settled: for each top manager there were 5 medium level managers and 22 subordinates which, in terms of the range of management, can be considered not bad at all. The level of education among managers was also quite high (85-86 % had higher education). However, the continuing turnover of top managers (23 % yearly) raised doubts about continuity and the maintenance of qualification levels. Regardless of the high turnover in all staff categories, the specialist was twice as certain of keeping his or her position than top managers. Reshuffling had brought many young people into the civil service. 48 % of employees in the Ministry of Foreign Affairs, 31 % of employees in the Ministry of Finance, and 28 % of employees in the Justice and Defense Ministries were under 30 years of age.

During this period the first steps were taken to improve the professional level of civil servants. But in Estonia like other former countries of the Eastern Block, training could resolve only part of the problems with officials.

Relevant references can be found in several studies conducted by foreign experts on Estonian officialdom. In autumn 1993, Estonian state officials were interviewed by experts from the European Institute of Public Administration, Maastricht (Roots 1997:59-60). They made numerous observations on the quality of Estonia's officialdom and the organisation of work in state agencies as a whole:

- Decision-making is excessively centralised; transfer of in-house information is insufficient – medium and lower levels do not know what is going on at the top level; top managers do not delegate obligations, power and responsibility are overloaded with details; specialists are engaged in their own very narrow field.
- Specialists who have been promoted to managerial positions maintain their specialist-approach in their new office; they fail to understand what management is about, what their new role is; they take no interest in plan-

ning, analysing, decision-making, developing general policies and strategies; subordinates are left on their own, managers are ignorant of the problems of their subordinates and do not support them when support is required; ministers, in turn, are not interested in the activities, life and problems of top managers.

- Legislation is inadequate; the status, rights and obligations as well as social guarantees of the civil servant have not been defined.
- Civil servants' salary is low and turnover high.
- Ministries do not know what state agencies in other European countries in the corresponding area of government do.
- Agencies have difficulties with organising officials' work; lack of knowledge and skills for routine clerical work.
- The training of local government elected staff and remuneration-based staff is a big problem because after elections both will be renewed; it is difficult to find qualified local staff.

The following three points were the most unpleasant surprises for the foreign experts:

- Top and medium level managers have no idea whatsoever about budgeting; neither ministerial departments nor heads of departments participate in drafting budgets, some are not even interested.
- Document administration in agencies is poor; the circulation, registration and preservation of documents requires better training as well as elementary correctness.
- Top officials have no social guarantees; their position is insecure and totally exposed to the arbitrariness of the political head (minister) of the office.

The enforcement of the Public Service Act, which regulates the status of officials, was the biggest change in the following 2-3 years. However, it took much more time to resolve the rest of the problems. In order to prove this statement let us analyse the table included in the EIPA report where the experts have listed the

Table 1

**Administrative Culture in Estonia and Changes Required**

EIPA 1994

To be given up	To be achieved
politicising	professionalism
ad hoc reforms	development strategies
quantitative reduction of officials	qualitative development of officialdom
instability	Stability and security related to office
personal loyalty	organisational network
mistrust and departmental cliques	mutual trust and open communication
individual action	co-operation in resolving problems and planning activities
low motivation and working morale	high motivation and dedication
insufficient pay and low self-esteem	adequate pay and high self-esteem

changes long overdue in the administrative culture of Estonia (Venna and Higgins 1994:14).

The list is too general and consequently not derived from Estonia's data alone, but, according to EIPA experts, the problems of Estonia's officials in the nineties were covered by these keywords.

Let us keep in mind that these generalisations were made in autumn 1993. By then major institutional reorganisations had been completed, the structure of state and government agencies had changed and personnel had been extensively renewed. Depending on office, 1/3 to 3/4 of the entire staff had been replaced. What was the result? In the opinion of the international experts the key words were *politicizing*, *personal loyalty*, *mistrust*, *cliques*. Which brings us to the conclusion that the first major cleansing of officialdom had considerably renewed the staff of state and government agencies, yet not broken the Soviet paradigm of administrative culture.

The only new thing was *low motivation and low self-esteem*, uncharacteristic of the officials in the previous period. State bureaucracy in the soviet period had excessively high rather than low self-esteem proceeding from the perception that officials rule over citizens instead of serving citizens. Ministerial service granted privileged access to the lean benefits of a society plagued by shortages, which was a strong incentive for Soviet officials.

What is this? An independent country with restored statehood, but administrative enthusiasm is dampening? Let us stop and think about the process that was underway. The slogan "Let's clean it up!" was nothing more than a forceful demonstration to officials of who possessed the positions of power in independent Estonia. The *tour de force* was a success. If one feels insecure about the future and, more importantly, the rules of the game are not clear or are missing, if there is a cleansing of the machinery with no apparent logic and nobody is safe – the result is existential fear, shaken self-confidence and falling

self-esteem. You never know - your agency may be wound up or you may be asked not to come to work the next day.

This was one aspect of what had happened. EIPA experts marked another aspect with the keyword *politicizing*. Why, had independence not been regained and the civil service cleansed?

The problem is that the Soviet bureaucracy was politicized in two ways: *party-politically* and *organisation-politi-*

**Top managers do not ask themselves - What are they managing? - What can be managed? - What needs to be managed? The majority of them act by intuition, on their personal merits. Strategic management methods are not widely known, most of the top managers are burdened with operational management.**

*cally*. To reach the top one had to "belong to the ranks", be politically active. This did not apply to all officials but applied only to those who were heading for the top. The majority of state officials were politicized in the sense that the entire bureaucratic hierarchy was built with a focus on person and power. Hence the obligatory personal loyalty to superiors, etc., referred to above. And when politicized machinery is cleansed by political means, the result, again, is that the officials, who are politicized, remain obedient to the powers that be and personally loyal to their direct superiors. A political cleansing cannot bring about a bureaucracy that is oriented to *rules* instead of *power*, i.e. a change of paradigm. Orientation to rules requires a different approach – the enforcement of necessary norms and procedural rules. Back in 1993 there were no rules,

such as, for example, the Public Service Act. That is one of the reasons why the first and most critical phase in the life of state and government agencies, after independence had been regained, broke officials but failed to break the Soviet administrative culture. Albeit a somewhat deformed administrative culture (low self-esteem!)

The enforcement of the Public Service Act brought no significant changes to the administrative culture of Estonia's administrative agencies, compared with EIPA expert findings. Interviews with a large group of Estonian top officials, academics, and representatives of business circles in spring 1996, a few months after the Act had taken effect, proved this (Roots and Karotom 1996:48-58). Contrary to the EIPA studies, the PHARE project framework also enabled us to learn what the man in the street thought about the public sector.

The results confirmed that the same model of bureaucracy had remained in place. "Very many interviewees described the management style in administrative agencies as autocratic, authoritarian, based on directives. An *ad hoc* method is often used when taking important decisions. Many heads of administrative agencies have had no managerial training whereas for others, who have, the acquired knowledge has not become a handy instrument. Agencies are not yet aware of management problems. Top managers do not ask themselves - What are they managing? - What can be managed? - What needs to be managed? The majority of them act by intuition, on their personal merits. Strategic management methods are not widely known, most of the top managers are burdened with operational management" (Roots and Karotom 1996:54).

The interviews also disclosed the public perception of officials in general and civil servants in particular. Two categories, officials and their fellow citizens, were interviewed and a so-called social portrait was produced as seen by both. In the opinion of interviewees, officials and private sector employees had different attitudes towards their work. In

the private sector it is the employee who sets objectives, which has a motivational affect, whereas the official takes orders from others and operates within a set framework. The private sector is characterised by a “terror of efficiency”, risk and reward, whereas the public service has the advantage of stability and loyalty and dutiful performance is the main requirement for the official. (Roots and Karotom 1996:55). Interestingly, concepts such as public interest, public good, public services and the official as a person who is in the service of citizens, never cropped up in the interviews concerning public service and the public servant.

These concepts had neither occurred to officials or to their fellow citizens yet. The common understanding was that officials were called to *dutifully obey orders* given by their superiors, rather than *serve the public*. On the other hand, the interviews did not portray the official as a character *ruling over* fellow citizens— this stereotype had remained in the past because of the turmoil that had shattered the officialdom in the meanwhile.

The notion of “good governance” was not widely known yet. The interviewees did not know what the term meant and answers were based on intuition. The pursuit of group interests in government activities, changes to national priorities with every new government, over politicized administrative agencies, power struggle, ruling for the sake of ruling were considered a deviation from “good governance” (Roots and Karotom 1996:50).

The entry on a mass-scale of new people, with no previous experience in civil service, into the public service brought about changes to officials’ value system which were not always for the better. Interviewees pointed out the transfer of private sector values and norms to the public sector, no matter how appropriate or inappropriate. Former values had been replaced by the principal business value *–to make money fast*. Public sector organisational culture was underdeveloped, professionalism was not valued. Corporate mentality and corruption, which might become a norm in

the public sector, were mentioned (Roots and Karotom 1996:50) *Esprit decors* might be nothing bad in itself. It was Henry Phyla, the classic of organisational theory, who considered *esprit decors* as a prerequisite for an efficiently functioning organisation. The rest of the principles developed by him have been criticised as being paternalistic. This is the term we used to characterise Estonia’s administrative culture during the previous period.

The role of personality and personal power in Estonia’s public administration was remarkable. Inter-agency information sharing and co-operation was very much based on personal connections among officials; moreover, top manager’s personal ambitions even determined the (factual, not formal) boundaries of the jurisdiction of the agency. “... The competence and boundaries thereof very often boil down to the person, are subjective and depend on that individual; the boundaries of authority can be arbitrarily redrawn; one can pick what to administer and what not to – depending on interests, stake holders’ pressure and lobbying.” (Roots and Karotom 1996:53). Here we refer to top officials, and above all top political officials. Let us not forget that this was the fifth, not the first year of independence, and that the Government Act had most precisely defined the boundaries of authority. The regulatory effect of the Act is another issue. Anyway, the interviews indicate that bureaucracy was continuously oriented to *power* and personal ambitions rather than *rules*.

Party-affiliation of civil servants was felt. “The feeling of impunity in office, politicized agencies and politicized officialdom negatively affect officials...” (Roots and Karotom 1996:55). Supervision over the work and efficiency of administrative agencies was non-existent. Hence the impunity. “Performance check of duties and assessment of work results have not developed into a system... Starting from a certain management level, party-political considerations dominate and justify any use of resources” (Roots and Karotom 1996:54).

Thus it is important for a top manager to be in the “right” party rather than work

well, because then any action can be justified. The only problem is that in a democratic country, the constellation of political forces changes after elections: a coalition becomes opposition and vice versa. Those who were quick, switched parties, the rest had to give up their top position in the bureaucratic hierarchy. Party-business has its dark side too.

It has to be taken into account that during the Soviet period the top of the bureaucratic pyramid was located in Moscow, not in Tallinn. Local top actors were under scrutiny and their own arbitrary action was limited. But now an opportunity had presented itself in the form of independent statehood. With strong party backing, it did not take long to develop the feeling of impunity. A situation emerged that has been pointedly described by *Carl Gustav Jung*, who had in mind another nation state. Almighty higher heads of government direct almighty national doctrine. The one who has reached the heights, either by means of elections or violence, feels no further compulsion because now he identifies himself with the national interest and acts according to his best judgement. Together with Louis XIV he can say: *‘L’Etat c’est moi’*. Thus he becomes one of the few individuals who can express their individuality freely. By the same token, the majority of managers act “on their personal merits” as was indicated above.

Moving from the top of the pyramid downwards to lower management levels, we come across somewhat different factors that frustrate officials. “...Obstacles and delays in the implementation of decisions; official activity lacks national level output; tasks that make no sense; due to frequent reshuffling, unclear prospects for the future; vague career advancement conditions; job duties and work allocation at different organisational levels and among officials have not been clearly defined; shortage of money; work overload; constant reorganisations and high personnel turnover.” (Roots and Karotom 1996:56). All this makes a perfect whole: if the system is not based on rules there are no fixed promotion criteria, hence the rule of managerial arbitrariness and subjectivity. Work allocation also requires

some sort of rules and the lack thereof results in a killing workload. Everything is tied to everything. If decision making is arbitrary and partisan, officials may consider their task of preparing issues, drafting papers and proposals as lacking sense and may not have patience to wait until their labours start bearing fruit. However big the effort, it has no influence; it is someone's interests and arbitrariness and political pressure that matter (Roots and Karotom1996:56). The expertise and dutiful performance of the official seems to make no sense. And if we add here that "professionalism is something secondary in career-making", then no wonder that "professionalism has not become valued" (Roots and Karotom1996:50).

The officials interviewed also described what they considered an ideal working environment (Roots and Karotom 1996:55):

- favourable working environment, working culture, smooth co-operation with colleagues, common objectives, teamwork, satisfaction from work and achievements

- regard for employees, their merits and potential
- clear-cut orders
- reorganisation has clear objectives.

To put it in a nutshell, their ideal was a *friendly working environment, simple and accurate instructions and bosses with management skills*. Elementary wishes, however they assume a different model of administrative culture.

According to the State Chancellery, there were 19 505 officials in Estonia in January 1999, men and women about 50:50. Almost every third Estonian civil servant was under 30 years of age. The figure was less among higher officials. At the same time about 3/4 of higher officials, less than 1/2 of senior officials and fewer than 10 per cent of junior officials had higher education.

When we take a look at the years of service we notice a few remarkable things. Firstly, the officialdom has become relatively stable, compared to the previous period: only 20 per cent of officials had been in office less than a year. Secondly and more importantly, the stabilisation

started at *higher levels of management* and the mobility was the lowest among top officials and the highest among junior officials. In 1994 we had the opposite situation.

Not only had the group of higher officials become the most stable one, but it also had the biggest number of those whose change of position was due to movement within the public service, promotion or rotation within the same agency or transfer to another agency, and not because they had left or entered into public service. Obviously it is the higher officials who most identify themselves with the service, and the self-consciousness of bureaucracy starts to develop from the top downwards.

Another important factor is that the period of intensive growth in the private sector had ended and the first economic repercussions reduced the chances of finding a good job there. On the contrary, financial and law specialists, and personnel managers who had lost jobs as a result of the bank and stock exchange crises started to look for jobs in state agencies. This was not because the civil service had become more attractive, but simply because now there were fewer alternatives available.

The number of years officials have spent in the public service also shows us the proportion of officials from the Soviet period that were *still in the service*. At the beginning of 1999, according to the State Chancellery, 26 % of Estonian officials had been in service for over 10 years, among junior officials, senior officials and higher officials 22 %, 26 % and 34 %, respectively. The last figure does not mean that the top officials from the Soviet period formed a third of the higher officials of the Republic of Estonia. These were good experts who had not held high offices during the Soviet period and were promoted in independent Estonia regardless of their long-standing service in the ministry.

*Salary level*, which was gradually becoming more competitive, could have contributed to the stabilisation process in the group of higher officials. The joint study by the Estonian Institute for Public Administration (EHI) and Saar Poll

Table 2

**Estonian State Officials  
Composition in Percentage Terms**

1.01.1999; State Chancellery

	Junior Officials	Senior Officials	Higher Officials	Total
Proportion of women	45	56	42	50
Younger than 30	39	27	14	29
With higher education	8	43	75	38
Less than 1 year in office	24	19	16	20
Appointed to office 1998 2 <sup>nd</sup> half and had been in public service before	34	42	50	38
Left office 1998 2 <sup>nd</sup> half and continued in public service	21	31	51	29

demonstrated a pronounced internal differentiation among Estonian officials in terms of their income. Back then, 47 % of higher officials, 28 % of senior officials and 10 % of junior officials had an income that exceeded EEK 3000 per member of household (Roots, Almann and Sootla 1997:4). If so, then being a higher official was not that bad after all.

The basic trends shown by the poll of 1997 were the same that we have discussed based on the statistical data collected by the State Chancellery. Officialdom stabilises from top downwards whereas the proportion of male officials, educational level and average age of officials grow in the opposite direction – from the bottom upwards to the top.

There was a gap of (a couple of months less than) two years between the two studies. Over the two years the *stabilisation tendency* had increased and personnel mobility decreased in all the basic groups of civil servants.

The 1997 poll gave us an overview of the attitudes and motivation mechanisms common to officials. “Why do you prefer working in your present office?” was the question we asked and the top five answers were:

- I like the friendly atmosphere in our collective
- My work allows self-fulfillment, it is hard enough and puts me to test
- Public service guarantees a relatively stable long-term employment
- Work in civil service has a focus on the values that are close to my heart
- Public service provides good training and practical experience.

The four most insignificant and least motivating factors were:

- Officials have several benefits
- My work affords opportunities for career advancement
- Civil servants decide very important matters, so much depends on them
- It is prestigious to be a civil servant.

Between the two groups there are factors that can be summed up in a few words: “I am a civil servant because I might have no other place to go” (Roots, Almann and Sootla 1997:39).

What is the conclusion? For a large group of Estonian civil servants public service is becoming an opportunity to realise their potential in a friendly environment; as a rule, relations between colleagues are good; work is rather hard. If a person cherishes the values that are important in civil service, the latter offer a stable employment, good training and practical experience. What Estonian public service *does not offer* (sufficiently) in the opinion of officials, are various motivating privileges and *benefits*, *career* advancement as well as *power* and *prestige* in the eyes of fellow citizens.

Maybe *power* in the state needs to be out of the hands of officials. The constitution vests the supreme power of state in the hands of the people. When officials admit that they have no power, there is no danger that Estonia will turn into an administrative state ruled by officials. It would have been worse, if officials had complained about the lack of *rights*. If the official has no right to perform his or her duties and no obligation to exercise his or her rights, we are in for an administrative collapse. It often happens that the boss delegates duties, but “forgets” to delegate the authority or power needed in order to carry out the duties. The boss wants all decisions to be his one-man decisions. And as a result his subordinates queue up behind his door to ask, “What shall I do next?”

It may well be that the boss is not an autocrat – he was just promoted and has not developed managerial skills yet. No one has taught him management. As a novice he is afraid of losing control, of being “left out”.

On the other hand, this is one of the main reasons for the constant “fire extinguishing” that characterises officials’ work. Trying to control everything, the top manager sooner or later discovers that this is beyond his or her powers. Deadlines are pressing and at the last moment the issue is thrown to the subordinates for quick action. Officials are overloaded not because there is too much work but rather because they never know what their boss will think of

next. As a rule it is something that had to be done the day before, hence the long working days and weekend work, stress, frustration and the desire for a manager who knows the craft of management.

As regards *career*, clear promotion rules would be a good motivation. The official should know who gets promotion, how and for what: is it good performance, long service or good personal relations?

In the public service *benefits* are usually connected with the requirements set for the official. If the official must study a lot, pass special exams and meet stringent requirements there is, as a rule, a corresponding reward for that in the form of guarantees and incentives. An alternative is *loose service conditions* with *lean compensation*. In other words, more guarantees and compensations suggest more stringent entry-into-service requirements. Indeed, it does not make sense to pay additional compensation to a sizable number of officials who stay in the public service only because they would never find a job in the private sector and who the state keeps only because it cannot have better employees due to poor service conditions

*Prestige in the eyes of fellow citizens* is a serious problem in terms of the self-esteem of the official. And this is a problem not only for the official but for the state too. We noted above that the state is interested in having the best and most capable in its service. This may be difficult to achieve if the work of the official is not a reputable enough profession in the opinion of the public. Therefore, the public service is streamlined and developed with a double objective: to ensure a *smooth, uninterrupted and efficient* operation of the state machinery and give the official a *distinguished position in society*. And no doubt, when one day Estonian’s public service is “stable, loyal, qualified and motivated”, agencies will operate in the best possible way and officials will have earned the respect of the people. In order to achieve this ideal, there has to be a qualitative change – the *professionalisation of officialdom*. The statement that it is too easy to be-

come an official but not prestigious enough to be an official will no longer be valid.

Answers to the question "What characteristics are expected from an official in your agency?" are helpful in defining the types of administrative culture (Roots, Almann and Sootla 1997:33-34). Five most frequent responses were:

- professionalism
- good communicative skills
- accuracy in taking orders
- independent decision making and taking responsibility
- profoundness.

Four least important features were:

- strict observance of in-house rules and labour discipline
- ability to work under pressure
- courage to speak out
- obedience.

If this is true, Estonian bureaucracy has started to distance itself from the Asiatic model, which has prevailed for decades. These answers may be interpreted in the following way: *an ideal official is a strong professional and good communicator who accurately executes orders, yet is able to make decisions if required, and is profound and acts fast.* The last mentioned quality ranked sixth after profoundness.

In order to be a strong professional one needs the knowledge and skills related to the office. The question "What knowledge and skills do you need in your work?" gave the ranking of knowledge and skills necessary in official's work. (Roots, Almann and Sootla 1997:5-7). At the top there was the following:

- awareness of problems in one's own domain
- communicative skills, ability to prevent and resolve conflicts
- professional knowledge of the domain (jurisdiction of the administrative agency, area of government)
- proficiency in handling computer programmes and databases
- knowledge and skills required for work planning.

It is common knowledge that one has to be *educated* and *informed* in order to participate in decision-making. Inter-

viewees ranked "being informed" ahead of education. It is also important that these two complement one another, because one provides the other with meaning. On the one hand, what is the use of book knowledge if the official is *ignorant* of the real state of affairs. On the other hand, without the professional foundation the official *cannot* do anything about that state of affairs. So both theoretical and practical knowledge is required. This is one of the main reasons why the training of officials should not only be scholarly-theoretical, but must be practical. It seems that officials in general have realised this. It is not by chance that they ranked *education, information and communicative skills* as the most important in their work.

The officials questioned had no illusions about their qualification level and indicated a number of fields where they considered their knowledge and skills insufficient. About a third of the interviewees said they were lacking three things: (Roots, Almann and Sootla 1997:16-18)

- proficiency in handling computer programmes and databases
- legal knowledge (constitution, contract law, property law, labour law, etc.)
- knowledge of foreign languages.

About every tenth complained about poor knowledge on:

- the European Union
- legislation regulating the jurisdiction of the agency (area of government)
- financial analysis and financial control principles
- and skills in work planning
- the organisation of public administration and procedure of public service
- and skills in management.

It was even worse in terms of legal knowledge. The fact that there are *twice as many engineers as lawyers* in Estonia's public service demonstrates the vulnerability of the environment where a change in administrative culture and paradigm is projected, in favour of bureaucracy oriented to rules and norms (the study showed that about 9 % of the officials interviewed had a legal background, including 15 % of higher officials and 8 % of senior officials). How can an official be oriented to law *with-*

*out knowing acts*, legal analysis and the logic of thinking? That is why he or she consults the boss every time. This behaviour may result not only from entrenched behavioural stereotypes but also from the lack of elementary knowledge. One factor amplifies the other. The path to change is long and trying, and many of the problems of Estonian officialdom will only find a solution in the distant future with the next generation.

## References

1. Vadi, Maaja (1995). "Organisational Behaviour". Tartu University Press. 291 pp.
2. Roots Harry and Karotom Natalia (1994). "Training Needs of Civil Servants and the Organisation of Departmental Training in the Government Agencies of the Republic of Estonia. Findings of Sociological Poll". (Manuscript). Estonian Institute for Public Administration. 20 pp.
3. Roots, Harry (1997). "Training of State Officials: Needs and Possibilities". In: Estonia's Future Trends IV. Public Sector in Estonia. Estonian Union of Scientists. 80 pp.
4. Venna Yrjö and Higgins Imelda (1994). New Training Mechanisms in Public Administration in Estonia. A Consultancy Report". European Institute of Public Administration. 34 pp.
5. Roots Harry and Karotom Natalia (1996). "Preliminary Report of the Interviews". In: Evaluation of the Public Administration Needs 1995-1996. A National Seminar Work Document, May 15, 1996. EC/Phare. 88pp.
6. Roots, Harry, Almann, Arno, Sootla, Georg (1997). "Study on the Training Needs of Estonian Civil Servants. Comments on Frequency Tables". (Manuscript). Estonian Institute for Public Administration. 59 pp.



# PERSONAL RESOURCES AND ETHICS IN PUBLIC SERVICE



**Anu Virovere, M.Sc.**  
Associate professor, The Chair of Social Sciences, EBS

When we value an individual as labour, value his or her potential, contribution to work, we can ask- what determines him or her as labour, as a worker and as a creator? The end of the 20th century has changed aspects of the individual, his ability to work, to be able to cope in this world and contrive success.

A new theory that explains the individual's success is David Goleman's theory of Emotional Intelligence (Goleman, 1995). Emotional intelligence defines whether a person can do more than his or her IQ suggests and it defines the ability to cope. Only 10% of the ability to cope depends on education, training and knowledge, and how well we have been able to obtain this knowledge depends on genetic abilities. But what really matters is implementation, and this is emotional intelligence.

The theories of Intellectual Capital and Internal Marketing bring out the main change in an organisation's success valuation (Roos, 1997). The success and competitiveness of the organisation depends foremostly on the people who belong to the organisation and on their motivation and contribution to work. It depends on these factors more than assets and other capital that the organisation may have. Humans constitute capital. When we value the possibilities of success or the setbacks of public administration reform in the light of this theory, we can say, that success does not depend on very good laws and



**Mari Kooskora**  
Head of the Business Ethics Working Group, Centre for Baltic Studies, EBS

plans, but on the people who carry out the reforms. So we can look at the officials as capital, as a resource on which depends the level of success.

When we look at an individual's ability to cope in this world in the light of Goleman's theory of Emotional Intelligence, we find that our ability to cope, our success, depends primarily on the way we value the situation or event and much less than on the event itself. But we value the events only through our emotions and self-esteem. Our self-assessment - whether it is high or low, this is the key to our ability to cope.

And when we estimate an individual's resources to do something or make something in the light of Goleman's theory, and look at that individual as capital, then the person's contribution to his or her work, their ability to accomplish something depends on his or her emotional intelligence and motivation. The question of how to make a person do more has been around in the market for years. The question is how to motivate a person to do more, how to make him to want more and how to enable him to do more.

The studies by K. Thomson and S. Welsh in the USA showed, that the factors directing an individual in an organisation are tension, challenge and concern (Thomson, 1998). The authors asked - What has gone wrong? Why are concern, stress and challenge, the

things that drive people to action, when accomplishing significantly more and having a much greater work effort may seem more likely if the guiding factors were passion, commitment and pride.

When we try to get a real map of people's resources, a precise of official's resources, we can also ask, does passion, dedication to the State of Estonia and pride in being an official, drive them to action? Or are concern, stress and challenge the guiding factors here also? When we value the current situation in Estonia, the rapid development in recent years, the political and party changes in government, we must ask whether we are dedicated? And to what should we dedicate ourselves, what is that goal that we are heading for?

Another question connected to the work of officials is how to be ethical. Ethics means certain norms, rules and standards which are observed. Ethics gives people the guidelines for practical behaviour, the opportunity to distinguish good from bad, right from wrong. What is right or wrong for the official? This depends on what is for the general, public good of the country. An official represents the state and while distinguishing between right and wrong he must strive for the general good.

The question of the general good, the vision of that is primarily bonded to the ability to be dedicated. One of the wider meanings of normative ethics concerns concentrating on the right communication method. On that, which is really important in life, which gives life meaning. But it is exactly here - in the world of values, that we have big problems - too often we feel that we are living in a vacuum of values. Therefore the question of general good arises - what is that good, to which an official can dedicate him/herself, and thereby be motivated to carry out the planned tasks?

Now when we choose between right and wrong, in the process of making our ethical choices, we have to reach a situa-

tion, where ethics becomes a certain lifestyle, in which officials would be able to dedicate themselves to something. They should have a public good to work for, in order to be ethical, they must be dedicated to some kind of ideal and there must be a certain set of values. In the service of the state the official must have a crystal clear target in front of him.

These two days here have shown that the target is not quite clear and when there are no clear targets in front of us, our personal resource of motivational ethics is low.

Ethics for the official is closely connected to his motivation and vice versa, in his job it is very difficult to separate one from the other.

We are now in the process of creating the state of justice and a picture of 'the public good' must be clear, we cannot dedicate ourselves to an uncertainty.

In the work of the officials, there is another aspect, that the laws are made by politicians who are elected by people and are accountable to them and the officials are those who must carry out these laws.

Studies, carried out in the field of motivation, show that an individual cannot be dedicated when he or she only takes orders. He cannot be inspired, passionate and proud.

I. Kant's Absolute Ethics theory involves the relationship of rights and obligations. And derived from his theory of moral agents - we must realise that nobody should be as a tool, as a means, rights and obligations must be in balance (Chryssides, 1995).

There have to be rights, that the state gives us as citizens, and there must be obligations that we must perform as well.

Officials must have a certain amount of rights and a certain amount of obligations and these rights and obligations must be in balance. One can act ethically when the rights are certified and the responsibilities are well known. Basic rights - the right to know, the right to privacy, the right to property, the right to security and the right to personal individual freedom - these rights must be specified in the context of the officials work, the right to participation in decision making, the right to work satisfaction for example.

Consequently, when we have got these rights, we can also carry out the obligations. This side of the balance is down to the theory of obligations. Every right spawns new obligations. From the official's code of ethics we can read that as a prerequisite, every official must be trustworthy and honest. The official rep-

resents the country and the relationship between the citizen and the state is defined along with the relationship between officials and citizens.

As we strive for a trustworthy state, we must provide the officials with rights (also the right for professional advancement) and then we can expect them to fulfil their obligations. One of the obligations is the aspiration for improvement and from here comes motivation.

The resource for officials is their ability to dedicate themselves to their work and be ethical. We do not know if we will reach the highest lane, but we are probably on our way.

## References

1. Roos, J., Roos, G. (1997) *Intellectual Capital: navigating the new business landscape*, Macmillan Press, 144 p;
2. Chryssides, D., Kaler, J. (1995) *An Introduction to Business Ethics*, Chapman & Hall, London, 585 p;
3. Thomson, K. Welch, S. (1998) *Hurricanes look great from space*. [WWW] <http://www.proquest.umi.com> (19. 01.2000).



## CERTIFIED TRAINING PROGRAMMES IN PUBLIC SECTOR



**Erik Keerberg**  
World Bank

Since their re-establishment, the evolution of local governments has been rapid. The number of duties delegated to the local level by the state is growing and that is a normal process of decentralisation.

The objective should be to delegate all such duties to the local level, which assume the knowledge and consideration of local circumstances and specific characteristics of the given region. However, local governments are not prepared to take on all such duties from the state - even if all necessary financial resources were provided. What is lacking is the ability to manage all the processes, i.e. administrative capacity is not up to the required level.

Finance in general is a domain where optimal exploiting of all possibilities gives significant results in organisational management. This applies equally to the public and private sectors. Yet it is the public sector financial specialists who are not prepared to successfully find their way in modern finance. Im-

provement of the administrative capacity of local governments and increase in state decentralisation are directly related to the development of the financial sector.

In the developed countries, the training of local government officials and council members is organised in a systematic way. After a certain period of time in order to maintain his or her qualifications, the official has to pass nationally accepted certified training programmes (CTP) in public sector finance. This is a guarantee that the officials are competent to operate in the given domain and gives such an assurance also to the local government. Programmes as such are obligatory in some countries.

In Estonia there is no systematic training for public sector financial specialists. Among other things, public administration curricula at university level are being improved and updated within the framework of the **Estonian Municipal Finance Assistance Programme** (EMFAP). EMFAP also provides for a CTP adapted to local circumstances for local government and county government officials, council members, employees of state agencies and ministries as well as financial specialists in the third sector. In addition, a system for offering the training programme as well as a legal basis will be drafted.

## Form of Training - Distance Education

CTP is designed for public sector practitioners to maintain and upgrade their qualifications. Since their daily work does not allow them to attend full-time training, the modern distance education method is applied.

Today, there is a wide range of technological means available that can be used for the transfer of knowledge to target groups. In the learning process, these technological means must help to clear the obstacles caused by distance, yet not become ends in themselves. Each training programme must find a case-specific optimal ratio between media-based and direct learning. Technological means afford a better opportunity to reach such target groups, which cannot participate in the traditional learning process due to geographical, economic, family, health, job-related reasons, etc. Thus by combining modern information and communication technology with traditional methods a more flexible system of knowledge transfer can be created.

A major part of the training takes place in a digital environment following the instructions of the lecturer, assisted by the tutor of the course.

A **Technical Assistant** is responsible for the maintenance of the digital learning environment and solves technical problems for lecturers, tutors and trainees.

A **Course Administrator** prepares the

necessary instructions, together with lecturers formulate study support materials into the www-environment, in co-operation with the technical assistant maintains the digital learning environment and improves its content, co-ordinates conducting of the course, provides guidance for the co-operation of lecturers and tutors.

**The Lecturer's** task is to conduct the course and monitor learning. Within the framework of the EMFA Programme a group of specialists is preparing cur-

**Today, there is a wide range of technological means available that can be used for the transfer of knowledge to target groups. In the learning process, these technological means must help to clear the obstacles caused by distance, yet not become ends in themselves.**

ricula for different levels of the training programme, including the description of content, scope and structure of various courses. The course design follows the distance education format.

**Tutors** perform supporting functions and organise work in their study group, motivate group members, act as mediators between course participants and lecturers, and supply learning materials.

**Trainees** are divided into study groups of about 20 each, according to CTP level and territorial principle. A larger group may weaken the lecturer-trainee relationship and make it difficult to include all the group members in various discussions.

The study groups have also lecture-room training cycles (local training), which provide for lectures, discussions, seminars and knowledge tests.

**Study materials** are available on the CTP www site. Every trainee has a password that grants access to the respective site and training materials. The learning environment also provides access to various thematic resources and reference lists.

## CTP Essential Structure

Among the target group members there are obviously big differences in their basic knowledge of and experience in finance. Therefore the comprehensive CTP comprises three cycles targeted at different levels and groups.

The lowest level provides basic knowledge and the third level provides financial managers with in-depth knowledge in public sector finance.

Content of CTP as example:

Level 1: Basics of financial management (2 CP), Basics of public sector finance (2 CP), Basics of economic accounting (2 CP), Basics of organisational management (2 CP).

Level 2: Strategic financial management (1 CP), Local government financial analysis (2 CP), National economy accounting (1 CP), International finance (1 CP), Strategic management (2 CP), Local government in the state administration system (2 CP), Public programme evaluation methodology (2 CP), Analytical methods in public administration (2 CP).

Level 3: Public sector fund management (1 CP), Investment analysis in local government (2 CP), Working capital management in local government (1 CP), Real estate management and development (1 CP), Decision making models and mechanisms (1 CP), Social statistics and analysis (2 CP), Contract management in the public sector (1 CP), Application for and management of projects (2 CP).

Each course must end with assessment in order to ensure that the trainees have acquired the necessary qualifications and the certificate can be recognised. At the end of each course there shall be an exam, credit paper or an oral seminar presentation.

Continuing education has a rather wide target group where professional background and knowledge in public sector

finance differ greatly. Therefore this background and knowledge must first be identified in order to know where to start. There is no need for a specialist with long-term financial experience to start at the basic level. However, basic level is necessary for frequently reshuffling council members with no financial background.

A CTP also provides the opportunity later to take an MA degree in public administration. Courses in the programme take account of the academic requirements of universities. Full-time university studies and studies via IT will intermingle in the near future. Individual CTP courses can be introduced into the curriculum already today, thus adding interactive learning.

## Organisation

Today Estonia has no independent organisation which might take on the certification of public sector financial specialists and offer other necessary services. That organisation must be established. As regards its organisational form, a non-profit organisation might be an option. A new separate organisation can select lecturers without bias. It has been planned to establish the Organisation in the final phase of the EMFA Programme i.e. in spring 2001. Until then CTP testing and pilot courses are being lead and organised by the Programme.

The Organisation has the following tasks in the implementation of CTP:

### A) Continuous analysis of the needs and expectations of the target group.

Systematic monitoring is necessary to be kept informed about the training needs of various target groups in public sector finance.

### B) Marketing of the courses.

The sale of CTPs to the public sector organisations forms an essential part of the activity. In part, the participation in CTPs is regulated by legislation (for local governments and other state institutions), however, there are target groups for whom the training programme must be made more attractive.

### C) Changes and improvements in CTPs by request.

CTPs are being developed within the framework of the EMFA Programme based on the demand and trends in public sector finance at that point in time. Different levels of the training programme respond differently to changes in society. For instance, Level 1 gives course participants basic knowledge in public sector finance and the public administration system as a whole. These basic principles change slowly. At the same time

**Today Estonia has no independent organisation which might take on the certification of public sector financial specialists and offer other necessary services. That organisation must be established.**

the highest, third level of the training programme must be much more responsive to changes and the Organisation needs to keep the programme abreast of the changing conditions. The programme is continuously improved on the initiative of university lecturers, subject to the approval of the council of the Organisation.

### D) Preparing new lecturers

First one "set" of lecturers undertakes to direct a CTP in terms of its content. As the number of courses grows, new lecturers need to be prepared. Drawing on the experience and potential of existing lecturers, the Organisation provides training and assists adaptation to CTP and digital teaching methods.

### E) Establishment of databases

Those who have passed the training programme will be included in a database. The database is used for the monitoring of certificate updating needs. Expiry is notified at least half a year in advance. The database includes the results of each course that the person has taken. Upon request, based on this data documents can be issued for the transfer of credit points to an academic degree course.

### F) CTP organisational activity

Making arrangements for CTP: registration of course participants, agreements with the tutor and lecturers about giving the course, financing issues, providing the training environment, awarding the certificate. The Organisation will be directly responsible for both the content and organisation of the training programme.

### G) Issuance of the certificate

The Ministry of Finance will authorise the Organisation to issue achievement certificates at the end of the course, provided course participants fulfil their obligations. Only the Organisation will be entitled to issue the certificate. Later CTP organising rights may be given also to some other organisations, yet it is only that special organisation that awards certificates. This is required to keep the training level up.

### H) State budgetary and other resources

It is the task of the Organisation to negotiate the allocation of resources from the state budget and define the amount. The allocation of budgetary resources provides for the improvement of administrative capacity.

## Databases

The Organisation could create its own Internet environment that includes:

- A virtual library with relevant materials and books, available only to the personal members of the Association
- Chat sites, separate for bookkeepers, financial managers, as well as internal audit specialists and auditors, in order to share information, ask the public questions, etc.

- An information bank where the local governments that are affiliated with the bank submit information about the unit prices of contracts signed (for road and property maintenance, garbage transport, heating, water, etc). This information is analysed and recommendations given for subsequent contracts
- Links to relevant legislation, including the EU and other countries (on request), international standards, etc.
- Information on and ordering of virtual training.

## Representation of the Domain

The Organisation might become a horizontal level entity that co-ordinates, unites and supervises the activity of specialists in the respective field, and complements the organisations that bring together city and rural municipality leaders.

- Through the medium of the Organisation, discussions can be held, and inquiries addressed to the representatives of legislative and executive power
- Through the Organisation, co-ordinated procurement or publishing (in large quantities) of relevant materials could be organised
- The Organisation could establish the Code of Ethics and the Court of Honour.

### 5. Certificates

After the successful completion of each training cycle the graduates are awarded a certificate, which is a guarantee for the employer that the specialist has the required qualifications. 5.1 Obligatory certification

Certification is obligatory in certain public sector offices at specified intervals. This provides public sector finance with a general, stable level of administrative capacity. Certification is obligatory for financial specialists in:

- Local governments
- County governments
- Institutions in public law
- Ministries
- Other state agencies (boards, inspectorates, centres, etc).

- For local government and county government leaders and heads of department.

For the rest of the heads and financial specialists of public sector organisations the training programme is recommended.

## Approval of the Certified Training Programme

University specialists are preparing CTPs within the framework of the EMFA

**Given the current level of competence among officials, a number of rural governments would pretty soon end up in a difficult and unequal situation. The only way to avoid this is to launch a nationally accepted training system.**

Programme. The Association of Estonian Cities, the Union of Estonian Associations of Local Authorities and the Ministry of Finance will approve the programme.

Based on the application of the organisation providing the training, the Ministry of Finance will approve any amendments to and improvements in the programme.

The organisation providing the training is responsible for the selection and instruction of lecturers.

### Validity of the Certificate

Ongoing changes in the financial sector dictate continuous updating of the training programme. Consequently, there is a need to renew the certificate at specified intervals.

- **Level 1** certificate does not expire since the basic knowledge of public sector finance provided within this cycle remains unchanged

- **Level 2** certificate is valid for 5 years
- **Level 3** certificate is valid for 3 years.

The more specific the content of the training, the more potential changes in the given field and the shorter the validity of the certificate.

Expiry is monitored by the organisation providing the training.

## Summary

The pending administrative reform is first and foremost aimed at the higher administrative levels. Which will result in higher professionalism among officials, higher quality of services and an economising effect.

Territorial reform is one part of administrative reform and can be implemented by administrative means. Which results in an instantaneous demand for educated officials who are able to shoulder the increased role of local governments. Given the current level of competence among officials, a number of rural governments would pretty soon end up in a difficult and unequal situation. The only way to avoid this is to launch a nationally accepted training system.

The development of CTPs is among the main objectives of EMFA. In addition, more general financial policy analyses will be made:

- Offering public services at an optimal level
- Concession agreements, transfer of public services to the private sector
- Revenue base of local governments
- Budget analysis
- Public sector loan policy – guarantees, limitations, bankruptcy.

EMFA Programme is being financed mainly through various financial programmes of the World Bank until mid-2001. By that time individual CTP courses should be developed, pilot courses completed, the legal basis of the certification formulated, and the Organisation for the mediation of CTPs should be operational.



# MANAGEMENT THREATS AND OPPORTUNITIES: AN ESTONIAN CASE STUDY



**Brent McKenzie**  
Schulich School of Business, York University,  
Toronto, Canada

...understanding how managers interpret strategic issues is important to understanding strategic action, organizational change and learning...(Thomas and McDaniel, 1990)

## Introduction

Ten years after the fall of the Berlin Wall, and eight years since Estonia regained its independence, provides an opportune point for examining how free market management skills have developed. This paper presents a case study of empirical research findings about Estonian managers and how they view their current business climate. The framework for this inquiry was to replicate an often cited United States research paper by Jackson and Dutton, "Discerning Threats and Opportunities" (ASQ, 33, 1988)<sup>1</sup>

The Jackson and Dutton research empirically tested how American general managers/strategic planners classified issue terms as being similar/dissimilar to threats and/or opportunities. This study replicates the Jackson and Dutton work, but substitutes Estonian business managers as the subjects. It is proposed that this study not only extends the abil-

ity of issue classification research to generalize, but also shows how threat and opportunity terms indicate how managers use these classifications in their strategic decision making. Finally, this paper, by providing actual managerial comments, brings to light many of the current concerns and challenges that Estonian managers are presently facing in their business operations.

## Study Background

As way of background, a brief discussion of strategic issue classifications is presented. Previous research in this area is extensive. Work by Mintzberg, Raisinghani and Théorêt, (1976), found that different stimuli lead to different decision processes and suggested that threats and opportunities are relevant and significant in the decision making process. Research by Dutton and Jackson (1987) demonstrated that the categorization of strategic issues, by strategic decision makers (managers), as threats and opportunities, results in managers using these same terms in their actual organization activities.

The value gained from threat/opportunity analysis (or classification theory) comes from the belief that general classifications are important because useful predictions about the behaviour of members of a given group (managers) can be made. A stronger understanding of how the decision making process occurs, and the belief that different (threat/opportunity) stimuli can lead to different decision making processes, results in a more accuracy in making predictions about the behaviour of strategic decision makers.

Smith (1988) showed that the classification of strategic issues as being more

threat/opportunity consistent, conforms with the concept of cognitive economics in that managers engage in such a practice in order to reduce the mental strain associated with the storage and organization of knowledge and information. This use of classification acts as a heuristic in allowing for more rapid, lower anxiety, decision making.

When taken in total, the variety of research streams in strategic issue classification suggests that not only a better understanding of how issues are classified, but why strategic decision makers classify issues as they do, continues to be an important research question.

## The Study

In order to replicate the Jackson and Dutton study, a collection of survey data from a sample of current Estonian managers was made.<sup>2</sup>

To a non Estonian, it seems reasonable to predict that managers, and other strategic decision makers in Estonia, may not view threat/opportunity issues in the same way as their non-Estonian counterparts. This view is supported by the works of Schneider and De Meyer (1991) who demonstrated how national culture would have an affect on the classification of strategic issues as threat/opportunity, and Sullivan and Nonaka (1988) who found somewhat different findings to Jackson and Dutton when using Japanese managers as their sample.

### *Replication Study Methodology*

As stated, the replication study utilized Estonian managers. The sample consisted of 62 business people, with the following characteristics;

1 Original Study: Jackson and Dutton's 1988 Administrative Science Quarterly research article, "Discerning Threats and Opportunities" purported to show how managers classified strategic issues as being more like a threat or opportunity. Jackson and Dutton found that there is a tendency in managers to view a presence of a threat bias in decision making versus an opportunity. They also found that a threat issue and an opportunity issue are not always direct opposites of one another. In fact, some strategic issues are equally representative of both a threat and an opportunity. They developed a list of 56 strategic terms (Appendix I) and subjects were asked to classify each word as being consistent with Threat/Opportunity/Neither. Their research findings were supported by empirical data, but as Jackson and Dutton themselves state, their research could be furthered through the study of other influences upon threat and opportunity classification. Jackson and Dutton suggested testing responses of different types of managers based on managerial experience, or managers in different industries and settings.

2 An earlier, pretest study, using EBS Students as subjects, was conducted in 1998 to verify that the survey questions, and issue terms, which were written in English, were understood.



One major difference in the subject make up in the replication when compared to the original study was that the Jackson and Dutton study subjects were homogeneous by gender (all males), and occupation (general manager/strategic planner). Because of these differences, the replication data was further analyzed for differences in threat/opportunity issue classification based on gender, and number of years of work experience.

The variable of work experience was deemed important for further analysis due to the fact that the Estonian economy has rapidly moved from a planned to a market economy since 1991. It can be argued that under a planned economy, firm managers had little independent input in terms of strategic planning or personal influence, something that is very important when operating in a free market economy. For this reason it was proposed that there may be differences between those managers who have work experience under both systems (arbitrarily determined as those with more than 10 years of work experience) and those with the majority of their work experience under the present day free market economy (<10 years and less work experience). Hambrick (1981) argued that the strategy of an organization defines some issues as critical and others as inconsequential. Extending this notion, decision makers with work experience under the planned system would have operated under a more rigid, standardized issue classification environment than those with work experience under the transition and current market economy. The differences in the economic systems under which work experience was gained may have an impact on how threat/opportunity issue terms would be interpreted.

## Replication Study Findings

The analysis of the replication data reveals that there were many similar find-

ings with the Jackson and Dutton study. The overall ratings of the strategic issue terms was not significantly different between the two studies. The replication results were interesting in that the Estonian managers classified all Jackson and Dutton threat/opportunity consistent issues the same way. This finding would help to strengthen the belief that these terms distinctly define how managers describe threat/opportunity issues.

The major difference in the replication results, when compared with the responses of American general managers in the Jackson and Dutton study, was that Estonian managers classified a significantly higher number of strategic issue terms, 48 of 56 (85.7%), into one of the three categories, "Threat" (20 issue terms), "Opportunity" (25 issue terms), and "Positively and Equally Associated with Threat and Opportunity" (3 issue terms) (see Appendix I). The replication findings were significantly different to the original study in the, "Threat" consistent and "Opportunity" consistent terms, but not for the "Equally Associated with Threat and Opportunity" terms.

As previously stated, the Jackson and Dutton study subjects were all male, therefore to check for potential response differences based on gender, the replication sub samples were divided into two groups (Male, n=37, Female, n=25) and compared. There was no significant difference in the number of "Threat" issues, but six more (27 vs. 21) items were classified by the male subjects versus the female subjects as "Opportunities". Terms such as "Easy", and "High Priority" were considered "Opportunity terms" by the male but not the female subjects. Although the overall sample size limits the ability to theorize why this may occur with Estonian managers, and thus drawing any definitive conclusions from these findings, none the less, the

results do raise the question of whether strategic issue classifications may be influenced by gender.

The other sub sample comparison, "Years of Work Experience" did not indicate any significant difference between those with 1-10 years of experience and those with more than 10 years. These findings can be viewed in a positive light, as strategic issue classification appears to remain stable and consistent over time, and years of work experience, making predictions about managers' strategic performance evaluation easier to perform.

## Qualitative Findings

As in the Jackson and Dutton study, the subjects were asked to "Describe an example of a strategic business issue that you would consider to be a threat (opportunity)?" The subject's answers, although quite varied, did provide some interesting insights as to the types of threats and opportunities that Estonian managers believe they are currently facing.<sup>1</sup>

Some of the examples of a "Strategic Threat" included,

- "lack of (poorly designed) business plan"
- "unqualified work force/inexperienced personnel"
- "lack of funds"
- "lack of business ethics"
- "competition"

Alternatively, examples of "Strategic Opportunities" included

- "continuous expansion of new markets"
- "professional workers"
- "quality products (services)"
- "solid financial situation"

The value of this type of information can be used in a number of ways. By better

### Sample Size: 62

Gender:

Age: 20-30: **38.7%** 31-40: **33.9%**

Years of Work Experience: 1-5: **32.3%**

Male: **59.7%** Female: **40.3%**

41-50: **22.6%** >50: **4.8%**

6-10: **27.4%** 11-20: **33.9%** >20: **6.5%**

<sup>3</sup> For a detailed list of the comments, please email the author directly at kenzie@idirect.com

understanding how Estonian managers view their strategic environment allows for the development of services and products to meet these demands. Another benefit from these findings is in the area of Business Education. By analyzing and categorizing these types of comments, the development of courses and business curriculum can be tailored to promote skill development for Estonian managers who feel they need to acquire this knowledge to succeed in their careers.

### Research Limitations, Contribution and Conclusions

As with any empirically based study, particularly with primary data gathered using survey instruments developed in a different country/culture, the potential exists that the Jackson and Dutton list of 56 threat/opportunity issue terms were not representative of strategic issue classification in Estonia. For this reason, it is recommended that for future research in this area, a list of terms that best represent threats/opportunities (or perhaps other terminology) be developed within the Estonian business environment to better determine the generalizability of threat/opportunity issue classifications as indicators of differentiation in strategic issue classification.

Dutton and Jackson (1987) theorized that the variety of strategic issue attributes and strategic issue source characteristics can affect how a strategic issue is labeled. The findings of this replication research continues to support Jackson and Dutton's empirical research as to how decision makers classify issues as threats/opportunities. Within newer

market economies, perhaps of more importance would be a better understanding of the cognitive processes which operate within the minds of strategic decision makers as a continually increasing exposure to Western based strategic management research and business processes occurs. If the process through which Estonian decision makers categorize issues as being more like a threat/opportunity differs from those of managers from the other cultures and countries, in which they do business, how so and why? By improving the ability of managers from many different areas of the world to understand how other managers make decisions (plus their views on opportunities and challenges), will allow all managers to better understand how business tasks are assigned and managed in their respective regions of the globe. As noted, a stronger awareness of how management decisions and learning occurs, in conjunction with strategic issue categorization theory, has important managerial implications in terms of both management education development and East/West relations and business partnerships.

For the applied researcher, the findings provide a number of observations from several perspectives. Considering the findings as a whole, the consistency of the replication results when viewed in conjunction with Jackson and Dutton's earlier research, strengthens the validity for a continued study of the classification of issues along threat/opportunity guidelines as having managerial relevance in better understanding decision making. Furthermore, it has been empirically demonstrated that there is preliminary support for similarities between managers in established and emerging

market economies in how strategic issues are classified. These findings may take on greater distinction if generalizations can be shown to exist throughout other market and newly developed regions and economies.

### References

1. Dutton, Jane E., and Susan E, Jackson, (1987), "The Categorization of Strategic Issues by Decision Makers and its Links to Organizational Action," *Academy of Management Review*, 12, pp. 76-90
2. Hambrick, D.C. (1981), "Environment, Strategy and Power within Top Management Teams," *Administrative Science Quarterly*, 36, pp. 253-275
3. Jackson, Susan E. and Jane E. Dutton, (1988), "Discerning Threats and Opportunities," *Administrative Science Quarterly*, 33(3), pp. 370-387
4. Mintzberg, Henry, Duru Raisinighani and André Théorêt, (1976), "The Structure of 'Unstructured' Decision Processes," *Administrative Science Quarterly*, 21, pp. 246-275
5. Sallivan, J. and I. Nonaka, (1988), "Culture and Strategic Issue Categorization Theory," *Management International Review*, 28(3), pp. 6-10
6. Schneider, Susan C. and Arnaud De Meyer (1991), "Interpreting and Responding to Strategic Issues: The Impact of National Culture", *Strategic Management Journal*, 12, pp. 307-021
7. Smith, E., "Concepts and Thoughts," in R. Sternberg and E. Smith, eds., *The Psychology of Human Thought*, Cambridge, Cambridge University Press, 1988
8. Thomas, James B. and Reuben R. McDaniel Jr., (1990), "Interpreting Strategic Issues: Effects of Strategy and the Information Processing structure of Top Management Teams," *Academy of Management Journal*, 33(2), pp. 286-306

### Appendix I Threat/Opportunity Classification Summary

	<b>Replication (1999) Estonian Managers Issue Classification</b>	<b>Jackson and Dutton, US Study (1988) Issue Classification</b>
<b>Acting brings no benefits</b>	Threat	
<b>Agree how to resolve</b>	Opportunity	
<b>Ambiguous Priorities</b>	Threat	
<b>Benefits will come from acting</b>	Opportunity	



Can gain personal advantage	<i>Opportunity</i>	
Challenge	<i>Opportunity</i>	
Conflict about how to resolve	Threat	
Crisis	Threat	
Desire no association	Threat	
Difficult to resolve	BOTH	BOTH
Easy	<i>Opportunity</i>	
Embedded in past	Threat	
Enduring	<i>Opportunity</i>	
Future better if issue resolved	<i>Opportunity</i>	
Future no better when resolved	Threat	
Has implication for future		
HaveAutonomy	<i>Opportunity</i>	<i>Opportunity</i>
Have choice whether to act	<i>Opportunity</i>	<i>Opportunity</i>
Have means to resolve	<i>Opportunity</i>	<i>Opportunity</i>
Have responsibility	<i>Opportunity</i>	
High priority	<i>Opportunity</i>	BOTH
In direct competition		BOTH
Issue is visible	<i>Opportunity</i>	
Major		BOTH
Many solutions	<i>Opportunity</i>	
May gain, won't lose	<i>Opportunity</i>	<i>Opportunity</i>
May lose, won't gain	Threat	Threat
Must act		
Negative	Threat	Threat
No pressure	<i>Opportunity</i>	
Not crisis		
Not responsible	Threat	
Not urgent	<i>Opportunity</i>	
Obvious solution	<i>Opportunity</i>	
One Solution	Threat	
Others constrain your actions	Threat	Threat
Personal loss from acting	Threat	Threat
Positive	<i>Opportunity</i>	<i>Opportunity</i>
Pressure to act		BOTH
Problematic	Threat	
Qualified	<i>Opportunity</i>	<i>Opportunity</i>
Quick action needed	BOTH	BOTH
Resolution initiated by others	Threat	
Resolution is likely	<i>Opportunity</i>	<i>Opportunity</i>
Resolution unlikely	Threat	
Resolution will be by chance		
Stimulating	<i>Opportunity</i>	
Stressful	Threat	
Success or failure visible	<i>Opportunity</i>	
Temporary	BOTH	
Under-qualified	Threat	Threat
Unique	<i>Opportunity</i>	
Urgent	Threat	
Want association	<i>Opportunity</i>	
Will win or lose much		BOTH
Won't lose or gain much	Threat	

\* **Threat** - (1) the fit rating is clearly positive (mean > .50) for threat, clearly negative (mean < -.50) for opportunity (2) difference between the mean threat and mean opportunity ratings was statistically significant (p < .05, two-tailed paired t-test)

\* **Opportunity** - (1) the fit rating is clearly positive (mean > .50) for opportunity, clearly negative (mean < -.50) for threat (2) difference between the mean threat and mean opportunity ratings was statistically significant (p < .05, two-tailed paired t-test)

\* **BOTH** - (1) the fit rating is positive (mean > .00) for opportunity, positive (mean > .00) for threat (2) difference between the mean threat and mean opportunity ratings was not statistically significant (p > .05, two-tailed paired t-test)



# LOOKING BACK OVER THE FIRST SEMESTER OF 2000



**Ester Eomois**  
Public Relations Manager

Estonian Business School started the new millennium with about 1,800 students of Estonian, Lithuanian, Russian and Finnish origin and well over 650 alumni. By today, EBS has become the largest and oldest private business school in the Baltic States. Our faculty comprises about 100 members representing both local academic and business experts. Visiting faculty included Stuart Arnold, Hull University, UK; Foster Ofusu, Turku Polytechnic, Finland; Peter Manning, US and others.

## Education Quality and Internationalisation

Besides constant improvement to the quality of education, a keyword for our school is internationalisation. Today, Estonian Business School holds more than 45 Erasmus exchange agreements around Europe. During the 1999/2000 academic year EBS hosted 42 foreign students and about 30 EBS students studied for one or two semesters abroad. Estonian Business School is actively working towards international accreditation of our programs. In addition to local accreditation, international companies are seeking for applicants with international education and cross-cultural experience. By 2002, the goal of Estonian Business School is to meet efmd (educational foundation of management development) criteria for international standards.

## Double degree

EBS is seeking opportunities for double diploma and joint degree programs with leading European business schools. In December of 1999, Estonian Business School signed a Charter of Double Diplomas according to the EBS joint Consortium of International Double Degrees (CIDD). The Consortium provides an

opportunity for the students of member universities to study in one leading European Business School and defend a thesis at the host university obtain two degrees at the same time—a diploma both from EBS and the European business school (member of the Consortium).

## New programs

There is much going on at the Estonian Business School in terms of curriculum development. In 1998, EBS launched a *Bachelor of Public Administration Program* (delivered in Estonian) and since then it has been possible to study via internet. In 1999, a major in Tourism and Hotel Management, and an Office Management Diploma program were introduced. In the fall 2000, the following *new programs* - Bachelor of Information Technology Management and Bachelor degree in Entrepreneurship will be launched. And more, for our local and international students (International BBA program), in addition to Baltic Business, students can specialise in their 3<sup>rd</sup> year in the functional areas of Marketing and Public Relations, Human Resource Management and IT Management (new!). All these *majors* will be delivered in English.

## Businessman of the year

In the end of April the Advisory Board of Estonian Business School elected the Businessman of the Year. This year the award went to Mr. Allan Martinson, the Chairman of the Board of AS Microlink. The election of the Businessman of the Year is one of the traditions of Estonian Business School. The important criterias of election are good reputation and recognition of the person in the society. The title of Businessman of the year has gone before to Mr. Rein Kaarepere (1991), Mr. Vladimir Galkin (1992), Mr. Meelis Milder (1993), Mr. Hans H.Luik (1994), Mr. Hannes Tamjärv (1995), Mr. Olari Taal (1996), Mr. Jüri Kõo (1997) and Mr. Meelis Virkebau (1998).

The title is awarded to the manager, who has founded or developed a company (or a group of companies) that are vital and whose activities involve voluminous investments and the creation of new jobs. The nomadic award of the Businessman of the Year, bronze bulldog was handed to Mr. Allan Martinson at the graduation

ceremony of EBS on the 9th of June at Sakala Centre

## Traditions

The Estonian Business School has many traditions among others I would like to mention – Students' Valentine's party, Annual Basketball Match with Concordia International University, Anniversary Ball, Alumni Conference, Career and Company days etc. Every month, in EBS's main hall, so-called public lectures will be held for our students, teachers and their guests. In February, Estonia's Prime Minister, Mart Laar, delivered a speech on "Future Perspectives of Estonian Economy". EBS honorary doctor, prof. Raimo Nurmi discussed international management. The mayor of Tallinn, Jüri Mõis delivered his "Vision for Tallinn: an environment for entrepreneurship" to EBS students, faculty and staff.

## Vision for the Future

EBS's mission is to provide the best possible research-based education in management and related fields, to the benefit of every single one of our students, their local and international employers, and Estonian society. Local or international students who study International Business at the Estonian Business School, are setting their sights on an international career. A European round table of industrialists, a body of successful European corporations, has defined the following skills and expertise to be critical in the ideal manager for a European context:

- Ability to involve people,
- International skills; Flexibility; Intuition and Broad Vision.

These are the criteria the EBS Rectorate have taken into account in the formulation of the International Business program and others. The most important goal for EBS is to see our graduates be successful. This spring 103 international business students graduated from EBS. For the first time in the university's history, the graduation ceremony was started by an academic procession of graduates, faculty and staff from our main building to Sakala Center. In July, EBS summer days are ahead. September 1 the second semester of 2000 will start.



# NEW SPECIALITIES

## ENTREPRENEURSHIP



**Professor Madis Habakuk**  
President  
Champion of the Speciality Entrepreneurship

This speciality is designed for those people who plan to establish a company of their own, as well as for those who already have some entrepreneurial experience. EBS's current specialities are devised for people who plan to work for big companies and therefore for "an owner", whereas the speciality of Entrepreneurship has been devised for "future owners".

This speciality has a wide profile. A newly established company usually has a very limited number of employees yet the functions performed are very much the same as in a big company. Therefore one must be able to do everything.

We modelled our curriculum on the example of the corresponding Babson College program that ranks number one in entrepreneurship in the United States, and because Babson College's is similar to EBS both in terms of size and structure. Studies will have a more practical nature compared to the International Business Administration, currently central at EBS. At the very beginning, enrolled students establish a student enterprise and in the course of working in that enterprise they acquire much expertise.

The student enterprise will operate in reality as a private limited company. Its

owners will be the students along with EBS who have established the company and work there. Among the subjects studied are: Enterprise Establishment I and II, Entrepreneurship in a Big Enterprise, Running a Family Business, The Sole Proprietor, Financing Small Enterprises, etc.

Of course, good marks do not suffice for enrolment in this speciality. One must have certain merits and values to become an entrepreneur. These qualities are identified by means of a corresponding entrance test.

The speciality Entrepreneurship can be studied within all forms of study, and taken as a diploma or bachelor course.



# NEWCOMERS TO THE IT EDUCATION MARKET:

## ESTONIAN BUSINESS SCHOOL AND THE ESTONIAN INFORMATION TECHNOLOGY COLLEGE



**Professor Peeter Lorents**  
Centre for Baltic Studies  
Estonian Business School

Today those who want to study information technology (IT) must think very carefully where to study and what to study. As regards "old-timers" such as Tallinn Technical University, a state educational institution, or Baltic Computer Systems, a private company, it is rather

well known whom and how they teach. However, "newcomers" such as Estonian Business School (EBS) and the Estonian Information Technology College (EITC) require further introduction and the following is an attempt to do this briefly and comprehensibly.

Let us start from the realisation that any somewhat bigger institution, company, organisation etc. has a lot of what is called information technology or IT, for short. Therefore there are many people around whose task it is to ensure that computers, accessories, software, etc. operate impeccably and that faults and disturbances that still occur every now and then, are removed as quickly and completely as possible. It is also quite natural that - as in opera where apart from singers, dancers and musicians

there must be a conductor; or on a ship where apart from sailors, machinists, electricians, helmsmen, a cook and a doctor there must be a captain - by the same token in large institutions and corporations there must be a person to take care of the *organisation* of IT business - *The IT manager*. As it is no business of the conductor's to play an instrument or sing a song to make the audience happy (otherwise, who would conduct?), neither is it the IT manager's business to excel in keyboard tickling or skilful hardware repair using a screwdriver and soldering iron. His is the job of planning and organising in order to make everything run smoothly, to ensure that specialists and invaluable instruments are used for the purpose they were intended. He is the one who knows, what to buy and *how* (i.e. whose product, from whom

and at what terms) and sees to it that new hardware and software match those used currently and in the future, etc. etc. These are exactly the skills and knowledge that, starting from this academic year EBS has been offering within the *bachelor degree curriculum*, which has been recently issued an education licence.

Of course, that kind of planning, organising and controlling assumes rather in-depth yet broad knowledge in several of the mentioned fields, although not to the degree that the experts in these fields have (who, in turn, are not required to have special background in e.g. management, business, negotiations, etc.).

The list of these narrower fields often includes *IT system developers* and *IT system administrators*. The former must take care that the progress of the institution, company or organisation will not be impeded by a lack in IT. New tasks or upgrades of traditional activities (bigger volumes, higher speed, additional possibilities, convenience, etc.) assume either improved or totally new IT systems, which developers have to build themselves or purchase and match with the existing devices. If the above activity is limited mainly to software, it is the newly launched EITC that offers relevant education within the framework of a *diploma programme*.

It is a law of nature that in more complex, large systems not everything goes "as required". Therefore it is only reasonable to have someone who knows what "is required" and monitors system operations and, should a problem occur, decides who does what. This "someone" is the system administrator. EITC also offers a *diploma programme* in this field.

It is easy to see that the products that EITC and EBS offer on the education market are *different*. At EITC the subjects related to economy, business and management cover around 6-7 per cent of curriculum, compared to 30 per cent at EBS for future IT managers. The EITC curriculum includes many more IT-specific subjects so EBS does not plan to teach these (e.g. digital logic, building of distributed processing, assembler programming, etc.). True, this is all about IT yet one should not think that it "*is all the same IT to me*". Before deciding which school to take documents to, some serious homework needs to be done to answer the following questions:

1. *What is one or another speciality about* (what work is being done daily in a given field, what knowledge and skills are required, what are the working conditions incl. salary and prospects for the future);

2. *Which one of these specialities seems more interesting than the others* (does it feel more exciting to resolve problems with the help of a computer, or to plan and manage the operations of systems that involve people, technical equipment?)
3. *For which speciality do I have better qualities* (am I good at studying languages? Won't there be problems with technical subjects? Do I have management acumen? Is it OK to sit day in, day out in front of a computer display? Etc., etc.)
4. *What possibilities are there to study the speciality that matches my qualities and interests me* (in the form of daytime study, evening courses or distance learning, or perhaps Internet-based; what does it cost, how long does it take, etc. etc.).

And then after *careful* consideration can one make a reasonable decision concerning what to study and where, be it either IT management at EBS or IT system development or IT system administration at EITC, or perhaps something else somewhere else.



## INTERNATIONAL ADVERTISING AND MEDIA SEMINAR IN EBS

**Ester Eomois**  
Public Relations Manager  
Instigator and organiser of the media and advertising seminar

On 6 April, 2000 a representative international seminar was held in the conference hall of EBS, on the influence of advertising on the formation of social values. The President of EBS Prof. Madis Habakuk gave the opening speech. Reports were made by media and advertising specialists from Estonia, Finland, England, Russia and Latvia. The seminar was designed to share international and Estonian experience as well as introduce students, media and marketing specialists and lawmakers to the results of sociological studies. EBS lecturer,

sociologist Andrus Saar, chaired the seminar.

The following topics were addressed:

- brand formation and loyalty
- consumer behaviour and the formation of social classes
- consumer protection in Estonia and in the European Union
- the Advertising Act in Estonia and in Russia
- film as a means of brand formation

Participants attended by invitation, and the EBS hall was full. Along with our students, foreign students, alumni and lecturers, Estonian advertising agencies and lawmakers participated, as well as

MPs, marketing managers of big companies and interested people.

Holding international level seminars is becoming a strong tradition at EBS. Last spring EBS organised the first international seminar on business ethics in Estonia; this spring, 19-20 May, the Centre for Baltic Studies held the seminar titled "Public Administration and Changing Europe".

See you at future international events!

One can read the materials and listen to live recordings of the seminar in the EBS library.



# EBS CAREER AND COUNSELLING CENTRE



**Erki Nukk**  
Manager of Career and Counselling Centre

EBS Career and Counselling Centre has reached 1.5 years of age. Is this a long or a short period? As the head of the Centre, I find it pretty short.

Career centres are something new in Estonian universities. Three months ago only two universities had such a centre, by today we have one more newcomer on the market. So all in all there are only three university centres where students can seek advice for shaping his or her career. Apart from these there are some regional and national centres which are more oriented to the counselling of secondary school graduates. Yet in Europe and America all large universities have career planning and counselling centres, which are well established.

Hopefully, there are no students left in EBS who have not heard of us or have no idea what we can do for them. However, there is no harm in recapitulation, so I want to raise some questions that might help give a better idea of our activity.

## What is EBS Career and Counselling Centre and what does it do?

EBS Career and Counselling Centre is a unit in EBS, established in early spring 1999. The Centre operates as a link between businesses and students, and these two are also the main target groups of the Centre's activity.

Lectures and seminars as well as information on jobs and practical training are

the most popular services we offer our students. Students also seem very interested in company presentations at EBS, as well as consultations and personal counselling. Students have somewhat less actively taken advantage of the possibility to enter their CVs on our database.

Regarding the services that we offer businesses - assistance in finding qualified labour and company presentations in EBS have proved to be most popular. Businesses have not discovered our other services, such as preliminary interviews, yet.

### What have we accomplished during our first year?

The most popular event we are proud to have organised was a lecture titled "Successful career planning and how to find a suitable job", which comprised 7 seminars on career issues throughout the academic year. The following subjects were discussed:

- Career planning and management
- Writing a Curriculum Vitae in Estonian and English
- How to find a suitable job or, Which kind of employee does the employer need?
- How to prepare for and act at a job interview?
- Masters degree from abroad? Yes! But how?
- Working in international labour markets – how to be successful?
- Employment law and documentation.

In addition to the lecture, EBS Career Centre initiated several company presentations and question-and-answer sessions in order to introduce company activities and career opportunities. International corporations McKinsey and Price Waterhouse Coopers held presentations in our School. It also must be noted that we have helped EBS students seeking jobs and assisted companies so that they have found in EBS the very person they had been looking out for.

At the beginning of the spring semester 2000, the Centre introduced an e-mail list on career issues where students can register themselves in order to receive job offers directly by e-mail.

The Centre has its notice board and home page on the Internet ([www.ebs.ee/career](http://www.ebs.ee/career)) where the information on job offers, seminars and other events is displayed.

## What are your plans for the next academic year?

In the academic year 2000/2001 we shall continue ongoing activities, such as lectures on career issues, and we shall try to mediate more job offers and practical training possibilities. We also expect many companies to come and hold their question-and-answer sessions in our School.

What else? Well, I cannot lay all our cards on the table... the rest will be a surprise! Your proposals are also most welcome!



# GRADUATES OF FULL-TIME, EVENING AND DISTANCE STUDIES AUTUMN 1999

## Graduates of Full-Time Studies (BBA)



1	<b>Juhan Anupõld</b>	Management	Strategic Management: Functional Strategies of Pärnu Spa Hotel
2	<b>Erki Jõekalda</b>	Economics Theory	Consolidation on European Equity Markets - the Future of the Estonian and Other Baltic Bourses
3	<b>Alo Kelder</b>	Economics Theory	Company Valuation: Objectives, Methodologies and Applications
4	<b>Taivo Luik</b>	Business	Measuring the Effectiveness of the Promotional Program Based on Example of Hawaii Express
5	<b>Heigo Metsoja</b>	Economics Theory	Preparation and Analysis of the Consolidated Statement of Cash Flows
6	<b>Asko Mäemets</b>	Economics Theory	Internal Control in an Enterprise
7	<b>Sofia Nyström</b>	Business	The Abolition of Duty- and Tax-free Trade; The Case of Estonian-Nordic Ferry-Tourism
8	<b>Mikk Paaksi</b>	Economics Theory	Reporting Companies Cash Flows - Theory and Practice
9	<b>Lauri Piigert</b>	Business	Developing of Product in Model car Racing Market Using Advanced Information Technology
10	<b>Marko Pählapuu</b>	Economics Theory	Company Assessment and Valuation in Stock Exchange
11	<b>Risto Rossar</b>	Economics Theory	Corporate Financing
12	<b>Tiina Räämet</b>	Economics Theory	Investment Analysis for Real Estate
13	<b>Ele Sillasoo</b>	Business	Client Card as a Mean to Increase Client Loyalty
14	<b>Liina Vaher</b>	Business	Psychological Persuasion in Advertising
15	<b>Ingrid Veigel</b>	Economics Theory	Refining the Cost Accounting System in a Manufacturing Company
16	<b>Imre Visse</b>	Economics Theory	Analysis of Strategic Reasons and Valuations for Mergers and Acquisitions

## Graduates of Evening Studies (ÕB)



1	<b>Maret Allik</b>	Economics Theory	Leasing Finance*
2	<b>Airi Elb</b>	Business	The Environment Analysis of Driving School Business on the Example of Haja Autokool
3	<b>Arvo Eller</b>	Management	Different Profiles and Reasons of Rejection of Changes: a Research of Estonian Enterprises*
4	<b>Küllli Eller</b>	Economics Theory	Suggestions for Developing Conference Tourism in Estonia
5	<b>Viivi Krönström</b>	Management	The Shift of Marketing Paradigm: Customer Relationship Management as an Interactive Process in Hermann Reisid Travel Agency*
6	<b>Evelyn Laar</b>	Business	Role of Research in Increasing Advertising Effectiveness
7	<b>Tarmo Leppoja</b>	Management	Analysis of the Project Respecting the Transfer of the Ministry of Education from Tallinn to Tartu*
8	<b>Tiina Link</b>	Economics Theory	Common Labour Market: Prospects for Estonia Integrating the
9	<b>Priit Maasik</b>	Business	The Importance of Value Added Services in Conquering the Estonian Telecommunication Market and Building Customer Loyalty on the Competitive Market
10	<b>Merje Metsküll</b>	Economics Theory	European Union Direct Tax- Policy's Harmonisation and its Affects on Estonia
11	<b>Kadri Nuudi</b>	Management	Organization Diagnostics Services Analysis on the Example of Estonian Market*
12	<b>Madis Nõmmik</b>	Economics Theory	The Methods of Cost Accounting and their Application in Argoslõng PLC Organization Diagnostics Services Analysis on the Example of Estonian Market*

## Graduate of Evening Diploma Studies

1	<b>Ingrid Hindrikson</b>	Business	The Project of Founding & Managing the Night Club
---	--------------------------	----------	---

## Graduates of Distance Studies (KB)



1	<b>Ülle Aasjõe</b>	Business	The Implemetation of Market Research - Infotark Plc.*
2	<b>Andra Altoa</b>	Law	The European Union Company Law and the Adoption of Necessary Requirements in Estonian Legislation*
3	<b>Margus Arm</b>	Economics Theory	Comparative Analyses of Different Banking Distribution Channels*
4	<b>Laila Elhuveig</b>	Management	Reorganising the Structure of the Eesti Post Ltd
5	<b>Tarmo-Andre Elvisto</b>	Management	Revolving Fund Scheme Possibilities in Estonia
6	<b>Maret Erima</b>	Business	The European Union Fifth Research And Technological Development Framework Programme's Influence On the Estonian Innovation Policy*
7	<b>Margit Kaldaru</b>	Business	Marketing Strategy of Perel Estonia Ltd. Cosmetics and its Further Development
8	<b>Lilia Kristjanson-Üksvärav</b>	Law	Estonia in the Diverse System of Connections and Relations of the European Union*
9	<b>Stella Laansoo</b>	Business	Direct Selling and its Growth Potential
10	<b>Karin Lember</b>	Economics Theory	Economic Value Added Based Management and its Implementation in Hansapank Group
11	<b>Katrin Leosk</b>	Economics Theory	Different Financing Systems of Health Care and Possibilities of Applying Scheme in Estonia
12	<b>Veikko Maripuu</b>	Economics Theory	Transition of Post-Soviet Economies: The Baltic Approach
13	<b>Ester Melgas</b>	Business	Market Competition in Hotelmanagement: Hotel Central*
14	<b>Viia Miil</b>	Law	Fundamentals of Attesting Local Government Officials (based on Pärnu Town Government Example)*
15	<b>Mattias-Silvester Mustonen</b>	Economics Theory	Learning From Past Financial Criseses - the Prospects of Estonian Financial Markets



16	<b>Gunnar Mäemets</b>	Economics Theory	Perspectives of Monopolies and Oligopolies in Estonia
17	<b>Hans Märtson</b>	Management	Implementation of Process Management in Hilti Eesti Ltd*
18	<b>Kristine Neuman</b>	Business	The Rising of the Tourism Destination. Attractiveness by Use of the Visitors Motivations Analysis (The Estonian Case)
19	<b>Olavi Pakkonen</b>	Economics Theory	Depressions and Recessions in the World Economy
20	<b>Eveliis Pebre</b>	Management	Labour Market: Mobility, Motivation and Outplacement
21	<b>Kelli Podosvilev</b>	Management	Quality Management in Hospital
22	<b>Lembe Reinik</b>	Business	Purchase Behavior and Advertising: Developing the Marketing Strategy for the Postimees*
23	<b>Pille Roos</b>	Management	Research of Work Motivation in Small Wholesale Companies
24	<b>Kristina Tauts</b>	Economics Theory	Health Insurance in Estonia - the Past, Present and the Future*
25	<b>Aivar Tooming</b>	Economics Theory	Abolition of Corporate Incoming Tax: Economic Growth versus Budget Balance
26	<b>Riina Tõnn</b>	Economics Theory	Finance and Finance Accounting in the Universities of Estonia*
27	<b>Jelena Ubin</b>	Management	Middle Level Managers Career Development in Estonian Service Sector Organisations
28	<b>Ele-Mall Vainomäe</b>	Law	The Restructuring of the State Treasury Department of the Estonian Ministry of Finance*
13	<b>Toomas Põlder</b>	Business	The Analysis of Outsourcing Information Technology Services: an Example of E.O.S. Ltd.
14	<b>Gert Raudsepp</b>	Business	The Implementation of People Meter Based TV Audience Measuring Research in the Baltics and Its Effect on TV Advertising
15	<b>Merle Roolaid</b>	Economics Theory	The Options for Private Individuals Within the New Pension System*
16	<b>Siim Roos</b>	Economics Theory	Investment Banking: Effective Corporate Restructuring
17	<b>Kristi Sahtel</b>	Economics Theory	Estonia's Integration into the European System of Free Movement of Goods
18	<b>Janika Sirvi</b>	Management	Analysis and Strategy of Via Pont Ltd.*
19	<b>Tõnis Teder</b>	Business	Marketing of GSM Phones in Estonia: Market Analysis and Possible Strategies
20	<b>Peeter Tischler</b>	Business	Oil Transit in Estonia - Possibilities and Problems*
21	<b>Ulla Uustani</b>	Economics Theory	Secondary Mortgage Market Funding Mechanisms + Possible Solutions for Estonia

# GRADUATES OF FULL-TIME, EVENING AND DISTANCE STUDIES SPRING 2000

## Graduates of Full-Time Studies (BBA)



1	<b>Anneli Allikvee</b>	Management	Dispossession of the enterprises with the partnership of the town of Pärnu
2	<b>Marko Arro</b>	Management	Elaboration of strategy Sports Club Flexer
3	<b>Kristjan Boberg</b>	Entrepreneurship	Marketing Factors Determining the Success of OÜ Palmers Group
4	<b>Kadri Eentsalu</b>	Economics Theory	Accounting for Leases in Estonia
5	<b>Holger Haljand</b>	Management	How to Manage the Risks to Succeed in a Strategic Alliance
6	<b>Andrus Kaalep</b>	Economics Theory	Changes of group structure
7	<b>Martin Kajaste</b>	Economics Theory	Finance and Accounting from the 17th Century to the Present Time
8	<b>Marko Kaupmees</b>	Economics Theory	Accounting for Leases Based on the Estonian Standard "Accounting for Leases" and International Accounting Standards
9	<b>Kristiina Keba</b>	Economics Theory	The Size and the Importance of the Underground Economy in Estonia: Analyses and Policy Implications
10	<b>Paavo Kiik / Otto Tamme</b>	Entrepreneurship	The Present Situation of Tukuma Piens: How Can Tukuma Piens become a Market Leader in Latvia
11	<b>Rauno Klettenberg</b>	Economics Theory	Capital Structure and Alternatives in Financing Choices
12	<b>Lela Kopaladze</b>	Management	The Main Reason of Conflicts and Their Management in Estonian Organisations
13	<b>Ivo Köpper</b>	Management	Working out the Development Strategy of AS Veho Eesti
14	<b>Kristiina Kullo</b>	Entrepreneurship	The Internal Communication of a Organisation and the Effect of Communication Climate on the Employee's Behaviour, Attitudes and Motivations in hotel "X"
15	<b>Janeka Lage</b>	Economics Theory	Performance Measurement of the System
16	<b>Hindrek Leppsalu</b>	Management	Sales Management in Estonian Real Estate Companies. Current Situation and Possibilities of Improvement
17	<b>Krista Lillemets</b>	Economics Theory	Calculating Environment Expenditure in Estonia
18	<b>Indrek Luberg</b>	Management	Strategic Analysis of MB Autokeskus AS and the Plan of Activities for 2000-2003
19	<b>Karolina Manavald</b>	Management	Marketing Management of Conference Service on the Basis of the Hotel Olympia
20	<b>Andreas Meister</b>	Management	OÜ Eesti Siemens Finances Competitive Analyses and Strategy

21	<b>Monica Meldo</b>	Management	The Culture of the Organization as a Motivational Factor (Case in Company X)
22	<b>Age Mõtt</b>	Economics Theory	Estonian Income Tax Law for Legal Person
23	<b>Stan Nahkor</b>	Economics Theory	The Financial Statements' Analysis from the Users Point of View
24	<b>Polina Neidbal</b>	Management	Small Business Strategy Management
25	<b>Aadu Oja</b>	Economics Theory	Investing in the Baltic States and Central Europe: Portfolio Considerations
26	<b>Vallo Ojasoo</b>	Economics Theory	Comparative Analysis of Estonian Accounting Law and International Accounting Standards
27	<b>Rein Ojaverre</b>	Economics Theory	Major Factors Affecting the Value of Estonian Telecom Company
28	<b>Rait Pallo</b>	Economics Theory	Improving Insurers' Solvency: Practical Considerations for Estonia
29	<b>Andres Pärloja</b>	Management	Change Management from the Theory of Constraint's Perspective
30	<b>Marek Pärtel</b>	Management	Inpipe Sweden AB's Market Entry Strategy
31	<b>Perttu Ratilainen</b>	Entrepreneurship	Estonia as an Investment Target from the Perspective of Finnish Investors
32	<b>Mairit Roosaar</b>	Economics Theory	Main Phases in the History of Accounting
33	<b>Silje Sander</b>	Economics Theory	Professional Ethics of Auditors
34	<b>Agne Severev</b>	Management	Main Causes of Job Satisfaction: Research in Estonian Companies
35	<b>Marko Sillar</b>	Management	AS Eesti Krediidipank's Strategy and Alternative Development Pattern
36	<b>Kirill Sinitsa</b>	Management	The Link of Motivation with Conflicts in Organisations
37	<b>Rivo Sisav</b>	Management	Management and Structural Changes in Company Reorganisation
38	<b>Pirje Soonurm</b>	Economics Theory	Ethics in Accounting
39	<b>Jelena Striganova</b>	Management	The Main Aspects for Employee's Work to Be Effective
40	<b>Kristel Teder</b>	Economics Theory	Comparison of International Accounting Standards with the Estonian Accounting Law and the Guidelines of the Estonian Accounting board
41	<b>Kristel Tiik</b>	Entrepreneurship	Marketing Management in Foodretailing: the New Area Stockmann Case
42	<b>Matis Tomiste</b>	Economics Theory	Value at Risk: Model Risk in Financial Markets
43	<b>Tuuli Tromp</b>	Economics Theory	The Analysis of Quality Costs: an Example Based on AS Standard
44	<b>Annes Ulm</b>	Economics Theory	Reconciliation of Accrual Based and Cash Based Analyses
45	<b>Katri Ummer</b>	Entrepreneurship	Client in E-business
46	<b>Martin Valler</b>	Management	The Role of Intellectual Capital in Restructuring the Management
47	<b>Berit Veiber</b>	Economics Theory	History and Overview of Auditing and its Development in Estonia
48	<b>Valdur Vingisaar</b>	Economics Theory	Enterprise Financial Analysis for Crediting
49	<b>Triin Virgepuu</b>	Economics Theory	Estonia on Its Way to the European Union

## Graduates of Evening Studies (ÕB)



1	<b>Janika Kass-Roosimägi</b>	Management	Analysis of Matrix Organization Structure Based on an Example of Computer 2000 Eesti Ltd
---	------------------------------	------------	--

2	<b>Marek Kivi</b>	Entrepreneurship	Creating Efficient Advertising in the New Media on the Examples of Saku and Koff Web Sites
3	<b>Kristiina Kütt</b>	Economics Theory	Taxation of Fringe Benefits in Estonia*
4	<b>Piret Laur</b>	Management	The Change Management in the Ministry of Defence
5	<b>Kristel Liivak</b>	Management	Coordinated Patient Care - A Tool to Influence Health and Industrial Policy From Cost Saving to Cost Management
6	<b>Pille-Mai Mandre</b>	Management	IBM Business Partner Strategic Management and Business Partner Authorization Program in Estonia
7	<b>Margit Mets</b>	Entrepreneurship	The Ministry of Foreign Affairs of Estonia as a Tool in Forming Estonia 's Image
8	<b>Sven Nuutmann</b>	Management	How to Change a Weak Organization into a Successful One
9	<b>Marko Rillo</b>	Management	Overview of Construction and Implementation of Balanced Scorecard*
10	<b>Rainit Roosmets</b>	Management	Motivation in the Ministry of Internal Affairs of Estonia- Research, Problems, Solutions
11	<b>Anu Ruutu</b>	Management	Leadership Styles in Estonian Media and Advertising Agencies by Research
12	<b>Aivi Sepp</b>	Management	Human Resource Planning and the Cost of a New Employee
13	<b>Ruth Sepp</b>	Management	Strategy and Analysis of Kruul Trükikoja Ltd*
14	<b>Kaire Sõmer</b>	Management	The Role of Organizational Learning in Corporate Longevity*
15	<b>Triin Tiedemann</b>	Management	Internal Control as a Supporting Function of Management*
16	<b>Kristiina Tukk</b>	Management	How to Build Up Customer Loyalty in Telecommunication Companies*
17	<b>Andre Veemaa</b>	Entrepreneurship	Export of Furniture-Perspectives, Opportunities and Hindrances in Estonian*

### **Graduates of Evening Diploma Studies**

1	<b>Kätlin Kaasen (diploma)</b>	Management	Organizational Culture and Business Ethics on the Example of Tapeet and Värvi Ltd*
2	<b>Maarika Lindmets (diploma)</b>	Management	Developing Personnel Management and Training in the Saaremaa Meat and Dairy Industry*
3	<b>Neeme Oidekivi (diploma)</b>	Entrepreneurship	Muhu Rural Municipality Enterprise During the Development Years 1992 - 2003*
4	<b>Aure Talvar (diploma)</b>	Entrepreneurship	The Establishment of a Competitive Supermarket SASS in the Region of Keila*

### **Graduates of Distance Studies (KB)**





1	<b>Agnes Aaslaid</b>	Entrepreneurship	The Role of Internal Communication Managing the Reputation of the Ministry of the Environment
2	<b>Riho Alas</b>	Management	Internationalization and International Business Operations of Estonian Companies
3	<b>Kaili Allik</b>	Economics Theory	Factors Affecting the Sales of Voluntary Life Insurance and the Growth Opportunities for Life Insurance Companies in Estonia *
4	<b>Külly Annus</b>	Management	The Reform of Local Administration and the Problems of Application of Leadership Reform in Tallinn*
5	<b>Riina Jürgens</b>	Entrepreneurship	The Development of a Small Enterprise's Export Concept Based on the Example of Riagrupp Ltd.*
6	<b>Kaupo Kala</b>	Management	Implementation of the Quality System According to ISO 9001 Standards on the Basis of the Company manufacturing Construction Chemicals*
7	<b>Kaja Kibena (diploma)</b>	Economics Theory	Accounters Point of View about the New Income Tax Law*
8	<b>Kristin Kuhlapp</b>	Entrepreneurship	Telecommunication: Market, Changes and Opportunities'
9	<b>Uno Land</b>	Economics Theory	Market Risk Management Possibilities in the Estonian Stock Option Market
10	<b>Annely Luikmel</b>	Entrepreneurship	Statutory and Voluntary Regulations in Advertising: Principles and Practice in Estonia
11	<b>Ülar Mere</b>	Economics Theory	Corporate Financial Planning System*
12	<b>Merle Moring</b>	Management	Resisting Organizational Changes in the Companies in Saaremaa*
13	<b>Maivi Oll</b>	Economics Theory	Comparative Analysis of Anglo-American and Continental Accounting Models*
14	<b>Kaja Otsing</b>	Management	Importance of Loyalty Customers and Customer Programmes in Today's Business: Neste Loyalty Programme*
15	<b>Piret Pahk (diploma)</b>	Management	Building up an Organization Structure by the Example of Estonian Telephone Company*
16	<b>Maris Paiste</b>	Management	An Impact of Employee Communication on Corporate Reputation: An Example of Tallinna Kaubamaja AS
17	<b>Ingrid Pugi</b>	Entrepreneurship	Factors Influencing Air Traveller's Consumer Behavior on the Basis of Estonian Air AS*
18	<b>Raul Reemet</b>	Management	Difference of Japanese Negotiation*
19	<b>Piret Reinson</b>	Entrepreneurship	Marketing Strategy for Ühispank Asset Management
20	<b>Merje Salla</b>	Entrepreneurship	Reputation Management as a Tool for Increasing the Share of a TV Channel Based on the Case Study of TV3 Reputation Analysis and Reputation Management*
21	<b>Piret Salmistu</b>	Entrepreneurship	The Information Systems Development of the Estonian Chamber of Commerce and Industry between 1998-2000*
22	<b>Ivi Schwarz</b>	Economics Theory	Enterprise's Cash Flow and its Management on the Example of Microlink Ltd.*
23	<b>Mari Sepp</b>	Management	The Development and Prognoses of Fuel Retail Companies in Estonia during 1995-2005
24	<b>Mart Sillaots</b>	Entrepreneurship	Port of Tallinn in the Baltic Sea Competition*
25	<b>Mauri Sööt</b>	Entrepreneurship	Global Strategy Versus Customized Approach in the Brand Communication in Baltic Countries by the Example of Dog Food Brand "Pedigree"
26	<b>Inna Stint (diploma)</b>	Management	Changes in Organisation*
27	<b>Aire Toffer</b>	Entrepreneurship	Business Development and Labour Market in Lääne County
28	<b>Jaan Tohver</b>	Management	The Requirements of the Environment Policy of the European Union in the Sphere of Waste Management and Their Implementation in Estonia*
29	<b>Cathlin Toomsalu</b>	Entrepreneurship	Development Possibilities for the Tallinn Restaurant Market
30	<b>Udo Varmann</b>	Entrepreneurship	The Development of the System of Logistics for Fors MW Ltd.*

\* - Theses written in Estonian

# PUBLIC ADMINISTRATION

## Bibliography as at 1 June, 2000

Foundations of public administration: Selection of European essays / Chief editor Wolfgang Drechsler; edit. Rainer Kattel, Ingrid Palgi, Ivar Tallo. - Tartu : Tartu University Press, 1997. - 196 p.\*

Effective communications between the public service and the media / Organisation for Economic Co-operation and Development; transl. and ed. by Daniel Vaarik. - Paris: Organisation for Economic Co-operation and Development, 1996. - 57 p.\*

**Bennett, Robert J.** Local government in post-socialist cities / Robert J. Bennett. - Budapest: Local Government and Public Service Reform Initiative, 1997. - 42 p.

**Berman, Evan M.** Productivity in public and non-profit organisations: strategies and techniques / Evan M. Berman. - London : Sage, 1998. - XIII, 297 p.

**Bowman, Ann O'M.** State and local government: the essentials / Ann O'M. Bowman, Richard C. Kearney. - Boston, Massachusetts: Houghton Mifflin Company, 2000. - XVII, 329 p.

Bureaucratic élites in Western European states / ed. by Edward C. Page, Vincent Wright. - Oxford : Oxford University Press, 1999. - X, 286 p.

Estonian Orders of Merit / Compiled by Hannes Walter, Paul Luhtein, Ivo Manfred Rebane; State Chancellery of the Republic of Estonia. - Tallinn: State Chancellery of the Republic of Estonia, 1998. - 116 p.\*

**Farnham, David.** Managing people in the public services / David Farnham, Sylvia Horton. - Houndmills : Macmillan Press, 1996. - XXII, 399 p.

**Hughes, Owen E.** Public management and administration: an introduction / Owen E. Hughes. - New York : St. Martin's Press, 1994. - X, 294 p.

**Juvonen, Leena.** Eurooppalaiset kauppa- ja teollisuusministeriöt / Leena Juvonen; Helsingin Yliopisto. - Helsinki: Helsingin Yliopisto, 1997. - 184 s.

**Krawchenko, Bohdan.** Administrative reform in the Ukraine: setting the agenda / Bohdan Krawchenko. - Budapest : Local Government and Public Service Reform Initiative, 1997. - 20 p.

**Lane, Jan-Erik.** The public sector: concepts, models and approaches / Jan-Erik Lane; transl. by Juhan Kahk; Estonian Institute for Public Administration. - Tallinn: Külim, 1996. - VI, 250 p.\*

**Lane, Jan-Erik.** The public sector : concepts, models and approaches / Jan-Erik Lane. - 2nd ed. - London: Sage Publications, 1998. - VIII, 328 p.

What kind of officials does Estonia need while aspiring to the EU?: Papers of the conference held on 18 January 1999 in the Estonian Institute for Public Administration / Estonian Institute for Public Administration. - Tallinn: Estonian Institute for Public Administration, 1999. - 57 p.\*

The new public management in action / Ewan Ferlie, Lynn Ashburner, Louise Fitzgerald, Andrew Pettigrew. - Oxford: Oxford University Press, 1996. - X, 287 p.

The Internationalisation of Policy Making. Institutional and organisational options to integrate domestic and international aspects of policy making / Organisation for Economic Co-operation and Development; transl. and ed. by Kati Kiisverk. - Paris: Organisation for Economic Co-operation and Development, 1996. - 79 p.\*

**Pollitt, Christopher.** Public management reform: a comparative analysis / Christopher Pollitt, Geert Bouckaert. - Oxford: Oxford University Press, 2000. - XIV, 314 p.

Foundations of practical local government policy / Günter Dill, etc.; transl. by Moonika Klanberg, Monika Pahkel; Konrad-Adenauer-Stiftung. - Tallinn: Konrad-Adenauer-Stiftung, 1995. - 131 p. \*

Public sector management: theory, critique and practice / ed. by David McKeivitt, Alan Lawton; The Open University. - London: Sage, 1998. - X, 306 p.

Public sector reform: rationale, trends and problems / ed. by Jan-Erik Lane. - London: Sage, 1997. - VIII, 312 p.

Real civil societies: dilemmas of institutionalization / ed. by Jeffrey C. Alexander; International Sociological Association. - London: Sage, 1998. - VIII, 246 p.

**Roots, Harry.** Estonia's bureaucracy: continuity and renewal / Harry Roots; Estonian National Defence and Public Service Academy - Tallinn: Estonian National Defence and Public Service Academy Publishers, 2000. - 111 p.\*

**Stillman II, Richard J.** Instructor's resource manual: teaching public administration creatively: [to accompany] Public administration: concepts and cases, 7th ed / Richard J. Stillman II. - Boston, Massachusetts: Houghton Mifflin Company, 2000. - VI, 145 p.

**Stillman H, Richard J.** Public administration: concepts and cases / Richard J. Stillman II. - 7th ed. - Boston, Massachusetts: Houghton Mifflin Company, 2000. - XXII, 536 p.

Top management service in Central governments: introducing a system for the higher civil service in Central and Eastern European countries / Organisation for Economic Co-operation and Development. - Paris: OECD, 1995. - 29 p.

The transfer of power: decentralization in Central and Eastern Europe / ed. by Jonathan D. Kimball. - Budapest: Local Government and Public Service Initiative, 1999. - X, 149 p.

Promoting performance and professionalism in the public service / Organisation for Economic Cooperation and Development; transl. and ed. by Kaido Paabus. - Paris: Organisation for Economic Co-operation and Development, 1997. - 54 p. \*

Management Challenges at the Centre of Government: Coalition Situations and Government Transitions/ Organisation for Economic Co-operation and Development; trans. and ed. by Gert Antsu. - Paris: Organisation for Economic Co-operation and Development, 1998. - 89 p. \*

**Wilson, James Q.** Bureaucracy: what government agencies do and why they do it / James Q. Wilson. - s. 1 : Basic Books, 1989. - 433 p.

\* in Estonian

# Bachelor of Public Administration

The program Bachelor of Public Administration was introduced in 1998. EBS Public Administration Study Programme is equivalent to the internationally accepted "Bachelor of Public Administration (BPA)" programme. Tuition to the amount of 160 credit points is meant for young people with secondary school education who want to obtain university education in Public Administration.

**The program is conducted in Estonian.**

**The main aims of the academic programme are:**

- to give a good theoretical background in all of the main spheres of public administration: organization of public administration, theoretical approaches, economics, management, law and European integration;
- alongside this the study process develops the skills of analysing public administration systems from the point of view of social politics, law and economics, and development of managerial skills;
- proficiency in foreign languages;
- special attention is paid to English; learning a second foreign language is also important;
- proficiency in computers i.e. communication and information technology.

All these principles aim to develop excellent state officials who are able to work both in Estonian and EU environment.

