

## The Lithuanian Public Sector Organisations: The EU-Driven Expansion within the Domestic Arrangements of Autonomy and Control

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*The paper seeks to assess, whether the EU or the domestic factors had a stronger impact on the proliferation of public sector organisations and on the degree of their autonomy and control. The results of the COBRA 2008 survey indicate that the EU was the main driving force behind the setting up of public sector organisations in Lithuania. The impact of domestic factors (changes in the governing coalitions and macroeconomic developments) was considerably smaller and not consistent. However, the degree of autonomy and control of the Lithuanian public sector organisations is largely explained by the dominating continental European legal tradition rather than the EU pre- and post-accession processes.*

**Key words:** *Europeanisation, New Public Management, public sector organisations, autonomy, control.*

**Raktažodžiai:** *europėizacija, naujoji viešojo vadyba, viešojo sektoriaus organizacijos, autonomija, kontrolė.*

### Introduction

The landscape of Lithuanian public sector organisations has witnessed continuous changes during the past decade. A number of new organisations have been established, and some of the old ones have been abolished or merged. In addition, a number of public management reforms (such as strategic planning) were introduced, which aimed to change the modes of functioning of public sector organisations. Hence, comparative assessments of public management reforms tend to group Lithuania with other “modernisers” such as Canada, Finland, France, the Netherlands and Sweden [13]. What factors were driving the reforms?

In the majority of Western European countries the national governments were the main driving force behind the public management reforms introduced in the end of the XX<sup>th</sup> century. The governments initiated the reforms in response to macroeconomic problems (large government, significant budgetary deficits, and perceived lack of public

sector performance) and a drop in trust and legitimacy of public institutions [1, p. 9].

Unlike in Western European countries, public management reforms in Central and Eastern European countries were heavily influenced by the prospect of the European Union membership [1, p. 15]. The EU’s influence on Central and Eastern European countries was often explained in terms of an effective conditionality (as a political strategy of the EU institutions as well as its causal impact on domestic policies) [16, p. 2]. The growth in the number of Lithuanian public sector organisations and civil servants is also usually associated with the emergence of new functions at the central or local level during the processes of transition and accession to the EU.

This paper seeks to assess the impact of the EU and domestic factors (independent variables) on the setting up of Lithuanian public organisations as well as the level of their autonomy and control (dependent variables). It is tempting to assume that both independent variables are highly intertwined. However, we seek to analytically separate their influence and to assess, which of them – the EU accession or the domestic factors – is more important in explaining the setting up of new public organisations and the level of their autonomy and control. The EU’s impact is defined as the adoption of *acquis communautaire* during the EU accession process, while the national factors are defined as political programmes of governing coalitions, Lithuania’s legal traditions and rates of economic growth.

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This article is based on the paper for the COST ISO601 action „Comparative Research into Current Trends in Public Sector Organisation“ and the COBRA survey, which was carried out in Lithuania in 2008. It was representative of the Lithuanian public administration system at the central level. About 69 per cent of all public sector organisations, which answered the questionnaire, were state budget institutions, about 18 per cent – public non-profit institutions, about 9 per cent – state-owned enterprises. The remaining organisations, which participated in the survey, were foundations, non-governmental organisations and other types of public organisations. The analysis of the COBRA data was carried out in line with the COBRA methodology [20]. In addition, a few new variables were introduced (such as a variable of the EU’s influence or the formal autonomy of Lithuanian public sector organisations) and the construction of a few COBRA variables was modified on the basis of the Lithuanian COBRA questionnaire and data.

The paper is divided into several sections. The first section presents the analytical framework and the main hypotheses. The second section assesses what were the driving forces behind establishment of new public sector agencies. The third section analyses the impact of the EU and domestic factors on the level of control and autonomy of public sector organisations. Finally, the paper concludes.

### **Main hypotheses of the paper**

This section seeks to provide an analytical framework for separating the impacts of the independent variables on our dependent variables. Hence, we treat the EU accession process as a shock to a public administration system and trace the consequences of this shock on the number of public organisations and the level of their control and autonomy. Furthermore, we compare the impact of the EU accession with the impacts of domestically produced shocks – changes in the composition and political programmes of the government and economic growth.

During the pre-accession period the EU had a number of channels to influence the applicant countries: gate-keeping, benchmarking and monitoring, provision of legislative and institutional models, advice and financial assistance [3]. However, the adoption of *acquis communautaire* had the largest traceable short-term impact on the public administration systems of the accession countries. This impact should be the most visible in two areas. First, the accession countries needed to establish a number of implementation agencies and other organisations to absorb the EU funds under the Common Agricultural Policy (CAP) and

Cohesion policy. Second, the EU contributed to the emergence of a regulatory model through the establishment or strengthening a number of relatively autonomous regulatory authorities in the area of competition, telecommunications, energy, water, railways, post, public information, environment, food safety, personal data and other policy areas [8]. Accordingly, the EU as a main driving force behind the setting up of public sector organisations could be traced if (a) the organisations were established between 1998-2002, when the European Commission published its regular reports on Lithuania’s preparation to join the EU and (b) a majority of the established organisations were implementation and regulatory agencies.

In order to trace the impact of domestic factors on the setting up of new organisations, we propose two main indicators. The first one refers to the changes in the government and their political programmes. The literature has long argued that the right leaning governments, which adopt a neo-liberal platform, tend to advocate reforms of NPM (New Public Management) style, which are associated with the establishment of single-purpose, semi-independent agencies [13; 14]. Accordingly, we expect the periods of the governing of the right wing coalitions to correlate with setting up of new public agencies. The second indicator refers to economic growth. It is expected that economic upswings will lead to the proliferation of new organisations, while the economic downturn should put a halt on their establishment.

The above discussion leads to formulation of two alternative hypotheses:

1. *The EU contributed to the establishment of new public sector organisations and the re-organisation of the existing public sector organisations, increasing the size of Lithuania’s public administration. The EU’s impact in establishing public sector organisations should be the most visible between 1998 and 2002 in the area of economic regulation and implementation of such redistributive policies as the CAP and the Cohesion policy.*
2. *The domestic factors (the governing of right wing coalitions and high rates of economic growth) lead to the establishment of new public sector organisations.*

The EU accession process had a twofold impact on the level of control and autonomy of candidate country’s public sector organisations. First, since the process of EU accession involved the establishment of autonomous regulatory authorities and policy-implementation agencies, one can expect that the Lithuanian public sector organisations gained more

autonomy. Second, it could be expected that the accession process also involved learning of specific institutional models. However, it is far from clear what type of institutional models were learned or copied. On the one hand, one could expect that the Commission's benchmarking exercises implicitly involved the advocacy of a NPM-style regulatory state. If this is the case we should expect that the EU accession process contributed to higher autonomy, higher *ex post* and lower *ex ante* control of public sector organisations. On the other hand, previous studies found that the EU's influence is largely associated with the Weberian model of public administration [9, p. 31]. If this is the case, we would expect that the process of EU accession contributed to lower *ex post* and higher *ex ante* control of public sector organisations.

Furthermore, the EU accession process could also be associated with external side-effects. Successful accession to the EU required a stronger co-ordination from the top (the government centre or the Ministry of Finance) and increasing the control of sectoral organisations. For instance, it was found in one paper that departments in the accession countries (including Lithuania) are subject to more control compared with these in the non-accession countries [4]. However, after achieving EU membership a central steering over the EU matters has considerably declined in Lithuania [7]. Therefore, although it is theoretically possible that the EU contributed to a stronger control of public sector organisations, this probability is rather small.

In addition, academic literature has strongly argued that in the continental European countries (with a 'Rechtsstaat' tradition) it is hard to shift from *ex-ante* control to *ex-post* control during public management reforms [21, p. 34]. Also, it was found that the absorption of performance management is difficult in the traditional public administration system of Lithuania, based on the execution of laws and procedures and ex-ante controls on the input side [10, p. 72]. Hence, it is possible that a large volume of the ex-ante controls could remain in place, despite the EU's influence.

Therefore, an alternative explanation is that the shock of the EU accession was overshadowed by the formal domestic institutions in determining the level of public sector organisations' control and autonomy. In line with the dominating continental European tradition, the Lithuanian public organisations should differ in their autonomy according to their legal status. In Lithuania, state budget institutions are less autonomous than public non-profit organisations in the area of financial management. State budget institutions are financed from the budget as appropriation managers, their accounting is based on the *Public Sector Accountability Law* and other legal acts, internal

audit units control their financial and non-financial performance. Public non-profit institutions usually have no status of an appropriation manager, and the existing legal framework does not prescribe their responsibility for the administration of state budget resources. Also, civil service authorities are less autonomous than other public sector organisations in the area of human resource management because their personnel management procedures are prescribed by the *Civil Service Law* and secondary legal acts.

Table 1 groups all public sector organisations (with the exception of state-owned enterprises) into four groups according to the criteria of formal financial and personnel management autonomy. It is assumed that in formal terms foundations and public non-profit institutions, which have no status of an appropriation manager (Group No 4), are the most autonomous, while state budget institutions with the status of civil service authorities – the least autonomous (Group No 1). Other two groups of public sector organisations should fall in between Group No 1 and No 4.

**Table 1: Formal financial and personnel management autonomy of Lithuanian public sector organisations according to their legal status**

<b>High personnel management autonomy</b>	Group No 3: public non-profit institutions, appropriation managers Group No 2: state budget institutions, not civil service authorities	Group No 4: public non-profit institutions/foundations, not appropriation managers
<b>Low personnel management autonomy</b>	Group No 1: State budget institutions, civil service authorities	-
	<b>Low financial management autonomy</b>	<b>High financial management autonomy</b>

The above discussion leads to formulation of two alternative hypotheses:

3. *The Lithuanian public sector organisations, whose setting up was largely influenced by the EU, obtained more personnel and financial autonomy, but remained strongly controlled on the ex-ante and ex-post basis due to the mixed impact of the accession process.*
4. *Formal autonomy of the Lithuanian organisations should correspond to their actual autonomy and control, acknowledging the fact that Lithuania belongs to the tradition of continental public administration.*

## Setting up Lithuanian public sector organisations: the impact of the EU and domestic factors

This section of the paper seeks to assess whether the EU or the domestic factors had a larger impact on setting up of the Lithuanian public sector organisations. According to the 2008 COBRA survey in Lithuania, about 39 per cent of the Lithuanian public sector organisations agree that the EU had a large influence on their set up (the establishment of new organisations or the re-organisation). The EU's influence varies according to the legal form of Lithuanian organisations: it was stronger for public non-profit institutions (about 47 per cent of all such institutions agree with this statement), but weaker for state-owned enterprises (about 25 per cent of all such institutions agree) (see Table 2). The form of a public non-profit organisation was used for setting up implementation agencies to absorb the EU assistance (e.g. the Lithuanian Business Support Agency, the Ignalina Nuclear Power Plant Regional Development Agency or the joint INTERREG secretariat) or some advisory bodies to provide public information, advice or training on certain EU issues (e.g. the European Consumer Centre or the Centre for Equality Advancement).

Figure 1 shows that the establishment of new public sector organisations was especially fast in the period of 1998-2002 (except for 1999), when the

*Table 2: The influence of the EU for setting up public sector organisations in Lithuania according to their type*

Type of Lithuanian public sector institution	Influence of the EU(in %)		
	Large	Small	No influence
State budgetary institutions	35,9	39,1	25,0
Public non-profit institutions	47,1	17,6	35,3
State-owned enterprises	25,0	12,5	62,5
Total:	<b>38,7</b>	<b>32,3</b>	<b>29,0</b>

*Source:* The 2008 COBRA survey.

European Commission published its regular reports on Lithuania's preparation to join the EU. In these reports the European Commission identified particular legal or institutional obstacles to meet the obligations of EU membership. To remove these obstacles, the Lithuanian government needed to undertake certain public policy or institutional commitments. For instance, the pre-accession period of 1998-2002 saw the setting up of such regulatory authorities as the State Non Food Products Inspectorate or such implementation agencies as the National Paying Agency.

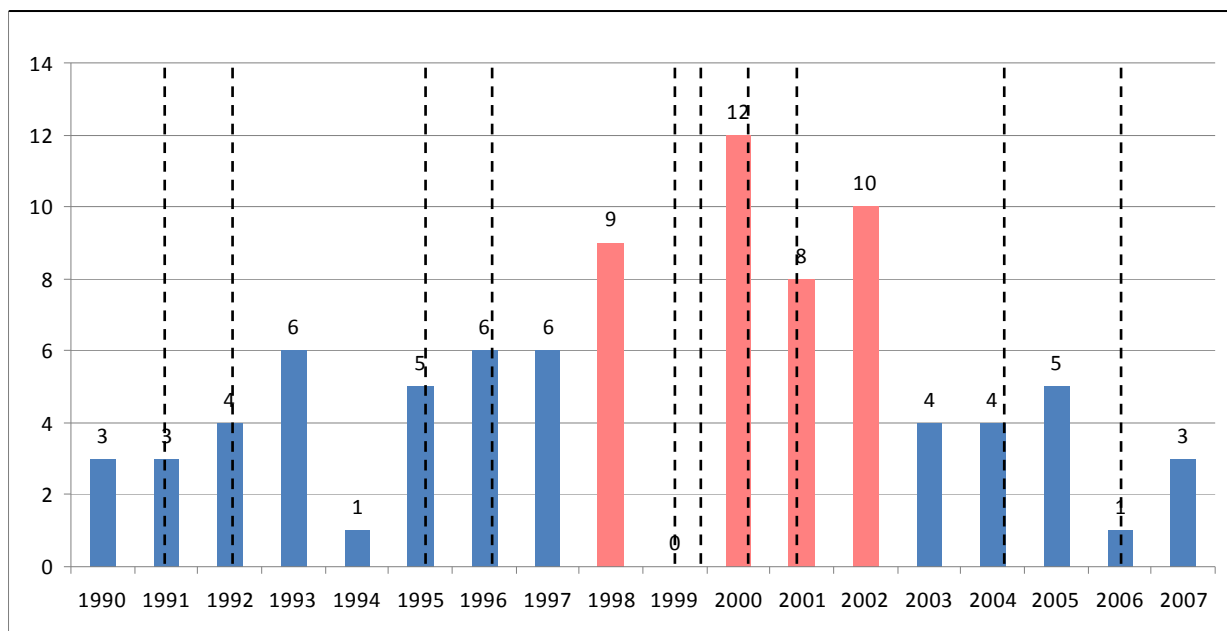


Figure 1: The number of Lithuanian public sector organisations, which responded by the COBRA survey, established in period of 1990-2007

*Source:* The 2008 COBRA survey.

*Remark:* the dashed lines in this Figure indicate a change of government in Lithuania, dividing the whole period of 1990-2007 into eleven main political terms.

In addition to establishing new organisations, the process of institution building often involved the merger of several existing organisations. Those public sector organisations, whose set-up was largely influenced by the EU, were more frequently subject to merging (67 per cent) and

less frequently - to dividing (22 per cent, see Table 3 below). For instance, the Environment Protection Agency under the Ministry of Environment or the State Seed and Grain Service under the Ministry of Agriculture were set up by merging in Lithuania.

*Table 3: The influence of the EU on the type of organisational change in Lithuania (n - 93)*

Type of institutional change	The influence of the EU on setting up public sector organisations (%)			Total (%)
	Large	Small	No influence	
1. Merging	66,7	16,7	16,7	6,5
2. Dividing	22,2	55,6	22,2	9,7
3. Undertaking the functions of previous organisations	36,4	36,4	27,3	23,7
4. Newly established	43,1	27,5	29,4	54,8
5. Other	0	40,0	60,0	5,4
<b>Total</b>	<b>38,7</b>	<b>32,3</b>	<b>29,0</b>	<b>100</b>

*Source:* The 2008 COBRA survey.

According to the analysis of the COBRA data, the EU influenced the setting up of the Lithuanian public sector organisations in many sectors of economic activities (from economic policy to law and order). This could be explained by a broad scope of the EU's competence as well as the conditionality of EU membership in the pre-accession. Only in the sectors of defence or recreation, culture and religion, where the EU does not exercise much authority, the EU's impact was weaker.

In addition to regulating economic activities, the process of institution building for EU membership also concerned the provision of public services and policy implementation. The Lithuanian public sector organisations, whose set-up was largely influenced by the EU, usually perform regulatory functions (it is a main task for 48 per cent of such institutions), provide services for the public, businesses or other public sector organisations (43 per cent) and implement public policies (41 per cent). However, it seems that there was no large need to establish many new organisations or re-organise them for the purpose of policy formulation (it is a main task for 33 per cent of the institutions, whose set-up was largely influenced by the EU). It is likely that the existing institutions (in particular the Lithuanian ministries) undertook these functions before or after EU accession.

The above data shows that the EU had substantial impact on setting up Lithuanian public sector organisations. In line with the argument of the first hypothesis, almost half (43 per cent) of surveyed organisations were established between 1998 and 2002, when the European Commission published its

regular reports on Lithuania's preparation to join the EU. Furthermore, while the newly established organisations cover a broad spectrum of functions, a majority of them are performing in the area of economic regulation and such redistributive policies as the CAP and the Cohesion policy. Therefore, it seems that the first hypothesis is largely correct.

When considering the second alternative hypothesis, the impact of domestic factors seems to be more limited. First, the establishment of new organisations in the period of 1990-2007 seems to be unrelated to the political programmes of the Lithuanian governments. The governments of right-wing parties, which served in the periods of 1990-1992 and 1996-2000, and the governments of left-wing parties, which served in the periods of 1992-1996 and 2001-2006, did not differ in terms of new organisations established. Figure No. 1 above in the previous section does not show any significant relationship between the number of new Lithuanian public sector organisations and any political terms of the Lithuanian governments.

However, the largest number (12) of surveyed public organisations was established in 2000, when a right-wing government led by Prime Minister Andrius Kubilius was in office. This government is known for introducing certain NPM reforms, especially strategic planning [10]. Yet in the 2008 COBRA survey about half of the public organisations, which were set up in 2000, acknowledged a large influence of the EU. Therefore, the establishment of public organisations in 2000 cannot be attributed to a political programme of the 1999-2000 government.

Some qualitative data also indicates that public management reform initiatives had little effect on the re-organisation of the existing Lithuanian organisations. Despite a review of 99 public non-profit institutions in 2007-2008, only two public non-profit institutions have been abolished, while other two have been merged into one budgetary institution [22]. This is because proposals from the advisory Sunset Commission did not receive enough political support in the Lithuanian government of 2006-2008.

However, one political initiative of the 1999-2000 government should be noted in the area of regulation. In the middle of 2000 two new regulatory institutions (the State Food and Veterinary Service and the State Non-Food Product Inspectorate) were established by re-organising five other institutions on the recommendation of the Sunset Commission [23]. However, this re-organisation was linked to Lithuania's preparation for EU membership, making it difficult to disentangle the EU's influence from domestic political initiatives. Overall, the fifth hypothesis that the political initiatives of public management reforms had little effect on organisational change was supported by the empirical evidence.

Nevertheless, it is likely that since the end of 2008 political parties will start playing a more important role in the process of public management reforms in Lithuania. A new governing coalition, whose centre-right political parties campaigned on the NPM platform, already initiated, adopted and implemented some organisational reforms. The fiscal crisis also affects these organisational changes by posing financial constraints to the public administration. The Lithuanian government already established a new energy ministry (with 47 positions), by dividing the Ministry of Economy into two smaller ministries. Also, the Sunset Commission reviewed all institutions subordinate or accountable to the Government Office. The assessment was based on the principle that policy-making should be separated from policy implementation. Therefore, it was suggested to transfer the functions of policy-making to the ministries, and the functions of implementation – to the institutions under the government [19]. However, it is too early to assess the scope of these reform initiatives on the institutional set-up in Lithuania because most proposals remain unimplemented.

Second, Lithuania's economic growth did not have any systemic impact on setting up new public sector organisations. Severe economic downturn between 1990 and 1993 did not stop the establishment of new organisations – an increase in

their number is largely related with the logic of economic and political transition. Furthermore, strong economic growth in the period of 2002 and 2008 did not produce an expansion of public sector organisations. In fact, the number of organisations established during the last economic upswing is comparable with the number of the surveyed organisations, which were established during difficult economic times of early 1990s.

However, one specific case is worth emphasising. As the results of COBRA survey indicate, not a single surveyed agency was set up in 1999. This is clearly associated with the negative impact of the 1998 Russian financial crisis on the Lithuanian budget. However, a large number of public organisations were established the following year of 2000, when budgetary constraints became less binding. One case study found that although the Communications Regulatory Authority should have been established immediately after legislative changes in 1998, it was established only in the middle of 2000 owing to the lack of financial resources and disagreements concerning the appointment of a director of this regulatory authority [23, p. 92]. This indicates that economic downturns and budgetary constraints tend to delay the establishment of new public sector organisations in Lithuania. A new fiscal crisis, which started in the end of 2008, could also constrain the establishment of new organisations in Lithuania, but the institutional set-up is likely to be affected by the implementation of domestic organisational reforms.

To summarise, the EU yielded a substantially stronger impact on setting up new public sector organisations and expanding the size of the Lithuanian public sector (especially in the pre-accession period) than the domestic factors. In particular, the EU accession process contributed to the proliferation of regulatory agencies and public organisations, which implement EU redistributive (CAP and Cohesion) policies. The impact of domestic factors was substantially smaller and not systemic. Neither changes in the governing coalitions nor the rates of economic growth correlate with setting up new public sector organisations in Lithuania. While in some exceptional cases the changes in the governing coalitions did provide an impetus for organisational reforms and large fiscal pressures did delay the establishment of new organisations, these domestically-produced shocks were not sufficient to generate a stronger and longer-term impact. Therefore, we conclude that the first hypothesis is correct and the second (alternative) hypothesis is not correct.

## Autonomy and control of public sector organisations: the impact of the EU and domestic factors

This section seeks to assess the impact of the EU and domestic factors on the degree of autonomy and control of public sector organisations. In line with the hypotheses No 3 and 4, we analyse, whether the shock of the EU accession was stronger than the path dependencies associated with the tradition of continental public administration. Before presenting the results of statistical analysis, we define our key variables [21].

Managerial autonomy is defined as the extent to which an organisation can take decisions regarding its personnel, financial resources and choose policy instruments to achieve its objectives. The autonomy in terms of personnel management includes two dimensions. First, it is the extent to which an organisation without interference from a higher jurisdiction (minister or sponsoring department) can take decisions regarding general rules for setting the level of salaries, conditions for promotion, evaluation, appointment and downsizing of personnel. This type of autonomy is called strategic personnel management autonomy captured by the SPA 1 index. Second, it is the extent to which an organisation can independently take decisions regarding the level of salary, promotion, evaluation, appointment and dismissal of specific employees. This type of autonomy is called operational personnel management autonomy captured by the OPA 1 index.

The financial management autonomy relates to the extent to which in its overall budget an organisation can shift between personnel and running costs as well as between personnel or running costs on the one hand and investments on the other hand. This type of autonomy is captured by the FA 2 index. Furthermore, autonomy in terms of choice of policy instruments is defined as the extent to which an organisation can independently choose its policy instruments (subsidies, etc.). This type of autonomy is captured by the POINST index.

The degree of control is measured by indexes of ex-ante and ex-post control. The index of the ex-ante control (EXANCO) is based on two variables: 1) the presence of a board in an organisation and its functions (advisory and decision-making); 2) the procedure of appointing a head of an institution and the term of appointment (permanent or fixed-term). The index of the ex-post control (EXPOCO) is based on five variables: 1) the involvement of an organisation in setting its goals; 2) reporting about results and achieved goals; 3) the evaluation of the results and goal attainment; 4) the existence of rewards and; 5) the existence of sanctions.

Table 4 indicates that there is no statistically significant relationship between the level of autonomy

and the EU's influence. In particular, it shows that the organisations, which were established as a result of the influence from the EU (EU IMPACT), do not enjoy larger autonomy in making decisions regarding its personnel (SPA1 and OPA1), financial resources (FA2) and choice of policy instruments (POINST).

Table 5 indicates that the relationship between the EU's influence and the degree of control of public sector organisations is far from straightforward. There is no statistically significant relationship between the influence of the EU and the *ex post* control. However, there is statistically weak correlation between the EU's influence and the *ex ante* control: the organisations, which were established as a result of the EU's influence, experience higher *ex ante* control than other public sector organisations. This is an interesting finding.

On the one hand, this COBRA data clearly rejects the idea that during the EU accession Lithuania downloaded from the EU new institutional models based on the ideas of NPM. In this case we should have found a positive correlation with the *ex post* control (our findings do not confirm this) and a negative correlation with the *ex ante* control (our findings indicate the opposite). Therefore, it seems that, if there was any kind of learning of institutional models involved in the accession process at all, it was the transfer of traditional Weberian-style institutional models rather than those based on the ideas of NPM. However, the statistical relationship is too weak to make any firm conclusions at this point.

Our findings enabled us to reject the third hypothesis. The EU had no impact on the level of autonomy of public sector organisations. Furthermore, the EU had no impact on the level of *ex post* control and very a weak impact (in the opposite direction than expected) on the level of *ex ante* control.

In order to test the fourth hypothesis – formal autonomy of the Lithuanian organisations should correspond to their actual autonomy and control, because of the tradition of continental public administration – an additional variable of formal autonomy (FORMAUT) was constructed. This was done by grouping all public sector organisations, which participated in the 2008 COBRA survey, into four groups as discussed in the first section (see Table No. 1 above). The variables of autonomy (SPA1, OPA1, FA2 and POINST) and control (EXANCO and EXPOCO) are the same as discussed above.

Table 6, which presents the outputs of these correlations, shows a strong relation between the formal autonomy as well as strategic personnel autonomy and ex-ante steering. This means that actual autonomy of the Lithuanian public sector organisations strongly matches their formal autonomy in strategic personnel

management: Lithuanian civil service authorities are bound by the central rules of personnel management. However, there is no similar relation between the formal and actual autonomy in the area of financial and operational personnel management. It is possible that

the application of these rules could vary in different Lithuanian public sector organisations. Therefore, the fourth hypothesis is true in terms of strategic personnel management autonomy and ex-ante steering, but the hypothesis does not hold in other cases.

**Table 4: Outputs of the correlation between the autonomy of organisations and the EU's influence**

		SPA1	OPA1	FA2	POINST	EU_IMPACT	
Kendall's tau_b	EU_IMPACT	Correlation coefficient	,085	,125	,145	-,070	1,000
		Sig. (2-tailed)	,416	,255	,251	,535	.
		N	73	71	54	59	73

\* Correlation is significant at the 0.05 level (2-tailed).

Source: The analysis of the COBRA data, 2008.

**Table 5: Outputs of the correlation between the control of organisations and the EU's influence**

		EXANCO	EXPOCO	EU_IMPACT	
Kendall's tau_b	EU_IMPACT	Correlation Coefficient	,224*	,024	1,000
		Sig. (2-tailed)	,046	,814	.
		N	53	64	73

\* Correlation is significant at the 0.05 level (2-tailed).

Source: The analysis of the COBRA data, 2008.

**Table 6: Output of the correlations between the formal autonomy as well as actual autonomy and control of the Lithuanian public sector organisations**

		SPA1	OPA1	FA2	POINST	EXANCO	EXPOCO	
Kendall's tau_b	FOR-MAUT	Correlation coefficient	,469**	-,069	-,211	-,089	,362**	,173
		Sig. (2-tailed)	,000	,559	,112	,471	,003	,106
		N	63	66	51	54	48	59

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: The analysis of the COBRA data, 2008.

Both variables of the ex-ante control index (the presence of a board and its functions as well as the appointment of a head of institution) are strongly linked with the formal autonomy. This correlation implies that the higher is the formal autonomy of the public sector organisations, the stronger is their *ex-ante* control. For instance, the heads of less autonomous civil service authorities are usually recruited for a life-long tenure by special internal recruitment commissions, while the heads of more autonomous public non-profit institutions are appointed by their owners or other stakeholders on the basis of fixed-term and non-fixed-term contracts that could be ter-

minated. However, there is no significant relation between formal autonomy and the ex-post control of the Lithuanian public sector organisations. Therefore, the so-called compensation position [15] is true only in the area of ex-ante control due to the legalistic nature of Lithuanian public administration.

An important finding of this paper is the fact that formal institutions (or legal procedures) matter in defining the arrangements of control and autonomy in Lithuania. New Lithuanian organisations are established or the existing organisations are re-organised on the basis of the existing legal framework. It should be noted that in Lithuania, unlike in other countries,



there is no special legal regime for regulatory authorities. Therefore, almost all regulatory organisations have been established as state budgetary institutions because other legal types of public organisations (public non-profit institutions or state-owned enterprises) are more suitable for the provision of public services or products. Consequently, they obtained little financial and personnel management autonomy.

The establishment of the Communications Regulatory Authority provides an interesting example. One case study reported a strong disagreement between the Government and the President concerning the accountability of the Communications Regulation Authority as well as the appointment of its director and board, which contributed to delaying its establishment [23]. This regulatory authority obtained a few special provisions in its control arrangements: its director and board are appointed by the President upon the proposal of the Government, but it is not subordinate to any institution. There were a few attempts to increase the control of the Communications Regulatory Authority during its functioning: during the preparation of a new communications law in 2002 the government made a proposal that the director of this authority should be appointed by the Government, but it was not adopted.

An important role of informal institutions is apparent in the establishment of public non-profit institutions. According to the 1996 Law on Public Non-profit Institutions, the purpose of this institution is to serve the public interests in the activities of education, training, research, culture, health care, environment, sports, social and legal assistance. As it was mentioned, these institutions have large autonomy: they always operate outside the legal framework of the Civil Service Law (e.g. the government should not approve the positions of civil servants) and often outside the Budgeting Law (often they have no status and obligations of budgetary appropriation managers). Since the establishment of a new state budgetary institution required the approval of the government (to allocate a certain number of the civil service positions) and the Ministry of Finance (to introduce a special budget line for a new appropriation manager), the Lithuanian ministries and other institutions found the possibility of circumventing the direct control of the government and the Ministry of Finance. They sometimes used an informal practice of establishing public non-profit institutions for the purposes other than those indicated in the Law on Public Non-profit Institutions.

Therefore, the number of such institutions has expanded since 1996. It was estimated that the number of public non-profit institutions, whose owners or

stakeholders are the Lithuanian ministries, reached 117 in 2003 and 128 in 2007 [22]. The Sunset Commission, which reviewed 99 public non-profit organisations in 2007–2008, found that they often carry out public administration functions not related to the provision of public services. Consequently, the status of a state budgetary institution would have been more appropriate to implement these functions [18, p. 3–4].

## Conclusions

The paper sought to assess the impact of the EU and domestic factors (independent variables) on the setting up of Lithuanian public organisations as well as the level of their autonomy and control (dependent variables). The analysis was based on the results of COBRA survey, which was carried out in 2008 and other secondary sources of information. The analysis leads to two main conclusions.

First, the impact of the EU on the proliferation of public sector organisations was substantially larger than the impact of domestic factors (changes in the governing coalitions and economic developments). The EU's impact was particularly strong during the pre-accession (1998–2002) period. Furthermore, the adoption of *acquis communautaire* led to the establishment of public sector organisations, which cover the area of economic regulation and implementation of such redistributive policies as the CAP and the Cohesion policy.

The lack of political initiatives in the area of organisational reforms explains why the process of institution building or strengthening was not related to the political terms of the Lithuanian governments (with some exception of the 1999–2000 government). Furthermore, economic developments did not have a strong impact on the establishment of public sector organisations (with the exception of 1999, when fiscal constraints delayed the establishment of new organisations). However, the situation is likely to change from 2009: a new coalition government (headed by Prime Minister Andrius Kubilius) already initiated, approved and even implemented several important organisational changes.

The autonomy and control of Lithuanian public sector organisations is more a result of domestic formal and informal institutions rather than the EU's influence. Both the COBRA survey and other sources of information (such as case studies and government or media reports) support this conclusion. For instance, the COBRA data proved that the actual autonomy and control of the Lithuanian public sector organisations corresponds rather well to their formal autonomy and control.

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### **Lietuvos viešojo sektoriaus organizacijos: ES įtakotas plėtimasis nacionalinėje autonomijos ir kontrolės sandaroje**

Santrauka

Straipsnyje nustatoma, kas turėjo didesnę poveikį: ar ES, ar nacionaliniai veiksniai, steigiant naujas viešojo sektoriaus organizacijas ir apibrėžiant jų autonomijos bei kontrolės ribas. COBRA 2008 m. apklausos rezultatai ir kitų duomenų analizė parodė, kad ES turėjo gerokai didesnę poveikį viešojo sektoriaus organizacijų daugėjimui nei nacionaliniai veiksniai (valdančiųjų koalicijų ir makroekonominės padėties kaita). Kita vertus, Lietuvoje dominuojanti kontinentinės Europos teisinė tradicija turėjo gerokai didesnę poveikį organizacijų autonomijos ir kontrolės tvarkai nei ES.