

## Challenges for Quality Governance in Central and Eastern Europe

Barbara Kudrycka

*Bialystok School of Public Administration,  
Dojlidy Fabryczne 26, Bialystok, Poland*

*One of the main concerns in contemporary public administration theory and practice is the question of governance's quality. This article concentrates on quality governance issue in the countries of Eastern and Central Europe and Commonwealth of Independent states. The author distinguishes two aspects of the question: capacity building through institutional reforms and through people.*

Raktažodžiai: *kokybiškas valdymas, gebėjimų ugdymas, institucinės reformos, transformacija, modernizacija.*  
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### Introduction

In last decade the Countries of Eastern and Central Europe (CEE) and the Commonwealth of Independent States (CIS) have attempted triple transformations: from single party states to pluralist democracies; from centrally planned economies to free market economies; and from subordination to independent statehood [17, p.43].

The Central and Eastern Europe Countries, even if they were marked by similar communist regimes and a similar modern history, have different forms of governance. They also have different philosophies about the values government should express and the roles it should play. Consequently, one can not recommend uniform approaches within all countries to achieve the right balance in governance. Each society must find its own balance based on the particularities of its own social, economic and cultural values. Common patterns of political, economic and social change may be applied to each of three different regions which coexist in Central and Eastern Europe.

In this context it's possible to distinguish the three regions. Those regions are: Central Europe and the Baltic Countries (CE&BC), the West Balkan Countries (WBC) and the Commonwealth of Independent States (CIS). Central Europe and the Baltic Countries include: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia, (accession countries to European Union

(EU) in 2004) and Bulgaria and Romania (accession countries to EU in 2007). The region of the West Balkan Countries includes Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia, Macedonia and Kosovo. The Commonwealth of Independent States includes countries from Europe as well as Central Asia: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Although many governments in the mentioned countries, with transitional economies, are transforming their roles, not all states have successfully abandoned traditional functions and embraced those needed to promote economic growth and competitiveness nationally and internationally. For example, in the CE and Baltic countries (CSB), the officially measured gross domestic product (GDP) bounced back from the transition recession and had recovered to its 1990 level by 1995-1998, and exceeded that stable level by around 6 % in 2000. In the CIS, GDP in 2000 stood at only 65 % of its 1990 level. GDP in Poland increased by more than 40% between 1990 and 1999, it shrank by 40% during the same period in the Russian Federation. In 1998, one in five people in the region survived on less than US\$2.15 a day, a standard poverty line. A decade before fewer than one in 25 lived in such absolute poverty. While absolute income deprivation at those levels is virtually nonexistent in many Central European countries, it is as high as 68% in Tajikistan, 50% in the Kyrgyz Republic and 40 % in Armenia. Inequality has increased so much in CIS countries such as Armenia, the Kyrgyz Republic, and Russia that they have come to rival the most unequal countries in the world [15].

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*Barbara Kudrycka* – Bialystoko viešojo administravimo mokyklos profesorė.

El. paštas: [bkudrucka@wsap.bialystok.pl](mailto:bkudrucka@wsap.bialystok.pl)

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As the above data suggest, in too many places CIS living standards steadily declined during the 1990s. Much of this decline has been ascribed to weak governance, ineffective rule of law, inadequate protection of property rights, widespread corruption and ill-advised policymaking serving special interests. Countries like Russia and Ukraine are far from unique in facing a serious challenge (which their newly elected governments may try to address) [9]. However, the Central Europe and Baltic Countries have generally been successful in implementing reforms to bring them very close to European integration. What are the main factors to determine the success of reform efforts in the area of governance, what are some of the most successful approaches to emerge in the regions? These are just some of the questions currently facing policy makers and theoreticians in CEE countries today.

### Capacity building through institutional reforms

Quality governance reflects the sum of the multifaceted interactions among public sector organizations, private sector organizations, the market and the civil society. Public administrations alone cannot meet all the challenges of governance. The private

sector and civil society also have an important role. To ensure quality governance working in partnership with other governance players and stakeholders is crucial.

A sustainable system of governance not only requires some modernization of the public sector but also some degree of compatibility with other segments of society like the private sector, market and non-profit organizations. When assessing the transition process in CEE countries, we should take into consideration the four segments of a modern culture of democracy which shall be transforming together foreword future improvements. G.Bouckaert and Ch. Pollitt, distinguish in a reform process three situations: institutionalization, transformation, and modernization - and combine these with a coherent set of actions in these four segments of the modern culture of democracy: public and private sector, the market and the civil society networks [10, p.305].

The first situation concerns the formation of an administrative system (institutionalization), the second aims at changing the system (transformation), the third concerns change, not of the system, but to the system (modernization). This has an operational impact on public and private organizations, on markets and on networks (table 1).

*Table 1. Governance and tendencies (G.Bouckaert, Ch. Pollitt)*

	<i>INSTITUTIONALIZE</i>	<i>TRANSFORM</i>	<i>MODERNIZE</i>
Public sector organizations	Create public institutions and organizations	Open public institutions	Install transparent new forms of public management
Private sector organizations	Create private institutions and organizations	Open private institutions	Adopt to ICT and knowledge-based economy
Markets	Create markets	Open markets	Generalize market-type mechanisms
Networks	Create civil society	Open civil society	Trigger networked multi-layered ICT societies

The reform achievements of the CIS and Western Balkan Countries clearly indicate that these countries are still at the stage of institutionalization of their reforms, while the Central Europe Countries and Baltic States are in the stage of transformation of their systems. Governments' performance improvement has been a common goal of most CE&BC governments over the last decade and in some countries much progress has been made in improving the quality of governance, increasing implementation of the rule of law, and in some sectors improving the productivity of public administration (i.e. audit and evaluation studies, result based programs). However, for the CE& BC reform process, the importance of accession into EU is critical.

Accession into EU provides these countries with a wider and more stable market and integration into the EU economic system promotes structural reforms in CE&BC. An important aspect of this process is the possibilities to get assistance from EU structural and other funds. In addition accession into the EU attracts foreign investments as well as introduces new technologies and strengthens the non-government sector and the institutional environment in CE&BC. Hence, today the challenges for reforms of CE&BC are on strengthening transparency and the openness of the public sector, private sector and the market as well as non-government organizations. This signifies a system in the transformation stage, whereas Western European Countries undergo reforms of

modernization which concerns changes not of the system, but to the system.

J.Jabes stress that “For developing reforms process in the last ten years, the most important challenge for some (8-10) countries was their formal application to become members of the EU. To do that candidate countries not only changed their national laws to fit with those of Europe, but in the process also had to transform nearly every active institution in their public administration systems” [7, p.506]. So today we can say that the governments and public administration of CE&BC are entering a second stage of development where quality and openness begins to matter. For these administrations, it is not simply enough to deliver a service – given that its quality is increasingly the subject of public scrutiny and debate.

The above mentioned two main different stages of reforms (institutionalization and transformation) in which CEEs countries remains indicates that the development of transitional countries can not be uniform. While the first group of countries is generally at the same stage of institutional reforms (CIS, WBC), the others start the next stage opening modernization (CE&BC). Moreover, regarding CIS and WBC more and more practice has shown that applying western models into cultural contexts which are either very different or not ready to absorb them, leads not only to resistance but often to delays in the reform process. Looking at these differences the important questions arise: which factors for quality of governance are most important for the sustainable growth and development of the region now and how do we identify them.

Before assessing the level of quality of governance which influences political, economic and social change in every CEE region, we shall discuss the definition of governance. According to D.Kaufmann and A.Kraay governance means: “traditions and institutions by which authority is exercised in a country. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them” [9].

Quality of governance may be measured by different indicators. The World Bank ranks the quality of governance of countries and regions on the following factors: voice and accountability, political instability and violence, government effectiveness, regulatory burden, control of corruption [16]. The European Institute of Public Administration offers a Common Assessment Framework (CAF) which is focused on nine key elements of self assessment of public organization: leadership, policy and strategy, human resource management, external partnership and

resources, process and change management, customer/citizen oriented results, impact on society, key performance results. The World Economic Forum uses a national competitiveness balance sheet that ranks countries and their governments on: growth competitiveness, current competitiveness, other indicators, including technology, public institutions and macroeconomic environment.

Similarly, The World Competitiveness Yearbook published by the Institute of Management Developments ranks the competitiveness of countries on four sets of factors: economic performance, government efficiency, business efficiency and infrastructure – including basic infrastructure, technological infrastructure, health and environment and value system.

Governments have an important policy role in creating conditions that allow these factors to develop or be strengthened within their countries in order to enhance national competitiveness and produce a better standard of living. The United Nations Conference on Trade and Development points out that “the basic policy challenge facing most developing countries remains how best to channel the elemental forces of trade and industry to wealth creation and satisfaction of human wants”. The World Bank contends that competitiveness and economic growth reduce poverty when countries enact and implement policies based on two pillars of development, building a good investment climate in which private entrepreneurs will invest and generate jobs and produce efficiently, and empowering poor people, investing in them so that they can participate in economic growth [16].

All of the indicators and measuring methods have received some positive opinion as well as criticisms. But there is no doubt that a strong linkage between governance and the economic growth of the nation exists. As D.A.Rondinelli points out: “Economical growth is the most powerful weapon in the fight against poverty. Growth creates jobs that use labor, the main asset of the poor. As growth proceeds, private sector employment becomes the major source of economic support for the majority of workers and their families. Government policies stimulating national economic growth made markets work for the poor by strengthening the assets of the poor, so that they could participate more effectively in economic activities. They provide social and economic services – education, health services, water and sanitation facilities – that reduce poverty and services and infrastructure that help expand small – and medium-sized enterprises. Encouraging effective private investment increased the number of jobs and raised labor incomes [12].

D.A.Rondinelli stress that, the most important roles of governments in an era of globalization are to set the “rules of the game,” and to protect vulnerable

groups from the ill effects of market failures. The traditional economic roles of government in a market system are to protect the health, safety, security, and welfare of the population, to establish and enforce fair and equitable rules for market behavior, and to ensure open competition. In order to deal with market failures, governments often intervene in the economy to counter the negative impacts of business cycles, of “free riders,” of social inequities, and of “spillover effects” (i.e., the negative impacts of one group of people or territorial jurisdiction from activities in another) [13].

Although in most cases markets can deliver goods and services efficiently, in CEE countries under transition, the private sector cannot profitably provide socially valued “public goods.” Personal and national security (police, judicial and penal systems, the armed forces), universal education, health and welfare services, and low-cost housing are more accessible by post-communist society when they are delivered by governments or nonprofit organizations. Governments in CEEs play a strong role in the economy when the private sector cannot or will not offer goods or services at affordable prices to a poor population. In a market system, governments can help assure access to opportunity and participation in economic activities, although they cannot guarantee equal distribution of benefits. In CEE countries, governments are also significant purchasers of products and services from individuals, households, and businesses.

Efficient markets in CEE countries require, among other things: agricultural institutions that allow ownership and transfer of land and access to financial resources and agricultural technology, and that promote innovation; institutions for the governance of firms and application of business laws; financial institutions that enhance access to investment and operating capital; political institutions that develop public policy, promote judicial efficiency, and effective regulation; and formal and informal social institutions through which people and groups can interact [16].

Studies in Central and Eastern Europe indicate also that increases in foreign direct investment by transnational corporations help transitional countries integrate into international production and marketing networks, provide opportunities for small- and medium-sized companies to become suppliers to international companies and bring technology and managerial experience that can spread throughout industry [8].

The NISPACEE publications clearly indicate that the most important roles of governments in sustainable growth and development in CEE countries are: 1) creating a strong institutional structure for market competition especially in CIS and WB countries;

2) initiating and sustaining macroeconomic reforms; 3) strengthening rule of law; 4) establishing institutional reforms for independent and efficient judiciary; 5) enacting and implementing policies that support private small and medium size enterprise development; 6) improving government efficiency, accountability and responsiveness; 7) support professionalism of civil services; 8) protecting the economically vulnerable; 9) better use of financial resources for health care and education and plus more targeted social protection to improve the lives of poorest people; 10) strengthening and supporting organizations of civil society and 11) involvement of NGOs and private business for activities in social issues [3; 4; 6; 18].

For CE and BC, also very important are the simplifying of the administrative environment and removing burdens for free market activities, developing efficient horizontal coordination as a precondition for government achievements, introducing E-governance as an important tool for efficiency and transparency, developing strong cooperation with non-government and private organizations [5].

### **Capacity building through people**

But almost all these initiatives are essentially about money, and while they are indispensable features modern governance, they do not engender an “intelligent” state recognized for its ability to reform and innovate. But the challenge of quality governance is about capacity building not only through reforming institutions and the economic status of the states. Establishing new institutions is not enough for the implementation of reforms and innovations. We all know that many newly established market institutions have despaired in the complicated environment of CIS & WBC and many laws and decrees are not implemented through secondary regulation to public life. From a general point of view, it may be indicated that a lot of financial and intellectual efforts was done in CEE in vain.

Abandoning the structures and systems of the past to give way to a newer modern model is very difficult, and especially challenging for governments, since most of their activities have traditionally been governed by old rigid rules. Civil servants from my generation have been trained to follow orders and directives, command and be under control: a very efficient way to ensure uniformity and consistency but a new management model is needed in transitional countries. The old one was poorly suited to encourage innovation, flexibility and a new way of thinking about the new role of state. This dimension has created a crisis of leadership in the public sector and generates and influences mismanagement, faults, mistakes and even fraud and corruption.

That is why the most important challenge of quality governance in CEE countries is about capacity building through people. This challenge was also recognized by the Committee of Experts of the UN ECOSOC. The main finding of the Committee stressed that “the challenge of good governance is about capacity building through people and institutions. Through their knowledge, know-how and skills, people are at the heart of the performance of the State, for it is people who provide services, innovate and carry out reforms” [11].

According J.Bourgon: “after so many years of discussion about fiscal imperatives and market forces, the agenda is becoming whole again by giving predominance to what matters most ... people, their skills, mind and soul and their ability to change the world. People are the source of all innovation and the most important source of wealth” [1].

Coming back to the D.Kaufman and A.Kraay definition on governance one can say that not only tradition and institutions but also the people “by which authority exercised in the country” affect important characteristics of governance [9].

Speaking about the people in governance and human resources reforms in CEE countries one can stress that the special attention of research and activities should be focused on the groups of individuals who can have a very powerful impact on the direction which governments takes. It should be addressed then to officials: national and sub-national governments (elected leaders, appointed senior government officials, senior civil servants) and leaders in the public, private and non-profit sectors. Improving the quality of human resource management should be addressed at the beginning to leaders of public administration. This modern leadership should find an easily operational way of defining it in order to determine to whom one would direct one’s efforts.

G.Bouckaret says that “renewed public leadership consists of three components, which should interact in a renewed way: new political leadership, executive and legislative, new administrative leadership and new citizen leadership. This may result in rebalancing the power in society. A specific actor in this side ... is the media, which has a major responsibility in renewing leadership in society” [2].

A.Rosenbaum speaks that, the competencies most necessary for top level government leadership to function effectively in a globalizing world are the ability to: convey complex ideas orally and in writing; adapt rapidly to change and complexity, to foster effective collaboration; see situations as others see them; build democratic institutions; foster ethical awareness and sensitivity; develop enhanced self management capability; entrepreneurialism and risk-taking ability; engage in strategic planning; facilitate

effective staff professional and personal development; build and nurture harmonious multi-ethnic, multi-cultural gender equitable environments and focus in an increasingly diffuse environment [14].

Developing these areas of competency ensure a seamless process of intellectual growth. Consequently the main task of governments should be preparing highly competent and qualified knowledge leaders who will have the added characteristic of being learners, innovators and entrepreneurs. Lifelong learning and personal employability will become the main source of personal security of these leaders rather than traditional job security.

Enhancing new government leaders in these new abilities gives new complexion to modern, intelligent leadership. Improvement of these areas of competency of leaders is especially important in CIS and WB countries since authority in their public sectors is still highly centralized and control and loyalty are treated as values and measures of performance. Likewise, too often people are instruments to achieve results and human capital is treated as secondary to financial and physical capital assets.

In this old environment only new intelligent leadership may give new moral impact between government and its employees and guarantee the full implementation of new innovative reforms in the public sphere. That is not purely institutional reforms, but human resource management reforms, which give new faces of leadership, may change our world toward expecting new ideas and values and fighting poverty.

It should be done through building quality governments that must recruit and retain their its fair share of the best talent through an efficient recruitment strategy, based on merit and competence combined with a retention strategy of the most critical skills and through reasonable compensation and adequate working conditions. According to the Committee of Experts of the UN ECOSOC, the transformation of hierarchical, Weberian modeled public sector organizations to open learning institutions will likely involve shifts from:

- individual tasks to the performance of the overall organization,
- focus on a job, to focus on a mission and results,
- training to lifelong learning,
- repetition of predictable functions to innovation,
- employment for life to employability with safeguards;
- a top-down management model to horizontal teams and networks; and
- an inward, to an outward orientation towards all segments of society [11, p.6].

This new kind of intelligent leadership will also ensure that more people are more knowledgeable about all aspects relevant to the mission of their governments or the collective undertakings of their society. It means that building the learning infrastructure of the country will not be any easier or less costly than building the physical infrastructure of the industrial era. But lifting people from poverty, providing health services, providing a decent environment, these are essential to ensure that no one is excluded from the benefits of lifelong learning as a way to grow and develop in a free society [1].

Furthermore, the conceptual work of new leaders is essential to support progress in the sectoral areas responsible for the issues important for the sustainable growth and development of CEE countries as such as income, poverty, health, education, employment and the environment. CEE states will better achieve the targets in these areas if they can rely on intelligent leadership in governance, an innovative civil service, an educational revolution for society and fruitful public-private partnerships.

Central and eastern European countries reinvent and build public institutions changing the quality of governance through the people and for the people. Quality of governance represents the face of our new generation and they hope for better future in Common European Space and in the global village.

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Barbara Kudrycka

### Iššūkiai kokybiškam valdymui Centrinėje ir Rytų Europoje

#### Reziumė

Kokybiškos valdžios problema yra ypatingas šiandienos viešojo administravimo teoretikų bei praktikų rūpestis. Centrinės ir Rytų Europos valstybėse bei Nepriklausomų Valstybių Sandraugoje pastebimos įvairios transformacijos. Bendrame valdžios reformų procese galima išskirti institucionalizaciją, transformaciją ir posūkį link modernizacijos. Kadangi viešasis administravimas šiandien nepajėgus vienas įveikti laikotarpio siūlomus kokybės reikalavimus, tai pasiekti galima tik kooperuojantis su privačiu sektoriumi bei pilietine visuomene, atsiliepiant į rinkos ekonomikos reikalavimus. Dėmesys sutelkiamas prie dviejų kokybiško valdymo aspektų: sugebėjimų stiprinimu vykstančiomis institucinėmis reformomis ir stiprinant atskirų asmenų sugebėjimus.

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