

# AMBIGUITY IN POLICY LESSONS: THE AGENCIFICATION EXPERIENCE

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The policy transfer literature identifies the importance of context in shaping policy selection. However, countries with distinctly different contexts are pursuing the agencification of the public sector. Why? The solution to this puzzle lies in the ambiguity associated with public management ideas, which allows policy adopters room to interpret management doctrines and experience. The result is that public management ideas that carry the same identifying label can mask variation in the understanding of the policy, the motivation for adoption and in implementation outcomes. The process of interpretation allows policy-makers in different contexts to: (1) adopt superficially similar policy concepts; (2) overlook negative experiential learning that contradicts the policy doctrine; and (3) adopt policies unsuitable to the national context.

## INTRODUCTION: THE AGENCY IDEA

The concept of 'agencification', or distributed governance, is a core element of the New Public Management (NPM) and perhaps its most frequently adopted and far-reaching policy proposal. Pollitt *et al.* (2001, p. 271) point to 'an apparent global convergence' in the adoption of the agency form. Talbot (2004, p. 6), consistent with other definitions (Pollitt *et al.* 2001, pp. 274–75; OECD 2002, p. 4), offers three basic criteria that characterize the NPM version of agencies:

1. Structural disaggregation and/or the creation of 'task specific' organizations;
2. Performance 'contracting' – some form of performance target setting, monitoring and reporting;
3. Deregulation (or more properly reregulation) of controls over personnel, finance and other management matters.

Despite the wide adoption of agencification, there are great gaps in understanding why it is undertaken and how it works; gaps which become more dramatic as it is applied in markedly different contexts. The OECD puts it succinctly: 'Overall, it is poorly defined territory...there is no general overview of agency creation in developing countries or transitional economies comparable to the OECD [country] work' (OECD 2002, p. 4).

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The agencification experience allows us to ask some interesting questions: how do different nations come to adopt the same basic idea? How – and why – do they do it differently? What do these differences tell us about the processes of reform and policy selection? Indeed, the varying understandings of agencification in different settings demonstrate that public management ideas that carry the same identifying label and basic prescriptions can be constructed in different ways, adopted for different reasons and lead to different outcomes. This article offers a theory of how such policy ideas are interpreted to match the needs and context of a particular state. The interpretation process shapes what policy-makers think they are adopting, why they are doing it and what expectations they have. To illustrate this point, I examine the adoption and record of agencies in different settings. In particular, I look at the oldest source of experiential information about agencies – Sweden – and the best known – the UK. I then examine in greater detail the record of a transitional country that has received less attention in public management research, Slovakia.

### **CATEGORIES OF POLICY LESSONS: DOCTRINES AND EXPERIENTIAL LEARNING**

One of the difficulties in examining policy adoption in different countries is in categorizing what has actually been transferred and adopted. Hood and Jackson (1991) have argued that NPM ideas are best understood as a series of doctrines: administrative arguments that provide a plausible – though neither empirically nor scientifically based – explanation of the problems of the public sector and the means to solve those problems. The intended effect of doctrines is to convince political actors to undertake specific changes.

However, simply looking at the transfer of ideas or doctrines provides an incomplete picture of the information available to adopters. With some exceptions (see, for example, Rose 1993; Olsen and Peters 1996; Lodge 2003), the literature of policy transfer is guilty of a failing typical of social science: overlooking learning from experience (Mantzavinos *et al.* 2004). Policy adoption in a particular place and time provides the opportunity to create experiential learning for others. I therefore identify two additional categories of information: positive experiential learning and negative experiential learning. Experiences are defined as negative if they contradict or undermine the claims of the doctrine: by suggesting either that the reforms are not as effective as claimed; that they have unanticipated consequences; or that they make existing problems worse. Experiences are positive if they serve to reinforce the claims of the doctrine and are success stories that provide evidence of the effectiveness of reforms. The simplest and most frequently represented type of positive experiential learning is the adoption of a doctrine by another government. Even without evidence that the claims of the doctrine are fulfilled, adoption by others provides a sense of legitimacy and an expectation that the reform works at some basic level (Rose 1993; Bennett 1997).

## CONTEXT, INTERPRETATION AND POLICY SELECTION

To accept the image of global NPM policy convergence assumes a passive acceptance of NPM doctrine, reinforced by positive experiential learning. This 'convergence' theory is too simple and easily rebutted since we find significant variation between NPM adopters (see Pollitt and Bouckaert 2004). The 'convergence' theory falters because it ignores a host of domestic factors that cause adopters to actively reshape the basic doctrine to fit the local context. The literature of NPM transfer suggests that new ideas, presented in doctrinal form, operate as inputs and are rejected or adapted by actors who are shaped by the constraints of their environment. Environmental factors include economic pressures, chance events, resources, political institutions and ideology, external stakeholders, social values, and administrative culture (Weaver and Rockman 1993; Schick 1998; Christensen and Lægveid 1999; Pollitt and Bouckaert 2004; Pollitt and Talbot 2004; Hammerschmid and Meyer 2005). Previous policies, norms and structures become part of the present day context in which actors are embedded and new policies are considered (Weir and Skopcol 1985; Hood 1998; Nunberg 1998). This approach might be summarized as 'context matters to policy selection'.

The 'context matters to policy selection' approach is an advance on 'convergence' theory. However, the 'context matters to policy selection' approach suggests a near automatic process of matching between environment and policy options. This is problematic because it fails to explain the prevalence of similar doctrines in very different settings. If context was the sole determinant of policy selection, we would expect states with different political motivations, history, administrative and societal cultures, and administrative contexts, to adopt distinct public management policies. Variation in context should create variation in policies selected. But despite major contextual differences, the concept of agencification is malleable enough to satisfy policy-makers in Sweden, the UK and Slovakia, as well as other countries with major differences. If domestic factors produce variation in policy adoption, why then do countries with very distinct domestic concerns opt for what appears to be the same reform?

A third approach is needed, based on the idea that 'context matters to interpreting lessons'. The novel theoretical claim made in this article is the emphasis on how the ambiguity of doctrine and experiential information are interpreted and matched with the characteristics of very different settings. This is illustrated in figure 1, where context shapes policy selection indirectly, by shaping the interpretation of adopters. How policy-makers *understand* policy lessons will, in turn, shape how they adopt and implement policies.

A key assumption of this approach is that policy lessons do not hold objective meanings. Instead they are ambiguous and therefore subject to multiple interpretations. Similarly, users have wide scope in selecting, highlighting or discounting experiential information about whether policies have succeeded or failed. Policy learning and selection is therefore not merely reactive to

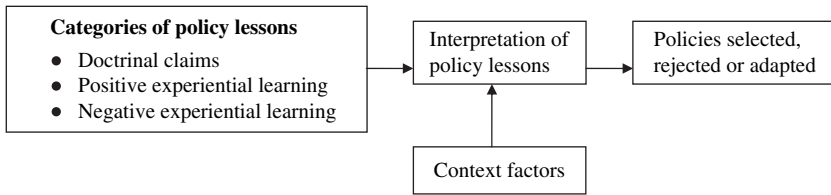


FIGURE 1 *Context matters to understanding and interpreting policy lessons*

conditions. Instead, the ambiguity of doctrine and experiential information is exploited to match the environmental conditions and motivations of the interpreter. In this article, this interpretative process is highlighted by: (1) the ability of different countries with dissimilar contexts to adopt something they each called agencification; (2) the ability of policy-makers to largely overlook negative experiential learning in order to maintain their preferred course toward agencification; and (3) the ability to interpret agencification as suitable to the local context, even though such interpretations were highly contestable, particularly in the case of Slovakia.

There are a number of theoretical bases that support the key assumptions in figure 1: that decision making, ideas and experience are ambiguous and subject to social construction through discourse, and that solutions are loosely connected to perceived needs. March and Olsen (1989) argued that a 'logic of appropriateness' guides adopters to understand, judge and modify policy ideas based on an understanding that acceptable reforms must recognize not only past experiences, and societal and governmental values, but also immovable political structures that determine the distribution of power in a state. The process of selecting solutions is therefore not completely random, but informed by a consideration of local context. However, the ambiguity in searching, learning, interpreting and choosing fosters the garbage-can process of matching loosely coupled solutions with perceived problems (Cohen *et al.* 1972).

A second theoretical source domain comes from discourse theory. Discourse theorists focus on the social construction of meaning. The meanings assigned to objects or ideas are malleable and are communicated through discursive practices (such as talk, memos or reports). The ability to define meaning is powerful, shaping the attitudes and decisions of organizational actors and policy-makers. For instance, in considering accounts of the NPM, Reed (2004, p. 418) suggests that while the concept might hold some common meaning, the use and meaning of the term in local discourse will be shaped by local contingencies.

Consistent with the discourse approach is the concept that ideas are translated into a different meaning as they are transferred from one setting to another. 'Translation occurs because followers in a particular local context interpret (successfully) experiences presented by others according to their own perceived specific problems and interests' (Latour 1996, p. 188). Smullen (2004) offers an example of translation of the agency idea in The Netherlands. She argues that

'while the international language surrounding agencies has been adopted at a number of government levels, this adoption has been selective and translated in ways quite specific to national and organizational contexts' (2004, p. 185).

Public management reforms are particularly prone to ambiguity. Ambiguity in the public sector arises from environmental uncertainty, from unclear goals, and uncertain knowledge about effective organizational technologies (DiMaggio and Powell 1983). This makes it difficult to confidently predict that plausible doctrines will work in practice. Such doctrines present simplified versions of managerial technologies, but are sometimes conflated with political ideology, and often abstracted to a point where the doctrine does not represent a practical description of how to apply the reform in a particular setting. Agencification lacks a consistent definitional characteristic beyond the idea that agencies should have some autonomy. As a result, the meaning of the term can be reconstructed to satisfy policy-makers from countries with different motivations and context (Pollitt 2003).

### **Agency exemplars: Sweden and the UK**

This section of the article seeks to offer a better understanding of agency doctrine and experience, chiefly by presenting a summary of stylized facts about the Swedish and UK experience with agencies. The presentation is necessarily brief, but relies on a strong empirical literature and a series of well-established claims. Most notably, Pollitt and Talbot (2004) summarized the empirical evidence on agencification in different nations, including Sweden and the UK. NPM doctrine suggested that agencies would be more efficient because of a formal separation with the centre of government that allowed them to specialize in service delivery and gave them greater control over management decisions, while being held accountable via formalized contracts and performance standards. The experiential information that emerged posed the following challenges to NPM doctrine:

- Agencies frequently pursue multiple goals rather than a single purpose.
- Agencification has not fostered a clear separation between policy and implementation.
- The creation of new agencies is marked by a high degree of path dependency rather than dramatic change.
- Agencification can undermine policy coordination.
- There is little evidence that performance information is being used.
- Informal non-contractual relationships between agencies and the centre remain an important basis for policy development.
- There is little clear evidence that agencies have saved money, increased performance or reduced the size of government due to agencification.
- Agencification has sometimes weakened central capacity and oversight, increased information asymmetry and bureaucratic/stakeholder influence. Where central oversight has been maintained, it has required the development of an audit-based regulatory system.

The experience of the UK and Sweden provide additional lessons from experience that challenge NPM doctrine.

### Sweden

No country has longer experience with agencies than Sweden, a country which began to structurally disaggregate the provision and production of public services in the seventeenth century. A series of consistent patterns are apparent in the evolution of the Swedish constitution since it was formalized in 1719. The motivation for the original creation of agencies bears little resemblance to NPM doctrine. The legislative branch was strengthened, and the executive branch subject to closer oversight out of a concern for arbitrary and corrupt action. Agencies were seen as a way of professionalizing the public service, reducing the negative influence of politics, and limiting centralized power (Roberts 1986; Pierre, 2004).

Sweden did undertake public management reform in the 1980s and 1990s. In some ways, this reform was consistent with NPM doctrine, but it did not substantially revise the role of agencies and these maintained characteristics consistent with their distinctive history. Similar to elsewhere, the public sector was blamed for fiscal difficulties (Schwartz 1994). However, the search for solutions was not prompted solely by fiscal problems; commissions and elected officials also pointed to the need for what Pollitt *et al.* (2004) term as 'democratic renewal' and what Pierre (1993) calls 'legitimacy'.

The most prominent criticism of the agency model in Sweden was that the efforts to ensure administrative independence had succeeded too well, with ministries struggling to provide adequate oversight and direction, and agencies enjoying a strong information asymmetry over the centre (Laking 2002, p. 36). Directing agencies is difficult, due in part to the fact that agencies are considered to be accountable to the collective Cabinet rather than an individual minister (Larsson 1995, p. 50). In an effort to improve oversight of agencies, Sweden sought to increase the capacity of the centre while downsizing agencies. In 1992, 3500 ministry employees oversaw the work of 361 000 agency employees; by 2002 the ratio improved to 5000 ministry staff overseeing 220 000 agency employees in approximately 300 agencies, or a ratio of 1:45 (OECD 2002, p. 8). By contrast, the ratio in the UK peaked at approximately 1:4 (Molnar *et al.* 2002, p. 154). This imbalance has enabled agencies in Sweden to maintain autonomy (Pierre 2004).

By the early 1980s the Social Democrats had committed to managing the size of the public sector, decentralizing government and providing enhanced opportunities for participation. They saw reform of agencies as an alternative to privatization and as a means of defending the welfare state they had built (Premfors 1991, p. 91). In 1987, agencies were given primary responsibility over human resource management, including conditions of pay and employment. However, central bargaining agreements made at the national and local level have limited the extent of this flexibility, setting the terms of negotiation between employer and employee. In 1990, Sweden abolished its



34 pay grades in favour of an ungraded agency system. The new agreement reduced job security, aiding efforts to reduce the size of government (Wise and Stengrad 1999).

After earlier failed efforts to introduce programme budgeting, the budget process was made more results oriented (OECD 2000). Since 1992, agencies have been required to provide annual reports, including both financial and performance information that will inform an 'objectives and results dialogue' between the agency and ministry. However, Sweden has had problems with basic aspects of performance management. The goals laid out by government tend to be vague, allowing agencies significant discretion in coming up with specific measures (Pollitt *et al.* 2001), measures which are often unrelated to results, of poor quality, or incomplete (Molnar *et al.* pp. 143, 150). There is also little evidence that performance information has changed patterns of decision-making, especially resource allocation. In large part, this is because performance measures are not used in a confrontational manner between ministries at arm's-length from their agencies. Instead, a more informal approach to agency–ministry relationships persists, with actors placing greater value on cooperation and ongoing trust-based relationships. Pierre (2004) argues that this informal dialogue is itself an inheritance from past practices, evolving between agencies and departments to make workable the strict separation outlined in the constitution. Agencies can also influence policy in other ways, through lobbying stakeholder groups and Parliament. As a result, agencies remain active in policy, and lines of political-administrative responsibility remain blurred (Molnar *et al.* 2002).

### **The United Kingdom**

The UK is perhaps the best-known exponent of agencies and, indeed, the articulation of NPM as a coherent doctrine was largely a summary of policy changes already taking place in the UK (Hood 1991). The agency idea was presented in 1988 in a government report, *Improving Management in Government: The Next Steps*. The report argued that ministers were overloaded, that the civil service was too big and too diverse to be manageable, and that uniform controls limited a manager's ability to be effective. The system prevented management accountability, failed to focus on results, was too uniform and needed a sustained pressure for improvement (Jenkins *et al.* 1988). An earlier reform, the Financial Management Initiative, was intended to give managers greater authority in return for a stronger focus on outputs; this reform, however, was resisted in individual ministries. The Next Steps report argued for freeing managers from constraints while holding them accountable for results through a more dramatic structural disaggregation of function. Management autonomy would rest in the newly created agencies, but with stronger direction through performance agreements between ministers and the chief executives that ran the agencies.

The acceptance of the agency concept occurred in the context of a wider reform programme. Prime Minister Margaret Thatcher had an ideological

preference for limited government intervention. She perceived the power enjoyed by senior Whitehall bureaucrats as attributable to the growth of the state, a loss of political control over the public sector, an inability to establish accountability for administrative failures, and an inefficient public sector (Savoie 1994; Barzelay 2001). Once elected, she actively pursued efficiency studies of government operations as well as financial management reforms in tandem with a vigorous privatization programme.

By 1991, 50 agencies, employing 183 000 people were established (Savoie 1994, p. 211). Ten years later, the UK had 140 executive agencies, employing 76 per cent of the civil service (Civil Service Statistics 2001, p. 4; OECD 2002, p. 19). The formation of new agencies was characterized by continuity in the grouping of functions. Pre-existing parts of the public sector, with their own culture and often with their own personnel system, became agencies (Talbot and Caulfield 2005). Departmental–agency relationships were largely shaped by past structures of decision making, organizational histories, attitudes and beliefs (Gains 2004).

Consistent with their new responsibilities, chief executives became more public figures. This did not always suit the government of the day since chief executives were more likely to openly criticize the policy framework in which they worked than the Whitehall bureaucrats of old. High-profile administrators did not result in clearer demarcation of political accountability when things went wrong, something which became apparent after the extremely public feud between the chief executive of the UK prison service, Derek Lewis, and his minister after some notable escapes occurred (Barker 1998).

The Next Steps agencies faced basic performance management challenges, including turning goals into measures (Pollitt *et al.* 2001). From 1990, a handful of minister-specified Key Performance Indicators (KPIs) were collectively reported in Next Steps reports. These are intended to be part of the contracting process. But Talbot and Caulfield (2005) argue that the UK does not satisfy the principal–agent ideal because performance information – either performance targets or previous achievements – do not link to critical decisions, most notably resource allocation, something which continued to be determined by the traditional budget process. In crisis situations, KPIs were virtually ignored and the cause of the controversy that attracted attention often bore little relation to these goals. The UK prison system, for instance, was actually beating its escape targets when Derek Lewis was fired. Another problem was the ubiquity of steering mechanisms imposed on agencies. These included KPIs, business plans, corporate plans, Citizen’s Charter statements, market-testing plans and training plans. Cumulatively, the excess of such steering tools served to obfuscate which of the myriad goals were the important ones. Talbot and Caulfield (2005) conclude that the process is less radical than it first appears, and that the performance framework’s main function was to create conformity to performance as a symbolic value.



While Prime Minister Tony Blair accepted the Next Step agencies, he also sought to fix what he saw as shortcomings in coordination. In 1999, the *Modernising Government* White Paper argued for an increased focus on departments rather than agencies as the basis of accountability. In 2000, the Cabinet released *Wiring It Up: Whitehall's Management of Cross-cutting Policies and Services*; this further promoted the idea of joined-up government. To foster coordination between services, the Blair government encouraged strong working relationships between relevant agencies (James 2004) and undertook a series of cross-cutting spending reviews. The new emphasis on public service agreements between the government departments and the Treasury also signals a shift in the locus of accountability back towards the minister rather than the chief executive. Most significantly of all, the Blair government re-aggregated public services by merging some of the largest agencies and bringing them under closer departmental control: probation services, for example, were merged with prisons and brought under Home Office control, and benefits and employments services were merged under the new Department of Work and Pensions. Most notably, Inland Revenue and Customs & Excise were merged into HM Revenue and Customs, a measure which eliminated the use of executive agencies. This change alone reduces the percentage of civil servants who now work under the agency format to 53 per cent (Talbot and Johnson 2007).

## AGENCIES IN SLOVAKIA

Slovakia, like other central and eastern European (CEE) countries, has sought public management policies consistent with democratic market systems and the demands involved in becoming a member of the EU. CEE states such as Slovakia share a wide variety of challenges reflected in the term 'transitional'. They seek to manage the uncertainty of moving between two vastly different societal models at a time when the prestige and capacity of the public sector is in decline. In the memorable image of Elster *et al.* (1998), the challenge is akin to rebuilding a ship while at sea. They do so after a period of maturation for NPM policies, and so might be expected to look toward how these policies have fared over the last two decades. Our ability to discern Slovakia's public management progress is limited by a much thinner empirical literature than was the case for the UK and Sweden, but is supplemented by interviews with public officials with public management responsibilities in current and former Slovakian governments, as well individuals from international institutions who worked with the Slovakian government on public management issues.

The 1989 'velvet revolution' that saw the demise of communism in Czechoslovakia was followed by a 'velvet divorce' that saw the formation of the separate states of Slovakia and the Czech Republic, formalized by the 1992 Slovakian constitution. The primary focus of Slovakian public management policy since independence has been decentralization, a reaction to the

centralized nature of communism (Kuklis and Bercik 1997). Other public management issues, such as agencification or civil service reform were lower on the policy agenda (SIGMA 2002, p. 1).

Prior to 1995 it was unclear whether or not Slovakia would become a candidate to accession to the EU. Administrative reform was characterized by a multiple false starts and a lack of a central theme beyond the need to decentralize (Nižnanský and Pilat 2002). After 1995, the candidacy to the EU became the dominant focus of reforms, but the government of the time sought to implement change only to the extent that it supported the interests of the government. The Meciar government (1994–98) faced allegations of corruption in the privatization process; it used decentralization as a patronage opportunity (O' Dwyer 2002) and resisted civil service reform even as it recruited bureaucrats to join the main coalition party (Staroňová and Malíková 2005). Partly because of public perception of corruption under Meciar (Swianiewicz 2001), and partly because of the insistent prodding of the EU (Bryson and Corina 2000, p. 510; Henderson 2001, p. 111), the Dzurinda coalition that followed (1998–2002) gave administrative reform greater attention. However, this government, a fragmented and fragile coalition, deferred administrative reform efforts until 2001, when civil service legislation was passed and updated budgetary rules, financial controls and audits were created (Nemec *et al.* 2002). The coalition almost came apart as it returned to the contentious issue of decentralization since some coalition members joined with the opposition in resisting an increase in the number of regions (Staroňová and Malíková 2005).

During this period, agencification was not a prominent part of the public administration policy agenda, and was not presented, as it had been in Sweden, as a potential way of reducing centralized power. Why? The answer is that the Slovakian agencification process was not a dramatic break with the communist past, but was a natural outgrowth of this past. During the time that the communist party controlled almost all aspects of production, the very size and complexity of the state made it impossible for the centre to dominate all aspects of life, making it necessary to provide autonomy to many legal entities. Public agencies did in fact exist under communism and had a legal personality, often enjoying significant discretion in budget and personnel matters. The communist system also saw information asymmetry problems between legal entities and the centre, as well as a battle for policy control (Beblavý 2002a, p. 127).

After the demise of communism, the process of agencification included the creation of new agencies, but also formally recognized the autonomy of existing agencies. The myriad of agencies produced an administrative burden on the centre, while reducing transparency and accountability. A general audit of Slovakian government in 2000 examined 22 ministries and other central authorities totalling 5959 employees, as well as 150 agencies with personnel of just over 35 000 (INEKO 2000). Although the audit excluded some aspects of the public sector, such as the Ministry of Defence, it provides the most

reliable portrayal of the ratio of agencies to central authorities. The audit noted that '(d)espite a decade of privatization, several hundreds of institutions have remained under the control of the central authorities of state administration . . . in recent years, the emergence of ever-new institutions connected with modernization and integration has taken place. If, at the same time, the number of "old" institutions is not cut, their total number is raised beyond a manageable limit which results in the non-transparency of the entire central state administration' (INEKO 2000, p. 6). According to Beblavý (2002a, p. 128), the agency model that emerged from communism was a 'chaotic free-for-all, where organizations often have legally defined autonomy, rights and responsibilities, their staff and particularly managers feel certain informal ownership rights and the distinction between public- and private-sector mentality is blurred or non-existent in the eyes of most actors'.

The domestic political environment of the post-communist era saw a variety of actors who had incentives to support agencification. Agency managers did not view themselves as members of a broader policy process, but as independent actors focused on the delivery of a particular service; they saw agencification as an opportunity to win more autonomy and better pay, while reducing the uncertainty arising from central government policy changes that characterized the 1990s. Ministers and elected officials saw agencification as attractive for a number of reasons. It reduced administrative and financial responsibilities while providing additional patronage opportunities. It allowed policy-makers to claim credit for doing something that might be considered as evidence of fixing difficult policy problems, often passing responsibility for services to agencies without providing equivalent finances to support services (INEKO 2000, pp. 18–19). As agencies sought such resources, agencification also became a way to effectively raise the tax burden without raising income or other major taxes, an attractive option given the difficult financial straits the country was facing. In electoral terms, earmarked taxes or fees justified by a new agency were less visible and less politically dangerous than other tax rises.

Given the transitional context of Slovakia, it is also critical to examine the role of external stakeholders. NGOs and foreign donors such as multilateral banks, the OECD and SIGMA provided a means of communication of NPM doctrine, usually accompanied by positive experiential learning. External stakeholders in a transitional context do more than diffuse ideas; they also hold policy leverage and can create a credible exogenous pressure on domestic actors. This is particularly true of the EU, as CEE candidate countries sought to satisfy the *Acquis Communautaire*, the basic conditions for joining the EU (Verheijen 2003, p. 495). Slovakia created a Department of European Integration, whose sole responsibility was to satisfy the *Acquis* (van Mierlo and Verheijen 1997). The administrative aspects of the *Acquis* served to focus attention on sectoral weaknesses, thereby supporting agency arguments for greater autonomy.

The bureaucracy criterion of the *Acquis* was a 1995 add-on to the initial criteria of 1993. One Commission member of the EU noted: 'we never found a way to judge administrative capacity among the existing member states. It was only in the case of the Central and Eastern European candidates knocking on our door that we erected the barrier of administrative capacity' (Dimitrova 2002, p. 178). Over time, the bureaucracy criterion took shape to include concern about both system-wide and sectoral issues and administrative concerns. However, the sectoral approach achieved earlier prominence, and was effectively defined as one that ensured an administrative capacity consistent with the demands of a single market in sectors such as agricultural policy, taxation and transport (Dimitrova 2002, p. 179). It was not until 1999 that the EU sought to better operationalize administrative capacity as a system-wide concern (SIGMA 1999). The difficulty in forming explicit system-wide bureaucratic standards is due in part to the diversity of administrative structures and traditions within the EU itself. Some member countries were pioneers in the NPM, while others largely ignored it. Such a set of countries is unlikely to agree on a common set of specific administrative standards – beyond, that is, broad values such as dispute resolution and central strategic capacity as well as EU-specific criteria such as coordination of EU affairs and the involvement of the Council of Ministers (SIGMA 1999). The EU took no position on agencification, but did call for policy coherence and coordination capacity.

The relative importance of sectoral administrative capacity is displayed in the EU Commission's annual progress reports for Slovakia accession between 1998 and 2003. The EU offered financial assistance under the PHARE institution building programme, which Dimitrova (2002) argues was 'entirely oriented towards the development of sectoral capacity. The Progress reports have retreated from the issue of horizontal public administration reform'. While the need for civil service reform is a recurring theme in the initial 1997 opinion on accession (EU Commission 1997) and the progress reports, administrative capacity is much more frequently mentioned as a shortcoming of a particular sector, rather than treated as a system-wide need.

The ambiguity of the *Acquis* bureaucracy criterion acted to increase the political leverage of the sector-focused progress reports. One theme that is apparent in the EU reports is the frequent creation of new agencies as part of the accession process, and the need to provide a structural identity and resources to such agencies. Some of the most explicit examples come in the 2000 progress report (EU Commission 2000) for the National Accreditation Service and the Office for Standardization, Metrology and Testing (p. 61), a monitoring authority for state aid (p. 62), an Aviation Office and a regulatory authority for Telecommunications (p. 65). By tying the EU's administrative capacity to specific sectors, Slovakian public managers in those entities found themselves in a stronger position to claim increased autonomy. The EU, by its nature, was most likely to support the autonomy of regulatory agencies

to enable trade. This approach was supported by the more reform-oriented Slovakian politicians who came to power after the Mecair government and who believed that a functioning market system required regulatory agencies free of political control.

The ambiguity of the *Acquis* also increased the influence of twinning – the practice by which a sectoral expert from an EU country is seconded to a candidate country to aid counterparts in building institutional and administrative capacity and ensure the satisfaction of the *Acquis*. Twinning is inherently sectoral in its focus and, after 1997, twinning via the PHARE programme became the dominant form of public administration assistance to CEE countries. There have now been hundreds of twinning projects with CEE countries, and in Slovakia 41 took place between 1998 and 2000 (EU 2000, p. 12). EU advisors offered a model of how a function was organized in their home country. To implement this model, Slovakian public organizations frequently argued for greater autonomy, and many twinning experts tended to support these arguments. A similar pattern was true of the audit of government operations (INEKO 2000). While the audit criticized the number of agencies, and in some cases recommended that they be eliminated, it also critiqued ministry ownership of agencies, and often argued for more formal legal separation.

Agency arguments for greater autonomy were not counterbalanced by a strong central public management agency and, consequently, there was an absence of a coherent system-wide approach to public administration. The Ministry of the Interior had initial responsibility for public administration, but failed to develop adequate capacity. The Ministry of Finance and The Ministry of Labour, Social Affairs and Family have responsibilities for different aspects of public management, but neither ministry has shown particularly intense interest in the topic. After 1998 a special position for administrative reform was created, but the holder, Viktor Nižnanský, was largely focused on decentralization and civil service legislation, and found that legislative support from the Dzurinda coalition did not always match his vision for reform (Nižnanský and Pilat 2002). The absence of strong central direction is part of the reason why agencies in Slovakia lack a systematic conceptual and legal framework. One senior government official I interviewed noted: 'There is not a central department that was a strong advocate for a strategy of agencification. This is partly because we did not think of agencification in the same terms as elsewhere'.

Despite the multiple and sometimes contradictory motivations, the mixture of incentives and power came together to maintain and create agencies: 'Agencification usually occurs when there is a strong coalition with incentives based on positive expectations, and the potential opposition is weak and/or disorganized and/or misinformed. A stylized example is the minister together with the agency head, based on or using foreign pressure, driving through the reform over the heads of indifferent or mildly skeptical staff and public. The "mass" stakeholders – public and staff – are very often

co-opted or at least neutralized by promises of better pay or better service or "general depoliticization" (Beblavý 2002a, p. 130).

### THE THREE CASES EXAMINED

What do the cases tell us about the model of policy learning in illustrated in figure 1, above? First of all, the cases illustrate the variation in understandings of what the agencification idea meant, and the role of context in shaping these understandings. Second, the cases illustrate that context-driven tailoring does not necessarily result in improved public services. Third, the cases demonstrate the propensity to discount negative experiential learning on agencification.

#### The role of context in constructing meaning

While the UK, Sweden and Slovakia each pursued a public management strategy classified as agencification, there are major differences in how the concept is understood. Swedish reformers understood agencies in the context of a series of principles that predated NPM: a constitutionally protected status for agencies, collective cabinet responsibility, and protecting pre-existing welfare state policies. In Sweden, the original agency idea was seen as a way of removing politics from the public sector and reducing centralized power. Agencies became perceived as an independent and constitutionally recognized check on centralized power and a guarantee of professionalism. During the 1980s and 1990s agencies became associated with inefficient government and excessive independence from elected officials and the public. Ironically, these were two of the problems that reformers in the UK hoped that agencification would eliminate. Even with efforts to induce a greater performance focus among Swedish agencies, there was little attempt to replace the informal and collegial department-agency relationships with the more contractual approach of the UK. Unlike the UK, where agencies were presented as a means to exert political control over bureaucracy, agencies in Sweden continue to be associated with bureaucratic dominance of a relatively weak centre.

Perhaps there is no clearer example of the ambiguity of agencification than its perceived relationships with privatization. Social Democrats in Sweden saw NPM-influenced reforms to agencies as a substitute for privatization and as a way to defend the welfare state so central to the Swedish national identity (Esping Andersen 1992). In the UK, privatization and agencification were seen as twin strategies of a broader ideology that aimed to weaken bureaucratic influence, increase political control and reduce the size of government. In practice, the nature of previous department-agency relationships continues to shape interactions. Even so, the departmental-agency relationship remains more clearly adversarial in the UK than in Sweden, where informal relationships have always been critical in helping a relatively weak centre interact with agencies.



The limited evidence from Slovakia suggests a more complex and varied understanding of agencification, in part because of the lack of a strong central actor to define any public management issue beyond decentralization, and in part because of the ambiguity of the administrative recommendations of the most critical external stakeholder, the EU. While the language of decentralization became associated with increased democratization and improved efficiency, agencies remained largely a concept outside mainstream political discourse. The agency idea represented continuity with public sector methods of organization under communism, consistent with the interests of agency stakeholders. Agencification allowed increases in or formalization of bureaucratic autonomy and the extension of services without obvious tax increases. The framework for running agencies in Slovakia has shown little concern with the issues of improved performance or accountability that were so prominent in Sweden and the UK. In the Slovakian case, therefore, the meaning of agencies neglected one of the three underlying criteria of agencies as identified by Talbot (2004), namely: (1) some form of performance monitoring; (2) targeting; and (3) reporting. As a result, agencification has in practice come to mean agency autonomy and political power, a weak centre, and the absence of accountability mechanisms. At the same time, agencification provided symbolic reassurance for external stakeholders that the state is striving toward widely accepted doctrines of appropriate public action.

### **Local tailoring: a bad fit?**

The local tailoring that occurs to doctrinal ideas has already been noted not only as an empirical fact (for example, Hood 1998; Christensen and Læg Reid 1999), but also as a logical and laudable reaction when generic doctrines meet local conditions. This is especially true in developing countries, where the differences between the capacity assumed by NPM and local conditions can be profound. NPM ideas might well be useful, but they should be carefully tailored to local circumstances (Verheijen 1997; Nunberg 1998). However, adopters may be interested in a reform not because of its assumed benefits to public service and accountability, but because of the following: (1) they misunderstand the essential doctrinal logic; (2) because they wish to satisfy an external constituency who approve the doctrine; or (3) because the reform provides an opportunity for legal or illicit gains in resources and power (Laking 2002, p. 25).

The Slovakian experience suggests that interpreting doctrinal ideas to fit with local motivations may result in less than optimal solutions. Context and past practices shaped the development of agencies in Slovakia, but such tailoring was often prompted by political actors who were not primarily concerned with public sector quality, but focused on serving party interests or the demands of the EU, leading to an *ad hoc* response rather than a coherent framework for agency design (INEKO 2000, p. 4). In the Slovakian case, O'Dwyer notes the potential for translations of a particular reform to disguise

and serve the motives of those involved: 'the problem is not simply that certain elements of the original reform text were lost in the policy translation...it often seems that these elements have been willfully mistranslated. As is usual in such cases, the mistranslation has served the translator, which in these cases means the government sponsors of public administration reform' (O'Dwyer 2002, p. 6). Mixed motivations for reforms can occur in both developed and developing settings. But transitional countries are more likely to adopt reforms for symbolic reasons because of the influence of foreign stakeholders. For example, the creation of the civil service law in Slovakia 'was a formality designed to satisfy the European Union' (O'Dwyer 2002, p. 31). The impact of what can be called poor tailoring is also likely to be more severe in a transitional context, where there is a high potential for corruption and weak traditions of public service (Schick 1998). The initial EU opinion on Slovakia's membership noted the perception of widespread corrupt practices by politicians, actual evidence of misuse of public funds, and petty corruption (EU Commission 1997, p. 119). Surveys of the public suggested that bribery was a normal part of the provision of public services (Miller *et al.* 1998).

Agencies in Slovakia were given significant authority without strong controls for either inputs or outputs, defying the basic logic of both traditional bureaucratic and NPM doctrines. This has created problems. For instance, there is little control of extra-budgetary funds that do not go through the oversight of the regular budget system and are thus frequently misused (World Bank 2003). Agencies enjoy information advantages over ministries; they can influence policy both directly and via clients, and there is little sense of central strategic coordination of cross-cutting policies. As with Sweden, there is weak central capacity and no clear demarcation lines for policy/administration responsibility (INEKO 2000). Unlike Sweden, there is no performance framework to speak of, and agencies enjoy autonomy with public resources without a clear agreement as to the level of service provided in return. The outcome for transitional governments that undertake such a model for reform is likely to be low accountability, corruption, uncontrolled contingent liabilities and weak incentives for performance (Schick 1998; SIGMA 2001; Laking 2002). Such concerns were real in Slovakia, given the lack of an independent civil service under communist rule (Pilat and Valentovic 2004, p. 211).

A senior official in Slovakia suggests that the potential for such abuse has lessened, not because of the introduction of a stronger performance framework, but because of the return of greater political control over agencies: 'Political accountability was not lost through the process of agencification. The media and the voters reacted intelligently – they did not let politicians get away with saying "we have no control over what agencies do"... As a result, politicians gradually took back more power over agencies. Political accountability may have been lost or blurred in the initial creation of agencies, but this effect was only temporary. Political accountability has been more strongly reestablished'. Ministries now require the

agencies under their control to produce annual reports, although this applies to only a fraction of all agencies (Nemec et al. 2002). In the area of financial control, the Slovakian Ministry of Finance, pressured by the World Bank, has sought to reduce extrabudgetary funds and to consolidate them into the budget. Contingent liabilities remain an issue, with a limited understanding of the size of these liabilities and how to provide for them (World Bank 2003, pp. 7–8).

Increased political accountability may help avoid corruption or failure (although this depends largely on the regime), but it is also a significant departure from the NPM version of the agency idea, and a return to the concept of overhead democracy (Redford 1969). The evolution of the meaning of the agency concept in Slovakia continues.

### **Missed lessons: challenging doctrinal claims**

Doctrines are discussed, legitimated and transferred across states even if they are not adopted in any pure form. What is also clear across the three cases examined here is the limited role that negative experiential learning plays. There is some evidence that positive experiential learning does accompany and reinforce doctrines. However, such learning was of the most simple kind – that other countries had already adopted and were satisfied with the reform. Other positive experiential learning was based on claims that lacked clear empirical support: for example, agencification solved a state's fiscal problems, reduced the size of government and reinvigorated democracy. Such positive learning fails to consider the role that context plays. Indeed, it is closer to rhetoric than experiential learning and could be considered as an extension of the reform doctrine. It seems reasonable to expect that governments undertaking major structural reforms of the public sector would at least seek to be informed of the outcomes of previous similar reforms elsewhere. However, the cases suggest that negative learning which would have aided understanding of the doctrine was overlooked. At a general level, it is worth noting that reformers have paid little attention to centuries of Swedish experience relative to the two decades of experience by early NPM adopters such as the UK. This may be because the Swedish experience offers little support for basic NPM doctrinal claims.

Bennett (1997) argues that for policy transfer to occur we should see awareness and debate of existing policies elsewhere among policy-makers. Based on this standard, there is little evidence that either the UK or Slovakia examined Sweden as a model. The experience of Sweden suggested that agencification did not improve responsiveness to citizens; that duties and responsibilities for policy-making and administration would not split neatly along structural lines; that agencies became well-organized constituencies to protect the policy *status quo*; that policy coordination was difficult; and that agencification did not increase political control over administration, but may indeed have reduced it. In areas where the UK avoided major problems of the Swedish system – weak central capacity relative to the

agencies, weak central direction from elected officials – this appears to be explained by the distinct historical paths of political and administrative institutions in each country. Just as collective Cabinet responsibility and the independence of agencies are embedded in the Swedish system of government, ministerial responsibility and strong central oversight are traditions of the UK system.

Slovakia also appears to have overlooked or discounted negative experiential learning from the UK. Even as the Next Steps model gained currency, the less revolutionary reality of agencification (Gains 2004) was overlooked. Some Next Steps problems were matters of public controversy or high-level political redirection. The case of UK prison escapes illustrated the difficulty in separating policy from administration as well as demarcating lines of political and administrative accountability. The refocusing by the Blair government on ‘joined-up government’ and re-aggregation was a high profile political confirmation of the potential for agencification to reduce policy coordination.

The cases do not offer clear answers to explain why negative experiential learning is discounted, but there are a number of possibilities. Consultants and other change advocates have an incentive to emphasize the positive aspects of reform. Factors that make adopters amenable to new policies also dampen the demand for contradictory evidence. Locally based motivations may overwhelm the incentive to undertake an exhaustive search for lessons. In transitional countries like Slovakia, limited capacity makes the likelihood of such a search process all the more unlikely.

## CONCLUSION

Describing NPM, Hammerschmid and Meyer (2005, p. 712) note that ‘it is difficult to grasp a phenomenon with so much built-in ambiguity’. This ambiguity has made it difficult to either determine the success or failure of NPM doctrine (Pollitt 2000) or to more generally assert that one form of administrative organization is clearly superior to another. The ambiguity of public management reforms challenge some basic assumptions about how transfer of policy ideas occurs. While simplistic tales of the convergence of superior policy ideas have given way to a more careful claim that domestic context shapes policy selection, this article has made the case that the relationship between context and policy ideas is subjective. Policy ideas are interpreted by policy-makers, their meaning reconstructed and artfully tied to the policy-maker’s perception of domestic context. Ambiguity broadens the ability of different actors to perceive multiple associations with a policy idea, and to tie these meanings with a particular context. An idea that carries the same basic identifying label – in this case agencification – can then be interpreted as appropriate to a wide range of contexts. Relevant experiential information can similarly be interpreted to suit a particular context. Perhaps not surprisingly, the cases examined show a

tendency to discount the negative experiential learning associated with new ideas.

The logic for why agencification fits with Slovakia's post-communist democracy is not necessarily clear to outsiders, particularly given concerns about transparency and accountability as well as agencification's frequent failure to live up to its claims elsewhere. This article has sought to illustrate how interpretation of the domestic context – the historical use of agencies under communism, the domestic priority of repudiating communist power through decentralization, the fragility of coalitions on issues of administrative reforms, the sectoral approach of government audits and the pressure to join the EU – collectively made policy-makers susceptible to maintaining and often strengthening formal separation of administrative entities from central control. In Slovakia, the ambiguity of NPM simultaneously suggests that it is possible to overestimate its impact by underestimating the influence of past administrative practice while at the same time recognize that it served a legitimating role in providing a new lexicon to justify the continuation of those practices – albeit in a way only partly consistent with NPM doctrine.

One implication of the subjectivity of policy selection is to recognize the critical importance of the interpreters of policy ideas and the large degree of discretion they have in matching policy ideas to particular contexts. What is perhaps disturbing from the perspective of democratic accountability is the enormous influence that unelected external stakeholders have in matching contexts to policy ideas for transitional countries. For CEE countries, the EU exercised such a role, even though the EU itself struggled to develop a clear explanation of the administrative standards needed for membership.

Another practical implication of the emphasis of discretion among interpreters is that the process is not deterministic – a particular context will not necessarily be matched by an optimal policy idea. Instead, the process of interpretation is hostage to the motivations, interests and perceptions of the interpreters. The practical public management implications are modest in some cases: does it really matter that Sweden and the UK have understood the agency idea differently, given that they have purposely adapted it to best meet their own needs? The implications are more serious in transitional countries, where ambiguity is more likely to result in unrealistic expectations, unsuitable reforms and perverse consequences. The current use of the agency idea in Slovakia hampers policy coordination, accountability and transparency. Another CEE country, Latvia, offers an even more extreme example. Advised by consultants advocating an NPM approach, Latvia created over 170 agencies without a standard legal form or performance framework. Since some donors have urged the country to regularize the process, Pollitt *et al.* (2001, p. 281) note that 'An uncharitable commentator might observe that, less than 10 years ago, some of these international bodies were among those supporting Latvian agencification'.

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