

## Effects of Western Governance Models in Eastern Europe After the Transition, Enlargement and Crises

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### Abstract

The post-communist countries undergoing political transition were encouraged to adopt Western European models for establishing their democratic systems and market economy. According to our hypotheses the territorial governmental model has been modified in the Eastern and Central European countries for specific systemic reasons. Firstly, although the European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services, services of general economic interests are protected from the general provisions of the law of the internal market and the EU competition law. Secondly, from the point of view of territorial governance, international networking monopolies especially in utility services were focused more and more, building on inequalities among different stakeholders' positions. Thirdly, on the effect of the crises in 2008 regulatory functions of nation states have been enhanced, and now government preferences are widened and governments have more opportunity to influence the development of public administration based on specific national interests.

### Points for Practitioners

The European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Simultaneously services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. The effect of this correlation is crucial on the monopolies of public utility services, their profitability and their position in the domestic, EU and wide-world regulation.

**Keywords:** Governance, Networking, Public Utility Services, Transition Countries

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## 1. Introduction

The post-communist countries in their transition tried to adopt Western European patterns of democratic systems and market economy. Donor countries did consider the implications of globalization and potential integration. Yet, it was the individual countries themselves who had to, or ought to have taken into consideration the implications of their own social context which is more or less resistant to the received models. The same also applies to many other subsystems regarding multi-level government functions and structures. The study first of all enumerates basic original limitations of the received models on territorial government in the diverse regions of the Eastern (historically post communist) block.

The hypothesis is that the territorial governmental model has been modified in the countries of Eastern and Central Europe (ECE) not only because of historical tradition, but for more specific systemic reasons. In public utility services external cooperation became crucial in some of the huge projects in public transport, telecommunication and development of techno-poles. Another issue is that the European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Simultaneously services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. In addition, the effect of the crises in 2008 has been that the regulatory positions of states have been enhanced, and now governments have more opportunity to make regulatory decisions based on specified national interests.

The paper is based on a comparative investigation by the *MTA-DE Public Service Research Group*, Debrecen, Hungary. In this research different branches of service are studied in order to specify basic models of public service provision in Europe by sectors. Two volumes<sup>2</sup> have been published about it. For the historical analysis as a factual basis of the issue, we have used analyzes including the transformation of local administration systems in post-communist countries. Statements are built on the three thick volumes<sup>3</sup> written along uniform principles implemented by the *Open Society Institute Local Government and Public Service Reform Initiative (LGI)*<sup>4</sup> and to a smaller extent also on parts of the Council of Europe documents containing system descriptions. As a complementary method we have applied statistical data analysis. For secondary analysis the study draws on the complex mapping of the European public services (CEEP, 2010).

## 2. 'Eastern' Countries Joining the EU in 2004

The massive commitment of acceding countries to the western development model demonstrates a certain similarity in the routes of the political transition they have undertaken. A proof of this commitment is their EU membership. In the development process of the 1990s various intergovernmental and international programs underpinning public administration (Phare, US AID, British Know How Fund, WB programs, Soros Foundations OSI, the SIPA and SAPARD support programs of the EU) emphasized the conditions and potentials of pattern pursuance. In order to be able to roughly interpret the overall outcome, we will have to examine the time gap in which local self-government changes took place in relation to the political transition. The year of declaring independence is also of considerable importance, for six of the eight countries were fully newly constructed. Municipal elections can be interpreted this time closely linked to the constitutional structure taking shape. Another basis of comparison for studying local self-government reorganisation can be the lowest point of economic recession, since transitional countries underwent a substantial transformation of the economic structures, and also severe production crises owing to social changes. These crises surpassed, even in their slightest form, the shock of the Great Economic Depression in 1929, as far as the drop in GDP is concerned. The transformational decline simultaneously had external causes (Kolodko, 2002, p. 57). Significant among these were the collapse of the Soviet Union and later the monetary crisis in Russia (1998–99), the changes in the prices of raw materials throughout this time, and the various regional wars.

Table 1 distinguishes between “formal” and “genuine” changes of national local self-government systems. The former refers to the adoption of new laws for municipalities and to the declaration of the new system replacing the Soviet-type councils. Compared to this, “genuine” change is the legislation that results in deep changes in the institutional system. In ECE countries these two points of time were mostly the same, or were at least very close to one another. This means that the political transition processes were more or less uniform. The social and governmental processes of the transition reached the local context at more or less the same time. The integral relationship is well illustrated by how it was related to the economic crisis. The lowest level of the recession was always preceded by the political transition, inclusive of the real starting point of establishing self-governments.

Naturally, all countries are different. For instance, in certain cases one leap was enough for genuine change (Poland, Hungary, and the then-existing Czechoslovakia), in others several were needed. The Hungarian Act on Local Government of 1990 illustrates the one-phase radical change, while in other cases bargaining took longer. At this point, even the memory of the “big leap” in Hungary has faded considerably. For those who do remember, it is no longer so highly valued because the corrections still required after the initial change have never been implemented. The numbers and dates may even provide cause for further argument.

2 Horváth, 2013; Horváth, 2014.

3 Horváth, 2000; Kandeve, 2001; Muntenau & Popa, 2001.

4 The research director and program manager was Gábor Péteri.



**Table 1**  
The basic circumstances of creating local self-government systems  
in countries of the former Eastern Bloc acceding to the EU In 2004

Country	Time of political transition	Time of obtaining independence	Local government system's		Time of the lowest level of economic recession year: (GDP <sup>s</sup> , 1989=100 %)
			formal change	first <sup>6</sup> genuine change	
1. Czech Republic	1989–90	Jan. 1, 1993	the same →	Sept. 1990	1992 (86,9); 1993 (86,9)
2. Estonia	1990	Aug. 1991	Nov. 1989	June 1993	1994 (63,7)
3. Poland	1989–90	–	the same →	March 1990	1991 (82,2)
4. Latvia	1990	May 1991	Feb. 1990	1991–92	1995 (54,1)
5. Lithuania	1990	Feb. 1991	Feb. 1990	1993–94	1994 (54,3)
6. Hungary	1989–90	–	the same →	August 1990	1993 (81,9)
7. Slovakia	1989–90	Jan. 1, 1993	the same →	Sept. 1990	1993 (75,1)
8. Slovenia	1990	June 1991	1991	1993	1992 (79,1)

Source: Based on Horváth, 2000; GDP-figures: ECE, 2003:112; Ágh, 1998; Dexia, 2003

5 Here and in the following tables this is real GDP/NMP (gross domestic product/national revenue), at an unaltered price, in percentage.

6 Generally, comprehensive genuine changes occur in several phases; the only exception in this respect was Hungary. The second phase concerned basically the regional level and mergers and also the functional settlement. Next comprehensive reforms linked the analysed issue came into effect in the Czech Republic: 2000, Estonia: 1995, Poland: 2004, Latvia: 2003–04, Lithuania: 2001, Slovakia: 2002.

As a basis for establishing an assessment we provide a description of the formation of post-communist systems in CEE countries (Horváth, 2000), which we have tried to check from various sources. Consequently, we conclude that in this group of countries the political transition was fairly compact. Their own economic development could not serve as the basis for change, since the transformation of the institutional system was in the process of changing. The question of how to overcome the crisis was still a matter of daily importance throughout the early 1990s.

Finding a connection between following the Western pattern with respect to the adoption of institutions of market economies and democracies and the maturing phase of this adaptation regarding the economy and the political institutional system seems to be justified. Political changes—including changes in local self-government—were implemented despite the confusing turns in the maturing process of the new system; this is a good sign even though it does not guarantee immunity against faltering.

Comparing this fast-test of pattern pursuance with the test outcomes of the other two Eastern country groups there are slight differences. In the Balkans the political transition was crossed strangely by independence movements spilling over into wars. Political and military conflicts flared up in various parts of the region in several waves. As with state development, the local government process also failed. The formal change of the system is sharply distinct from the creation of sufficiently applicable institutions. The context of war naturally did not favour the democratic transition of local power structures. At the same time, genuine legislation was postponed so long that even the recovery from the economic crisis could commence. Even though the turning points of economic development follow a consolidation phase, still they precede profound institutional change. We can therefore conclude that development really can start on a certain course, even on that of market economy. It can be launched and even be stabilized—even in the absence of new type institutional reforms. See Table 2 in the Annex.

The Commonwealth of Independent States has in effect been in existence since 1992. In the previous one or two years the former member republics of the Soviet Union declared their independence one by one. At the same time the process of reorganisation was begun both on state and local levels. The new system and the new or newly authorized representative officials began their work fundamentally in the old framework. Of course, even that required legislation and the amendment of the constitution. That is what we mean by important—however, in an institutional sense only formal-legal—changes of the system. The profound systemic transition—the new structure underpinned by organisational, functional and operational conditions—could only evolve as the outcome of a long process.

This phase stretched out much longer than in the ECE countries, and the delay was not exclusively a result of mainly local armed conflicts, as in the case of the Western-Balkan states. Although such conflicts did strike major parts of these



countries, still that was not the sole and most decisive reason for the slow pace. The crisis itself was grave, as is clearly illustrated by the data on the recession. In *Table 3* in the Annex one can find the data for the armed crises following the declarations of independence, the low points of the economic recession and the time of the formal and "genuine" changes in local government transition in relation to them, with data on the legislative process, like milestones on a route.

The fundamental reorganization of the local government system took place well after the beginning of the economic growth. The proportions show that the crisis was virtually beyond comprehension from a European point of view. The turn of the trend was clearly connected to the emergence of the market economy. At the same time, this refers to the unusual circumstance that institutional changes did not have to be or could no longer be postponed until market economy processes commenced. The new competitive environment was also operational in the absence of certain political-institutional safeguards. Naturally not exactly the same way, as if its own development could have taken place in due course.

If we have earlier made the statement that transformational development of the market economy had started before the new model of the political-institutional system was formulated, then we are justified to presume that further development will proceed without the maturing of the institutional structure, but that the two processes will surely no longer strengthen each other with sufficient interference. Furthermore, if the stability of the market economy is already guaranteed (e.g. the protection of privatisation and of monopolistic interests) the influential interest groups will cease to advocate a further, broader and deeper democratisation of the political institutional system.

This circumstance will slow down or even halt the local government development process, and may divert its course from economic unfolding. And if all that is true for the whole of the state structure, i.e. safeguarding means are not provided for, then in the long run one must count on an Eastern type transformation of the competition context. In other words: one must count on the prospect that there will not be an organic link to Western-European institutions, which are obviously the outcome of a specific civilisation. It follows that pressing on with such a model, or outwardly pursuing it cannot lead to substantial results.

### 3. The Networking Context of Public Service Management Development

i) External cooperation became crucial in some of the huge projects in public transport, telecommunication and development of techno-poles. Their very ambitious and successful linkages spread to different policy initiatives. Investments promoted large city regions overlapping country boundaries to be competitive at the interna-

tional level and gave an opportunity to influence the complex area of development and governance further on.

Earlier European programmes and projects scrutinized mainly the territorial framework of the European urban system. The *ESPON* highlighted polycentric development, then delimitation of functional urban areas and other spatial analyses. *METREX* is concerned with planning and development at metropolitan levels. The *URBACT* programme takes a more functional view. Nevertheless the *URBACT II* developed this profile to a direction of actions to promote more integrative development in different fields of cooperation. The ongoing *URBACT III* extends these efforts.

For instance, connecting to modern methods of transport, like high speed trains, are good examples on flexible but competent forms and frameworks of all the levels of governments and different forms of governance in competitiveness. Public managing centres are institutional engines of wide-scale strategic development which spread regional coverage of cooperation to wider areas, including cross border in an ongoing, complex process.

There are further examples from the field of urban public services. In most of the metropolitan areas, for instance, solid waste collection and disposal are managed under formal and/or informal co-operations and provided by networks. Externalities arise necessarily, so the question is whether it is accepted and if it is, in which framework and methods. In this case we found out division of municipal shares in providing companies as an instrument of making public influence.

In sum, governing actors, methods, and processes cannot be presented as simply municipal or local association issues. This contemporary phenomenon is over the horizontal cooperation among municipalities or vertical cooperation between any different levels of governments. In particular cases functions are spread among a wide range of counterparts and territorial area, stepping over every geographical or administrative barrier. This approach can mobilise many resources.

Technological development or infrastructural networks are neither traditional nor local nor internal functions at all; however, local actions made very important contributions to expand cooperation. The basis of it becomes more and more difficult to imagine and describe and is not based on administrative areas or methods. However non-administrative instruments have become more widespread at this large scale.

For instance, the European policy promoting metropolitan regions could be one of the relevant policy responses. The desire to be more competitive in the global economy either for increased growth or in response to crisis is one of the key motivations to the development in the mentioned direction.

Local actions made very important contributions in to expand this type of cooperative action; however, this is not necessarily based on administrative areas



or methods. Non-administrative instruments have become more widespread at this large scale, neglecting spatial aspects. Therefore there is some risk weakening democratic legitimacy, if tradition is not strong enough.

ii) Another absolutely different aspect of international networking is the freedom of competition in the EU. Large companies as actors of the European market do not seem to be linked directly to one or other Member States. Especially companies providing public services defined by the EU laws with general economic interests are out of national boundaries in many fields of tasks and functions.

Networking public services cannot be fully liberalised in order to make them subject to the Community law of competition. There can be oligopolistic competition among a few large groups, leading to concentration. Against these failures the concept of general or universal services appear for electricity, energy, transport, postal services, telecommunications guaranteeing some basic services to all residents and citizens.

The European Union framework lays down regulatory boundaries and substantive requirements for the domestic regulation of public services<sup>7</sup>. Services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law. The central element of the law here is that the discretion of the Member States is constrained by the fundamental requirements arising from the rule of law and from the principles of good regulation. The Member States are allowed to pursue nearly any policy priority in public services regulation provided that their intervention is adequately prepared, substantiated and that they comply with the fundamental requirements of the rule of law. Public undertakings providing these tasks are in the position in which public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of them, their financial involvement or governing rules. They may get exclusive rights from Member States through legislative or any regulative manner to provide services or undertake activities within a given geographical area.

Notwithstanding the possibility to make specific rules in these areas has been in place since the very beginning of the European integration, only in the 2000s were more detailed legal regulations laid down on this issue, which was generalized in the Treaty of Amsterdam. So far, in quite crucial public service provision areas specific rules or decisions of the European Court of Justice allow new requirements, such as in public transport and waste management. As a general impulse changes in the process were very crucial in the European regulation on the system of public

<sup>7</sup> Commission Directive 2006/111/EC on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings; Commission Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the functioning of the European Union to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.

procurement namely in procurements on different services of general interests, by each. The effect on oligopolistic corporations was very fast and direct, because they shift their position in the European internal market. Allowed by the EU, Member States could intervene in order to guarantee public interests that were served by providers being in monopolistic position.

iii) Integration is influenced by interests. Recommendations of the 1990s and 2000s to countries in transition concern the effect of public administration on the system of public service provision. Among the main organizations affecting this circle more important ones are: the World Bank; several programs of the IMF for developing and transitional regions; the Council of Europe; EU policies and development strategy, and the support policy of the European Bank for Reconstruction and Development (EBRD). Often there are programs running also outside "the sphere of operation", like the West-Balkans support programs of the European Union. The direct and indirect impact of projects promoting progress cannot be underestimated. The one we would here like to highlight as an example is that adopted by the Council of Europe, the European Charter of Local Self Government, setting the minimum standard for self-government development including financial resources. The document is a treaty by form, issued on October 15<sup>th</sup> 1985 in Strasbourg. In its content it lays down the basic requirements of self-government according to the European model. The signatory countries undertake to incorporate the criteria into their own laws. Since then 45 countries have adopted the document<sup>8</sup>. Among them are the former socialist Central and Eastern-European countries in full number, including those in the Balkans and some of the Commonwealth of Independent States: Azerbaijan, Georgia, Moldova, Russia, Armenia and the Ukraine, the Balkan states, and the successor states of Yugoslavia. It is common knowledge at the same time that the contents of the document serve as the norm for Central Asian countries of the Commonwealth of Independent States in professional and policy disputes.

The extent to which the Charter has been adopted by countries varies. Not all member states signed the treaty immediately. Furthermore, signing has not always been followed by successful ratification, which may indicate the presence of political resistance, a will to decentralise as opposed to government decision. A successful ratification, however, seems always to be followed by the document eventually becoming effective in time.

There is also a third level of variance: a difference in the extent of submitting oneself to various individual articles of the Charter, for which the declaration leaves room to a certain degree. When browsing the ratification list, certain facts are striking: Ireland signed the treaty only within 12, and Switzerland only within 19 years of issuance. From among those immediately signing it, Belgium needed another 19 and France another 22 years to ratify the agreement. However, Albania, Lithuania,

<sup>8</sup> Chart of signatures and ratifications, 2014.



Moldova, Poland, Russia, Macedonia and the Ukraine "kept the right rhythm" in signing, ratifying and putting it into practice. Moreover, they did not even opt out of any of its provisions. The "local government major powers", the United Kingdom, Sweden, Holland, Italy, Germany, Denmark and Austria, however, did exercise the right of opting out. Hence, the newcomers appear to be more bent on following the western model than the model-setters themselves.

Within the European Union acceding countries declaredly and naturally sign up accepting all existing laws of the EU. This requirement concerning the state structure is mainly specified by the principles regarding the Single European Public Administration Area. Even more important may be, however, regulations provided for by statute, stipulating the essence and practice of competences which constitute an integral part of the *acquis communautaire* European Community law. Most important may be the regulations on arranging public services, for which the local self-government role is decisive.

Nevertheless, the *acquis communautaire* works on the principle of subsidiarity, so centralized decision-making only occurs when an issue cannot be settled on a more local level. Therefore, member state characteristics will always retain their significance, including in creating the organizational structure of local self-governments. The fact that no universal patterns exist has been thereby acknowledged. All seems to be in order as far as the crux of the matter is concerned. The source of the problem here too, as with the Charter, lies more in the pattern followers. Due to the regulators, they seem to be less able to think in terms of alternatives than the model countries. This is best illustrated by the creation of regional administration systems. Newcomers and future members both aim to create institutional structures that would ensure maximum benefits when utilizing Structural Funds.

The lure is attractive indeed, and they do submit regional mechanism to that aim. Complying with a pattern creates the model itself, even if only for an imaginary object, since the imaginary goal is heterogeneous in reality. Regulations themselves can no doubt be blamed, but the process can still take a rather unusual course.

After all, the pattern itself is not even so uniform as neophyte followers make it appear in their own true or imagined interest. Under such circumstances, how successful can such transformational routes may be? Even though this question may be of interest regarding the EU, we will postpone dealing with this rather delicate matter in the absence of historical experience. The global approach studied so far can be better matched by an overview and assessment of routes the large groups of countries undergoing political transition have taken. Let us now study certain overall contents and the framework of the western local self-government development pattern as followed by all the transitional countries.

#### 4. Management Answers on the European Challenges in ECE Countries

The management context of infrastructure policies in ECE countries should be viewed in progress from the late 1980s. The main stages (1–7) and their contents are as follows:

- (1) Before system transition the state and local councils operated utility services through public utility companies, which they founded and ran. Public utility companies had independent budgets. Councils' budget contained only subsidies to them. Human social services were provided by budgetary institutions.
- (2) After the transition at the beginning of 1990s the first step was preparation for possible privatization. In general it was supposed in the ECE countries that this way of progress conformed to the process of pre-accession into the EU. By the middle 1990s the transfer of state-owned core assets to local governments was completed. The financial mechanism of local public utility services was re-established. This progress focused on the following main issues as follows.:
  - Rights of price setting were divided between municipalities and the central government;
  - To ensure central budget funds for developing networks;
  - Conditions were created for converting state and local government-owned enterprises into limited or share companies.

Transformation into companies needed asset valuation which preceded conversion in order to post the real value of utility services. In general this exceeded their earlier registered book value. Conversion made it possible to separate equity in the physical sense from the transferable stakes and shares which represented the ownership rights. At the same time organizational transformation occurred.

Two parallel stages came after this. Some transformed companies managed to privatize, while others failed.

- (3) There were at least three good reasons for managed privatization of public companies by decision-makers. Firstly, private capital seemed to be more efficient to economize than the public sector. Secondly, a price competition was sparked by the privatization tender (which includes consumers' pricing formulae for longer time). Thirdly, private companies could be used to take responsibility for local functions. On the other hand, large West European companies in the energy, water, and waste sectors were ready to enter the opened regulated market in the 1990s and 2000s. These companies and their investors in general also naturally followed interests of their own.



(4) Simultaneously, other companies remained non-privatized. As far as specification is concerned, there are differences either in ECE countries and fields of public services. Explanation of 'failure' may be different. The primary reasons mentioned are as follows:

- Fees paid by consumers do not cover costs, and subsidies are not defined clearly in advance by normative regulations;
- Revenue-centric privatization often needed to sell the infrastructure itself, apart from the right to provide the service;
- Separating the maintenance of network infrastructure and service supplement aimed providers to be interested in increase of efficiency at first. Acceptance of this aspect depends on investors very much.

Nevertheless, these companies were re-organized widely in order to develop their effectiveness and efficiency.

(5) Remunicipalisation in Europe from the second half of 2000s was similar but not the same phenomenon in some of the countries of the ECE region. As a reaction to the above-mentioned point (3) in 2010s larger municipalities at first, then central government began to reacquire shares of formerly privatized providing companies. The motivation was to regain control over increases of consumers' fees and to limit investors' profit. This issue became a burning political topic of ongoing public debates.

(6) Non-privatized companies previously mentioned (4) started to shift to companies directed in a common way by their municipal owners. Formally this is a similar process to that which has been in process in West-European countries since around 2010s. Multi-utility holding companies were established from single-profile municipal companies in order to exploit options for synergies. So-called in-sourcing emerged near the formerly extremely preferred outsourcing. This development was not independent from the changes in the EU legislation on general economic (and non-economic) services. As far as the structure of ownership is concerned municipal corporate governance was developed (Grossi & Reinhard, 2008; Grossi & Thomason, 2011) and this process emerged in ECE countries, as well. It makes a difference that the process is promoted with regulatory environment heavily in some cases from the region. Because of this economic and political conflicts may much more critical here.

(7) As a reaction to remunicipalisation (5) the central government may become and in some countries has already become a subject of the ownership in core assets and utility companies. In the case of Hungary the central government competes with municipalities to get shares in 100 percent of the network infrastructure sector in 2010s.

Where state regulation becomes widespread, this attitude may reach whole social systems like education, social services and health care. In extreme examples budgetary institutions under state direction get exclusive control over delivery of public services at the expense of non-governmental organizations or private bodies.

Privatized companies are owned by foreign professional investors, i. e. West-European groups of monopolistic providing companies, like the German RWE, E.ON, EnBW, the French GdF and EdF, the Italian ENEL in the energy sector; the German RWE, BerlinWasser, the French SUEZ, Veolia in water, Astrian ASA etc. in waste. Therefore remunicipalisation or keeping municipal corporate governance means a different understanding of nationalisation in contrast to foreign ownership. Some of the key dilemmas of the whole process in the region may be described through the, somewhat extreme, Hungarian case, which presents a quite specific answer to the ongoing European challenges in addressing the scrutinized issue. The characteristic feature of the development in 2010s is the emerging governing practice against former mechanic privatization.

There are different initiatives in Europe which lead to remunicipalisation and municipal corporate governance. One is public, the other is central administrative (bureaucratic). Stages (5), (6) and (7) are detailed more precisely as follows:

- remunicipalisation putting services back to municipalities in a
  - public or
  - administrative bureaucratic way;
- re-emergence of municipal corporations in a
  - public or
  - administrative bureaucratic way.

In West-European countries remunicipalisation is based on different motivation. According to the collected experiences on the issue (Hall, 2012; Water Remunicipalisation Tracker) it is possible to specify different types of motivation on the part of the public. Seeing excessively high consumer fees may lead to municipalities or intergovernmental level bodies intervening in different ways. The policy of placing services into public hands is a late reaction to conflicts relating to privatisation and outsourcing (Hall, 2012; Pigeon et al., 2012). Apart from these, water services and waste management are local functions. Additionally, public transport and electricity are services that are managed from the central level of government. Also, in-house services are highlighted in different fields, like public cleaning, housing, etc.

Basic types of instruments to restrict monopolistic private interests can be defined as follows. Tools of local governments in the process of remunicipalisation are:



- Making a new contract with municipal-owned company upon expiry of the former long-term period;
- Shift to in-house solution of service delivery, on the basis of modified rules of the EU;
- Restriction of profit-rate interest through non-profit companies or direct labour organizations;
- Additional regulation on openness.

The relatively extreme Hungarian case from 2010 adds something special to this process, namely quite a strong campaign against private providers in the case of the provision of public services. This means not only sector policies, but also direct political measurements influencing the market of public utility services. Specific taxes, central administrative price control, cutting prices by legal acts are absolutely against regulatory principles and allowed instruments in a liberalized market.

## 5. Conclusion

Networking public services cannot be fully liberalised in the EU and OECD in order to make them subject to the Community and international law of competition. There can be oligopolistic competition among a few large groups, leading to concentration. Against these failures the concept of general or universal services appeared guaranteeing some basic services to all residents and citizens. The European Union framework laid down substantive requirements and boundaries for the domestic regulation of public services. Services in the public interest are protected from the general provisions of the law of the internal market, EU competition law and EU state aid law.

The effect of oligopolistic corporations was very fast and direct, because they shift their position in the European internal market. Allowed by the EU, Member States could intervene in order to guarantee public interests that were served by providers in monopolistic positions. However, on the effect of the crises in 2008 regulatory positions of states have been enhanced, and now government preferences are widened as far as their instruments are concerned to influence them on the basis of nationally specified interests.

The central element of the law here is that the discretion of the Member States is constrained by the fundamental requirements arising from the rule of law and from the principles of good regulation. The Member States are allowed to pursue nearly any policy priority in public services regulation provided that their intervention is adequately prepared and substantiated and that they comply with the fundamental requirements of the rule of law. This is also a risk to fallacy, because nationwide aspects might overwrite the original (Western-type) integration mod-

els. On the other hand the monopolized market is a global unity and the role of the countries is different in it according to their position as representing direct or indirect owners or less influential consumers. It is less the question of following patterns, rather being more or less influential part of a really integrated unit. Roles can be shifted, if at all, in an uneasy way.

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# Contemporary Governance Models and Practices in Central and Eastern Europe

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