DEVELOPING AN INSTITUTIONAL ANALYSIS FRAMEWORK IN STUDYING BUREAUCRATIC BEHAVIOUR IN GOVERNMENT AGENCIES FROM CENTRAL AND EASTERN EUROPE

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Abstract

The aim of this paper is to develop a comprehensive institutional analysis framework in studying bureaucratic behaviour in government agencies. Although the purpose is to outline a general framework for research, the focus will be on taking into account the specifics of the agencification process in states from Central and Eastern Europe. The paper is divided into three sections. In the first section I compare various neoinstitutionalist approaches in terms of analysing the processes and transformations in the institutional environment concerning government agencies as semi-autonomous bodies in state organization. I argue that the approach which has a greater potential in explaining the processes and transformations in the institutional environment in government agencies is rational choice institutionalism. The second section of this paper is focused on presenting several traditional bureaucratic models in studying bureaucratic behaviour, from the traditional approach to public choice ones, in order to determine their possible contribution in analysing officials behaviour in semi-autonomous agencies. Using these and the institutional analysis framework sugested in the first section of this paper I will focus on developing a model for studying bureaucratic behaviour in government agencies. The final section of the paper will be focused on the possibility of using the institutional analysis framework for studying bureaucratic behaviour in government agencies in Central and Eastern Europe and the challenges presented.

Keywords: *agencification, new institutionalism, bureaucratic behaviour, bureau-shaping models, government agencies*

Introduction

In this paper I focus on outlining an institutional analysis framework for government agencies in order to study bureaucratic behavior in these agencies. It should be noted that this study is part of a broader research on bureaucratic behavior and accountability in government agencies in Central and Eastern Europe. The aim in this study is to provide theoretical tools for understanding the agencification process in general and how the behavior of bureaucrats is shaped in such an environment.

I chose this topic due to its importance in understanding the complexity of the institutional design in the case of government agencies. Although there are several studies concerning the agencification process, they lack theoretical and methodological tools in order to establish a comprehensive analysis of bureaucratic behaviour in govenment agencies. In respect to the literature available on the agencification process, there are several empirical studies well known for focusing on how agencies are formed and how they are developing in Western democracies. Therefore, there is an abundant empirical data for consolidated democracies (i.e Pollitt and Talbot, 2004; Pollitt et al., 2005), but few on countries that face the democratization process. Hence, there are not many study cases for states from Central and Eastern Europe, and those that are available are more focused on legal, political or economic aspects than on institutional changes brought by agencification[1].

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[1] Beblavy, Miroslav, , „Understanding the Waves of Agencification and the Governance Problems They Have Raised in Central and Eastern European Countries", OECD Journal on Budgeting (2002); Hajnal, György, „Patterns of

Hence, in order to design a model for analyzing the behavior of bureaucrats in government agencies I will attempt to answer to the following questions: 1. What are government agencies and what are their characteristics?, 2. How to build an institutional analysis for government agencies?, 3. How to build a model for analyzing bureaucratic behavior in agencies, taking into account the importance of institutions in shaping actors' behavior?

1. An institutional analysis of government agencies

Conceptualization and features of government agencies

An approach able to provide a clarification of what constitutes a governmental agency must follow two directions, namely conceptualizing the term "agency" and a taxonomy of agencies.

Agencies in the current studies have been described in various ways such as quasi-autonomous public organizations, non-departmental public bodies, non-autonomous quasi-governmental[2].

Thus, the term *agency* received a multitude of meanings depending on the organizational culture, legal system and political system.[3] An argument that supports the idea that it is necessary to present a comprehensive and concise conceptualization of the term is brought by Pollitt and Talbot, which highlight two issues in such action. First, there can not be reached a universal legal classification as national legal systems vary substantially from each other. Thus, both agencies and autonomous bodies may present any possible combination between public law and private law. Secondly, it is difficult to achieve standardization of functional classifications of relations since the constitutional and political system varies between systems that have a tradition of ministerial accountability and the individual ministerial accountability and those who lack the concept, between systems where the appointing officials in autonomous public bodies is based on a political criteria and where this practice is less[4].

Given the considerations above, I chose to use the approach of conceptualizing agencies following the characteristics proposed by Pollit and Talbot. According to the authors an agency is an organization which should have the following features:[5]

1. to be as far away from the main chain of central ministries or departments of government;
2. to perform tasks at the national level(eg service delivery, regulation, etc.).

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administrative policy pre- and post-NPM: An analysis of the institutional dynamics of Hungarian central government agencies", Paper presented for Third Biennial Conference: "Regulation in the Age of Crisis", June 17-19 2010, Dublin (2010); Van Thiel&CRIPO team, „The rise of executive agencies: comparing the agencification of 25 tasks in 21 countries", Paper presented at EGPA conference, 2-5 September 2009, Malta (2009); Pollitt, Christopher and Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004) ; Pollitt, Christopher et al., *Agencies: how governments do things through semi-autonomous organizations* (Palgrave MacMillan, 2005).

[2] Greve, Carsten. Flinders, Matthew. Van Thiel, Sandra, „Quangos- What's in a name?Defining quangos from a comparative perspective", *Governance: An International Journal of Policy and Administration*.12 (1999), pp.129-146; Christensen, Tom and Laegried, Per, *Autonomy and regulation: coping with agencies in the modern state*, Christensen, Tom and Laegried, Per (London: Edward Elgar Publishing, 2006); Pollitt, Christopher and Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004); Pollitt, Christopher et al., *Agencies: how governments do things through semi-autonomous organizations* (Palgrave MacMillan, 2005);Van Thiel&CRIPO team, „The rise of executive agencies: comparing the agencification of 25 tasks in 21 countries", Paper presented at EGPA conference, 2-5 September 2009, Malta (2009).

[3] Christensen, Tom and Laegried, Per, „Agencification and Regulatory Reform" in *Autonomy and regulation: coping with agencies in the modern state*, Christensen, Tom and Laegried, Per (London: Edward Elgar Publishing, 2006), 12

[4] Pollitt, Christopher et al., *Agencies: how governments do things through semi-autonomous organizations* (Palgrave MacMillan, 2005), 7-8

[5] Pollitt, Christopher. Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004), 5

3. employees are civil servants;

4. to be financed mainly from state budget;

5. to follow to a certain extent legal rules and public / administrative procedures.

Following these characteristics Pollit and Talbot support the idea that there are three central elements of the agency, namely: structural disintegration and / or creating their own organizations with specific tasks, contracting performance (here the reference is to the existence of a set of performance targets and a process of monitoring and reporting them), deregulation (or rather re-regulation) in respect to the control regarding hiring employees, the budget and other issues related to management[6].

The characteristics above provide a context in which to place the concept of agency. Given the difficulties in placing the term of agency in a comprehensive definition that would help in carrying out empirical research on a variety of possible cases, I chose to look at the term government agency within the proposed features and aspects outlined by Pollit and Talbot.

I will follow the same logic presented in the preceding argument to discuss the definition of government agency. The reason is that the purpose of this study does not concern offering a comprehensive conceptual framework on the term of government agency. For this reason I consider only the foundations necessary for understanding their significance in the governmental sector. Thus, I will discuss the features and elements proposed by Pollit and Talbot for agencies to establish the significance of government agencies.

Regarding the specific characteristics of agencies in general, they are also traits that correspond to government agencies. However, I consider it necessary to emphasize two important aspects.

On the first feature concerning being as far away from the main chain of central ministries or departments of government, in respect to the government agencies there has to be a discussion regarding their degree of autonomy from the ministry. Laegried and Christensen argue that these agencies have some degree of autonomy from the ministries in areas such as policy development, decision-making process, hiring employees, budget and management issues. This does not mean they are totally independent. The reason is that the government has the ultimate responsibility for the actions of the agency[7]. This observation is useful in analyzing the behavior of actors in government agencies, because it shows the importance of understanding the relationship between the bureau and the ministry and its impact on the behavior of bureaucrats. In other words, although government agencies are relatively distant from the ministerial ladder there may be penalties coming from the ministry in cases such as lower performance level. An example in this regard is the fact that in case of a low leve of performance the agency's budget may be decreased.

A second observation is related to the feature regarding the fact that employees of government agencies are civil servants. Although this is one of the characteristics of government agencies, it should be noted that in most cases the appointment of officials is more likely to be achieve on political criteria, given the ruling parties.

A question that remains is how to explain the elements central to the concept of agency for government agencies?

The concept of disruption of structure applies to ministries being divided into a central body and several government agencies that each meet a specific task. Structured change characteristics are generally as follows[8]: 1. creating a separate organizational structure that can be identified and has its

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[6] Pollitt, Christopher. Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004), 6

[7] Christensen, Tom. Laegried, Per, „Agencification and Regulatory Reform" in *Autonomy and regulation: coping with agencies in the modern state*, Christensen, Tom and Laegried, Per (London: Edward Elgar Publishing, 2006), 12-13.

[8] Pollitt, Christopher. Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004), 7-8

own name, 2. providing a single set of functions or a lower set of functions 3. functions are primarily of delivery, execution and providing, they are less related to policy-making, 4. establishing a "constitution" in the form of legislation, or at least a framework document which formally specifies the objectives of the organization and the institutional arrangements 5. appointment of a chief executive responsible for management, 6. differentiation of staff from the majority of civil servants; 7.establishing formal reporting arrangements concerning the activity of the agency, including a separate audit.

In terms of contracting performance government agencies there is to be seen on the one hand what is meant by performance and on the other what contracting involves. Performance involves a system of targets that are set, and reporting on the work of the agency (which may or may not be made public). A noteworthy aspect is that if the proposed targets are not achieved there are likely to be discussions, negotiations and consensus if possible, and unlikely to enforce only sanctions (when such actions are taken they are usually in regard to the executive chief and not the agency itself). The term contract is used in a broad sense, in other words, it is not necessary to have a formal contract. Rather, contracting may take the form of any set of performance objectives for the agency, which can be self-generated, required or on which an agreement has been reached, and put into a specific agreement, contract, plan or a type declaration[9].

The idea of deregulation, or rather re-regulation is one of the most important core elements of the concept of agency. To see what re-regulation means in government agencies we have to see why it appears and what it means. Regulation requires standard operating procedures and existing rules in the government apparatus to show how public bodies operate. Due to an increased level of regulation, public organizations are characterized by an excessive bureaucracy (red tape), which hampers the management and operation. Creating separate agencies from the central body involves a high degree of deregulation. This situation occurs also in regards to the government apparatus and creating such agencies leads to a deregulation process. It addresses various functions, including for example personnel, budget and some management issues. Deregulation may lead to release government agencies from the rules enforced by regulatory bodies or central bodies (ministries), or both. However, regulation of public administration can not be eliminated, nor can it decrease to a certain level without causing difficulties in terms of public accountability, probity or ethics. For this reason when it comes to government agencies, there is not so much deregulation, but rather re-regulation. In this respect, two strategies can be identified: external and internal deregulation. In regards to external deregulation, it can be achieved by granting the agency a degree of autonomy. The level of autonomy may increase in some cases as it is established in time a certain level of trust between agencies and ministries. Regarding domestic deregulation, it may occur within agencies as they reach a degree of self-regulation[10].

From the discussion concerning the characteristics and specific elements of government agencies I have emphasized the importance that norms and rules have in creating an agency and in the changes that appear when the agency is functioning. Thus, in the process of creating agencies the institutions have an exogenous character and after the creation of these agencies there are exogenous institutions, but also endogenous ones. The latter appear thanks to a certain degree of autonomy from the ministry and self-regulation.

The work undertaken so far provides the necessary conceptual basis for shaping a model of institutional analysis of government agencies.

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[9] Pollitt, Christopher. Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004), 14.

[10] Pollitt, Christopher. Talbot, Colin, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (Ed.Routledge, 2004), 12-13

1.2. Institutional analysis of governmental agencies

Given the considerations above concerning the characteristics and elements of government agencies and given the purpose to elaborate a model of institutional analysis it will be necessary to follow the preceding steps to achieve this objective.

A first step is to clarify why I have proposed as a model for the study of government agencies institutional one. I started with the idea that modern governance processes occurr within and through institutions[11], hence, in order to study government agencies we must understand the institutional context. Here I am concerned with the institutional context in which government agencies appear, and also with the impact of the changes that take place over time in the institutional context.

To address the two issues I will begin by clarifying what I understand by the term institution, then I will present different neoinstitutionalist approaches. Using these approaches I will explain the institutional context in which the process of creating agencies occurs, and then I will present the manner in which institutional changes occur in government agencies.

Regarding the concept of institution, in the literature concerning the term, there are two basic meanings given: the first meaning is organization, and the second is rule, norm, practice, routine, etc.[12].

For example, from North's perspective institutions are rules of the game in society or, more formally, they are constraints that shape human interaction[13]. North distinguishes between institutions and organizations stating that both institutions and organizations provide a structure for human interaction, but if we follow the costs that appear as consequences of the institutional framework, it will show that they are not its results, but those of organizations that have developed as a result of the existence of that frame[14].

Another meaning of the term institution is offered by March and Olsen. They define the institution as a collection of rules and organized practices, embedded in structures of meaning and structure of resources, which remain relatively unchanged and relatively resistant to the preferences and expectations of individuals and external circumstances[15].

Another conceptualization of the term is given by Ostrom in which the institution relates to concepts shared by humans and used in repetitive situations, organized in rules, norms and strategies[16].

Adrian Miroiu argues that different theoretical perspectives focus on one way or another to define institutions, hence if institutions are understood as rules, norms, practices, routines, etc. their ontological aspect is not yet defined, since an institution can be understood as a real nomative order, and also as a symbolic or cognitive one[17].

Among the meanings given above I chose to look at the institution as rules, regulations, norms, practices, routines.

Once established the meaning given to an institution I will present some of the neoinstitutionalist approaches. I will focus on presenting them on three dimensions, creating institutions, change within institutions and the impact on actors' behavior. This method will allow a

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[11] Bell, Stephen, „Institutionalism: Old and New", in *Government, Politics, Power and Policy in Australia (7th ed.)*,ed. Woodward, D., (Longman,2002), 1

[12] Miroiu, Adrian, *Fundamentele Politicii.Raționalitate și Acțiune Colectivă*, Vol.II, (Ed. Polirom, 2007), 231

[13] North, Douglass, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990), 3

[14] North, Douglass, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990), 4

[15] March,James G., and Olsen, Johan P., „Elaborating the New Institutionalism", *ARENA Working Paper* 11 (March 2005), 4

[16] Ostrom, Elinor, „Institutional Rational Choice An Assessment of the Institutional Analysis and Development Framework in Theories of the Policy Process", ed. Sabatier, Paul (Ed. Westview Press, 1999), 37

[17] Miroiu, Adrian, Fundamentele Politicii.Raționalitate și Acțiune Colectivă, Vol.II, (Ed. Polirom, 2007), 232

better understanding of the institutional context during the process of agencification, and it will also allow an understanding regarding institutional change in this environment.

"New institutionalism" is a term used increasingly often in political science. Although the term new institutionalism is frequently discussed, in particular it is unclear what this means, the difference between a neoinstitutionalist approach and other approaches that are addressing the promises and challenges involved. Many of the new institutionalism ambiguities can be clarified by stating that it is not a unified body of thought[18]. In this respect, it was noted that various theoretical trends specific to the new institutionalism should be viewed as complementary and not competitive in terms of explaining political phenomena. None of these perspectives can fully explain all political action, nor intend to do so[19].

Different approaches claimed to be neoinstititutionalist ones can be generally grouped according to three schools of thought, namely historical institutionalism, rational choice institutionalism and sociological institutionalism.

Historical institutionalism appears in response to theories of politics and structural-functionalist ones that were specific to political science in the 1960's and 1970's and borrows elements from both. From group theory, historical institutionalists accept the idea that conflict between groups competing for scarce resources is the center of politics. They seek better explanations for the distinctions between national political outcomes and inequalities that mark them. Historical institutionalism theorists have also found an explanation in the sense that institutional economics and political organization structure conflict in order to favor certain interests and to demobilize others. Historical institutionalists have been influenced by how structural functionalism perceive the political arena as a system of interacting parts. Thus, they perceive institutional organization of politics or political economy as the principal factor structuring collective behavior and generating distinct outcomes[20].

The main argument supported by historical institutionalists refers to the fact that structure and policy choices are made during the creation of new institutions and they will have a permanent impact on the duration of its existence. Thus, the core principle of this approach is the existence of a "path dependency"[21]. Under this principle, historical institutionalists view change in the institutional environment as highly unlikely[22].

Another aspect worth mentioning is related to the dimension concerning the processes that translate the behavior of actors in structure and rules, in that historical developments produce a particular set of preferences of actors[23].

Historical institutionalists put considerable emphasis on the contingencies of history. Thus, the understanding of individuals in regards to specific events and developments is constrained by the important role played by chance[24].

Based on these general assumptions I intend to follow the three dimensions agreed at the begining: the creation of institutions, institutional change and the impact on actors' behavior.

As seen above, historical institutionalists do not put much emphasis on the manner in which institutions are created, but rather their persistence over time. In this context, Peters[25] suggests that

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[18] Hall,Peter A., and Taylor,Rosemary C. R.,"Political Science and the Three New Institutionalisms", *Political Studies* 44(1996), 936

[19] Peters,B.Guy, El nuevo institucionalismo. Teoria institucional en ciencia politica (Barcelona:Ed. Gedisa S.A, 2003), 14

[20] Hall,Peter A., and Taylor,Rosemary C. R.,"Political Science and the Three New Institutionalisms", *Political Studies* 44(1996), 937

[21] Peters,B.Guy, „Institutional Theory: Problems and Prospects", *Political Science Series* 69 (2000), 3

[22] Peters,B.Guy, „Institutional Theory: Problems and Prospects", *Political Science Series* 69 (2000), 6

[23] Katznelson, Ira and Weingast, Barry, Preferences and Situations. Points of Intersection Between Historical and Rational Choice Institutionalism (Ed. Russel Sage Foundation, 2005), 3

[24] Immergut, Ellen, „The theoretical core of the new institutionalism", *Politics and Society* 26 (1998), 19

the emphasis on incorporating ideas into structures that support the institutions can be viewed in terms of historical institutionalism as a definition of forming institutions.

In terms of institutional change, as noted above, it is unlikely. One argument in favor of this idea is that all historical institutionalism analysis assume the existence of sustainability over time concerning the effects of institutional and political choices. In other words, this approach explains better the persistence of patterns, rather than changing them [26].

Another aspect that is not fully developed in this type of approach is the relationship between actors and institutions. Peters suggests that the reason is the implicit assumption made by historical institutionalists that actors who choose to participate in an institutional arrangement accepts the constraints imposed by it[27].

The considerations made above show that historical institutionalism does not offer enough tools to shape a model of institutional analysis of government agencies. The argument for this idea is supported by the presence of obstacles in providing comprehensive explanations both in terms of creating institutions and institutional change. Moreover, such an approach is difficult to use because it can not provide a clear understanding of the behavior of actors as shown.

Hence, given the fact that historical institutionalism can not serve in shaping a institutional analysis framework for government agencies I will seek to explain the other two types of approaches, starting with sociological institutionalism.

Sociological institutionalism emphasizes that many institutional forms and procedures used by modern organizations have been adopted simply because they were most effective in those tasks. Rules and procedures should be regarded as specific cultural practices, to be assimilated in the organization, not necessarily to improve the effectiveness of formal results, but as a consequence of such processes associated with the transmission of cultural practices. Thus, they argued that the apparent bureaucratic practices should be explained in cultural terms[28].

When talking about institutional change in this approach it can be viewed in two ways. Thus, institutional change is seen as occurring either through institutionalization or by de-institutionalization. In other words, the process of institutionalization refers to adding more roles or features, such as firm adhesion to the prevailing cognitive frames of the institution[29]. Another way to look at institutional change is adapting to changes in the institutional environment. In this case, the challenges from the environment are recognized and the focus is in finding ways in which the institution will comply with external forces[30].

To see how the relationship between actors and institutions is seen within this approach I will start with the following statement: central to sociological institutionalism is the idea that action is closely linked to interpretation. Thus, when faced with a situation, one must find a way to recognize and respond to it, because there are default patterns in the institutional environment that provide the means to achieve this task. The relationship between individual and institution is built on a type of practical reasoning in which the actor uses existing patterns of action[31].

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[25] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003)

[26] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 101-102

[27] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 103

[28] Hall,Peter A., and Taylor,Rosemary C. R.,"Political Science and the Three New Institutionalisms", *Political Studies* 44(1996), 946-947

[29] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003)

[30] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003)

[31] Hall,Peter A., and Taylor,Rosemary C. R.,"Political Science and the Three New Institutionalisms", *Political Studies* 44(1996), 947

A neoinstitutionalist perspective with roots in sociological institutionalism is that of March and Olsen, but it is rather considered belonging to a normative institutionalism approach. I chose to mention it, since its considerations are important. Thus, the two authors argue that there are two basic assumptions in the institutional approach. The first assumption is that institutions create elements of order and predictability. In other words, institutions shape, constrain and enable political actors to act in a "logic of the most appropriate action". The second assumption is that translating structures into political action and actions that lead to continuity and institutional change are generated by comprehensible routine processes. These processes produce recurring modes of action and organizational patterns[32].

Institutional change in March and Olsen's approach is not necessarily when there are external forces. Rather, there is internal pressure that can lead to institutional change, sustainable due to gaps between ideals and institutional practices. In addition, change may be governed by rules, institutionalized in specific units or sub-units, or it can be generated by interpreting routines or implementating rules[33] .

Another aspect worth mentioning is the relationship between actors and institutions. To understand this relationship, the authors stress that institutions provide codes of behavior. Thus, they believe that rules and practices specify what are the expectations and what makes sense in the community[34] .

Given the considerations above, we can say that sociological institutionalism approaches could provide a basis for shaping a model of institutional analysis of government agencies. However, I believe that such an approach would face some difficulties. First, considering the rules and procedures as specific cultural practices does not allow analyzing government agencies in countries in the process of democratization, since there is not a prima facie case in such practices. Another argument is related to the assumption that rules and procedures that are to be assimilated into organizations do not necessarily aim at improving the efficiency of the formal results, hence this assumption does not match the reality of government agencies. The reason is connected to one of the features mentioned regarding agencies, namely contracting performance. Thus, for example in a public agency whose task is reglementation, the assimilation of rules and procedures imply efficiency in terms of formal results. Hence, it is difficult to use this approach in building the analysis model proposed.

A third neoinstitutionalist approach is rational choice institutionalism. Institutional rational choice assumes that institutions are constructed by individual actors in the pursuit of rational goals and that these actors are involved in shaping and changing the institutional environment to serve their purpose[35]. Actors are seen as rational individuals with a fixed set of preferences and behave entirely instrumental in choosing the best alternative to achieve these preferences in a strategic manner. Thus, an actor's behavior is the result of a strategic calculus. This calculation is affected by the actor's expectations in relation to the behavior of other actors. Institutions shape such interactions by determining the structure and sequence of the alternatives available to the individual or by providing information and enforcement mechanisms that reduce the uncertainty regarding the behavior of other actors[36].

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[32] March,James G., and Olsen, Johan P., „Elaborating the New Institutionalism", *ARENA Working Paper* 11 (March 2005), 5

[33] March,James G., and Olsen, Johan P., „Elaborating the New Institutionalism", *ARENA Working Paper* 11 (March 2005), 15

[34] March,James G., and Olsen, Johan P., „Elaborating the New Institutionalism", *ARENA Working Paper* 11 (March 2005),9

[35] Bell, Stephen, „Institutionalism: Old and New", in *Government, Politics, Power and Policy in Australia (7th ed.)*,ed. Woodward, D., (Longman,2002), 6

[36] Hall,Peter A., and Taylor,Rosemary C. R.,"Political Science and the Three New Institutionalisms", *Political Studies* 44(1996), 946

Rational choice institutionalism features several perspectives, including models which explain institutions based on the principal-agent relationship, on game theory and models of institutions based on rules. Although different, these perspectives present a number of similarities: a common set of assumptions and the fact that they all starts from *tabula rasa*[37] .

In respect to the set of common assumptions, they are: 1. individuals are the central actors in the political process; 2. individuals act rationally to maximize their utility, 3. institutions are an aggregation of rules that shape individual behavior, 4. individuals react rationally to the incentives and constraints set by these rules, 5. most actors are expected to respond in the same fashion to similar incentives[38].

Regarding the fact that all of these perspectives start from tabula rasa, this assumption refers to the fact that the formation of institutions does not depend on past institutions or organizations. The result of the institutional design is determined by the nature of the incentives and constraints[39] .

In order to gain a better understanding of these perspectives I will present them briefly below.

Principal-agent models are based on the idea that interactions between individuals can be seen from this perspective, but can also be used in relation to the organizations as a means of understanding the interaction between groups of public sector institutions. An example are the studies on the budget of a public organization, where the the top official can operate as an agent for the bureau[40]. Such a model is quite difficult to use in shaping a framework of analysis for government agencies. Although it offers a better understanding of the interaction between actors, this model does not provide the analytical tools needed to study institutional design in the creation of agencies and provides minimal knowledge on their behavior of bureaucrats within the office except the for officials who could be regarded as agents in relation to the ministry under which the agency is located.

Game theory type models are based on the issues of compliance with rules and regulations. Game theory suggests a set of strategic choices (games) in which actors seek to ensure compliance by other actors they interact with, usually bureaucrats who are considered to be seeking a higher degree of freedom in their actions. The problem of those who are designing this game is to build an array of incentives to ensure the compliance of the bureaucrats. It is also necessary to find a solution to the problem of ensuring the compliance of the actors to their part in this arrangement. If this game is played only once desertion and non-compliance do not involve very high costs for any of the actors. To establish better cooperation between the actors and a greater degree of compliance game must be repeated several times[41].

Shepsle argues that models using game theory have some problems in regard to institutions. This approach has focused primarily on how the structure of the game affects the choices of the players, and only secondarily on the process by which equilibrium outcomes are reached (the institution is an expression of equilibrium). Of course there are important exceptions such as Axelrod[42], Shepsle[43], Shepsle and Weingast[44]. Thus, in most analysis using game theory the

[37] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 71-72

[38] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 71

[39] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 73

[40] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 77

[41] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 78-79

[42] Axelrod, Robert, ,,The Emergence of Cooperation among Egoists", *The American Political Science Review* 75 (1981), pp. 306-318; Axelrod, Robert, ,,An Evolutionary Approach to Norms", *The American Political Science Review* 80 (1986), pp. 1095-1111

institutional arrangements are given, and the objective is simply to study the implications of those rules on the behavior and results. Secondly, the temporal persistence of the rules is not considered as part of the game because they are regarded as exogenous[45]. The main impediment is the difficulty of establishing the preferences of the actors involved in the formation of government agencies. Given these impediments, we considered that this model is not one that can be used in shaping the analytical framework of the agencies.

Models which view institutions as rules are based on the idea that rules are a means to prescribe, permit and constrain behavior. In this case institutions are regarded as the aggregation of rules, and member organizations agree to comply with them in exchange for the benefits they obtain as part of the structure. In this model rationality is distinguished by the fact that individuals can gain benefits from membership and are therefore willing to sacrifice certain latitude for their actions in exchange for these benefit. Among the most important of these benefits is a remarkable degree of predictability of the behavior of other actors[46]. Of the three models presented until now I think it has the potential to help in shaping the analytical framework of governmental agencies, as it allows easier handling of issues relating to development and change within institutions, unlike the first two perspectives which were mainly concerned with the interaction between actors and institutions. In consequence I will pursue the two issues in terms of rational choice institutionalism.

Regarding the emergence of institutions, Peters claims that they do not appear automatically because they are needed, but they have to be created [47].

Concerning institutional change the rational choice institutionalism perspective stipulates that an institution undergoes changes that are both endogenous and exogenous. Transformations that occur endogenously appear when rules and procedures are changed in a previously established manner, and exogenously when this happens as a result of an external factor or when there is a sudden change in the institutional environment[48].

From these arguments it results that the rational choice institutional approach has the potential to create a framework for the analysis of government agencies. The problem is that theoretical approach was shown to have potential to shape the analytical framework not in its entirety, but only through its general assumptions and models.

Given this situation we decided to follow the perspective of Krehbiel Diermier who propose viewing institutionalism as a methodology. The two authors state that institutionalism should guide the investigation as to which of a multitude of more or less stable features, which characterize collective choice arrangements are essential in understanding the behavior and outcomes of collective action[49]. In this respect, the authors suggest a method in four steps[50]:

1. The expression and maintenance of fixed postulates regarding the behavior of political actors in collective choice arrangements;

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[43] Shepsle, Kenneth A., „Studying Institutions. A Lesson Learned from the Rational Choice Approach", *Journal of Theoretical Politics* 1 (1989), pp.131-147.

[44] Shepsle, Kenneth A. and Weingast, Barry, „Structure-induced equilibrium and legislative choice", Public *Choice* 37 (1981), pp. 503-519

[45] Shepsle, Kenneth A., „The Rules of the Game: What Rules? Which Game?", Prepared for presentation at "The Legacy and Work of Douglass C. North: Understanding Institutions and Development Economics" (2010), 5

[46] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 78-79

[47] Peters,B.Guy, *El nuevo institucionalismo. Teoria institucional en ciencia politica* (Barcelona:Ed. Gedisa S.A, 2003), 81

[48] Shepsle, Kenneth A., "Studying Institutions. A Lesson Learned from the Rational Choice Approach", *Journal of Theoretical Politics* 1 (1989), 141

[49] Diermier, Daniel and Krehbiel, Karl, "Institutionalism as Methodology", Journal of Theoretical Politics 15 (2003), 124

[50] Diermier, Daniel and Krehbiel, Karl, "Institutionalism as Methodology", Journal of Theoretical Politics 15 (2003), 128

2. Formal characterization of existing institutions;

3. Deduction of the behavior that occurs in institutional arrangements, taking into account the assumptions regarding behavior and the characterization of the effects of said behavior;

4. The derived implications must be evaluated using empirical data.

This perspective is perhaps most useful in analyzing the behavior of bureaucratic government agencies because it allows both the use of an institutional approach to explaining the context, but also a model of bureaucratic behavior in that context.

The way in which institutions emerge and change is important because as we suggested in the beginning, the emergence of the institutional arrangements of government agencies is exogenous – it is represented by legal rules which create the government agencies and establish rules for their operation – while, in time, the internal rules of agencies are defined without external intervention. Thus, conducting an analysis of the institutional processes of government agencies offers an explanation of the changes taking place within them. This approach is needed to complete the second step of the method proposed by Diermier and Krehbiel.

Once acquired this knowledge to create a framework for analyzing the behavior of bureaucrats in government agencies it will be necessary to expose the assumptions on the behavior given the existing institutional arrangement. In this regard, it will be necessary to start from a bureaucratic model.

Thus, in what follows I will present various bureaucratic models and I will choose one that corresponds to the collective choice arrangement given, namely the government agency.

2. Approaches to bureaucracy: models of bureaucratic behavior analysis

In order to asses bureaucratic behavior in government agencies I have chosen to use the organizational and public choice perspectives on bureaucracy, and will discuss possible general models of analysis.

One of the most important theoretical models of the organizational approach was developed by Max Weber in his theory of bureaucracy. This approach rests on ideal types, meaning that it lists the abstract or ideal characteristics of a bureaucratic organization. The model of bureaucracy proposed by Weber is based on the concept of authority. There are three types of authority according to the author: charismatic, traditional and rational-legal. Charismatic authority means that the power of a leader is based on his extraordinary ability to attract supporters and to interact with them. This type of authority is very unstable as it can disappear if the followers are disappointed by the charismatic leader. Charismatic authority can be observed in certain religious cults where one person draws supporters and requests their obedience by the force of his personality. The foundation of traditional authority is a set of persistent beliefs about who should be in control and is often associated with certain positions within an organizational hierarchy. The best example is monarchies, where the king or queen's power in derived from tradition and not from their skills, actions or behavior. Rational-legal authority designates power based on the rational application of a set of rules constructed by reference to information and expertise. In the case of rational-legal authority power belongs to the individual whose hierarchical position of authority is a direct result of the law and of the rules designed in compliance with the law[51].

Max Weber writes that "each holder of power is legitimated by rational norms and his power is legitimate insofar as it meets the standard. Obedience is to the norm rather than to the person"[52]. Weber proposes six principles for the bureaucratic systems derived from the concept of rational-legal authority, as follows:

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[51] Hughes, Owen. *Public Management and Administration* (Tornonto:St. Martin's Press, 1998),27

[52] Weber, Max, *Economy and Society*, Ed. Roth, Guenther. Wittich, Claus (Berkley: University of California Press, 1968), 95

1. Authority is derived from the law and the rules designed in compliance with the law.

2. The principle of a clearly defined hierarchy. This principle refers to the existence of a clear system of subordination where the higher hierarchical levels control the lower levels.

3. Bureaucracy is a relatively closed system. Where possible, the bureaucracy must be isolated from external environmental influences, given that external disturbances can adversely affect its operation. Furthermore, bureaucracy is an impersonal system, separate from the private life of its employees. The administration of the bureau is based on written documents which are kept. The persons in public office, together with the necessary equipment and documents constitute a bureau. Public funds and the equipment needed for bureaucratic activities are distinct from the private property of the person who performs a public function.

4. Bureaucratic activity requires specialized education.

5. Bureaucratic activity is a career and not a secondary activity.

6. The administration of the bureau follows general rules which are stable and comprehensive. Knowledge of these rules is a special type of technical education which a bureaucrat possesses.

In short, the bureaucracy in Weber's vision is a system based on impersonal rules.

The main criticisms of the model of bureaucratic organization proposed by Weber come from public choice approaches and were formulated by theorists such as Downs, Niskanen and Dunleavy. According to the standard assumptions of the theory of rational choice bureaucrats seek to maximize their utility or, more precisely, will seek more power, prestige and security, or a higher income by using the hierarchical structure for their own benefit, in detriment of the organization's goals. Weber's model is based on the assumption that bureaucrats are not interested in financial gain and are motivated by ideals such as service to the state. From the perspective of rational choice assumptions this type of behavior is illogical[53]. Rational choice theorists believes that maximizing individual utility (individual ambition) may lead to results that are not in the interest of the organization. Niskanen[54] (1973) argues that individual ambition leads to each bureau trying to maximize its budget. Thus, bureaucrats' personal benefits will increase if they are part of a bureau which obtains a larger budget because a budget increase can be translated into increases in salaries, public reputation, power and number of employees[55].

Such an interpretation may explain why high-level bureaucrats tend to always request more resources for the structures they head. In turn, Ostrom believes that bureaucratic organization is ineffective because large bureaucracies: a) impose ever higher social costs on the beneficiaries, b) fail to adjust supply to demand, c) allow for the degradation of public goods because they fail to stop the process by which using a public good for one purpose prevents it from being used for other purposes, d) are becoming increasingly prone to errors and uncontrollable to the point that their actions deviate dramatically compared to the rhetoric on public objectives and e) can lead to situations where an action aimed at improving a situation actually exacerbates the problem[56].

Another approach regarding bureaucratic behavior is the one based on the assumptions of rational choice theory. One model of bureaucratic behavior which follows this approach is that of Anthony Downs. The author presents the bureau as a particular form of organization where the organization is seen as a system of consciously coordinated activities that has been created specifically to achieve certain goals. An organization is a bureau in Downs's perspective if it has four basic features:

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[53] Hughes, Owen. *Public Management and Administration* (Tornonto:St. Martin's Press, 1998), 47

[54] Niskanen, William A., *Bureaucracy: Servant or Master? Lessons from America* (London: Institute of Economic Affairs, 1973).

[55] Niskanen, William A., *Bureaucracy: Servant or Master? Lessons from America* (London: Institute of Economic Affairs, 1973), 23

[56] Ostrom, Vincent, The Intellectual Crisis in American Public Administration,(University of Alabama Press, 1974), 64

1. it is large, in other words members of the highest levels know less than half of the staff members;

2. the majority of the employees work full time and depend on their job in the bureau for most of their revenue;

3. the hiring, promotion and retention of the staff is based, at least formally, on a technical evaluation regarding their performance or their expected performance given the role they are expected to perform in the bureau rather than on predetermined criteria (religion, race, social class, etc..) or as a result of periodic elections by an external body;

4. The output of the bureau is not, for the most part, directly or indirectly assessed in open markets by means of voluntary quid pro quo transactions[57].

With this operationalization of the concept of the bureau, Downs defines a bureaucrat not only as a person working in a bureau, but rather as a person working for a large organization, who receives a salary from the organization – which represents most of his revenue - who is employed, promoted and maintained within the organization on the basis of his performance of his assigned task, and who produces results that can not be assessed on the market[58].

Downs' argument starts from the assumption that bureaucrats, like any other actors in society, are mostly motivated by their personal interests[59]. Following this assumption the author proposes three main hypothesis. The first hypothesis states that all bureaucrats seek to achieve their objectives in a rational manner, in other words the most efficient manner, given their limited capacity and the cost of information. Thus, bureaucrats seek to maximize utility. The second hypothesis refers to the fact that bureaucrats have a complex set of objectives which include items such as power, income, prestige, safety, loyalty (to an idea, institution, etc..), serving the public interest. The last hypothesis concerns the fact that the internal structure and behavior of each bureau is closely linked to interactions with the environment, each of these being interlinked with the other[60]. The three hypothesis proposed by the author lead to the conclusion that when it comes to analyzing bureaucratic behavior the institutional context in which they operate should be investigated. Thus, one must take into account the fact that bureaucrats seeks to maximize utility, the internal and external constraints on the bureaucrat's behavior as well as the impact of bureaucratic behavior on the office[61].

Another perspective on bureaucratic behavior is offered by Niskanen within the theory which describes the supply of goods and services by bureaus. According to the author bureaus are defined as those organizations that have both of the following characteristics: 1. employers and employees in these organizations shall not acquire any part of the difference between revenues and costs for personal gain; 2. part of the organization's income results from sources other than the sale of outputs[62] (Niskanen, 1994:15). In other words, the perspective proposed by Niskanen sees the bureau as a non-profit organization which is funded in part by loans or regular grants. The bureaucrat is thought to be a full time employee in a bureau, wether he is a public sector professional or directly appointed by the executive[63].

The approach proposed by Niskanen focuses on the relationship between the bureau and the environment, namely the governmental sector, and the consequences of this relationship on the bureau's budget and outcomes. The author points out that bureaus are specialized in producing goods and services in large quantities rather than demand per unit product (Niskanen ,1994:15-18). His argument is that bureaucrats try to maximize the total budget of the office during their leadership.

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[57] Downs, Anthony, „A theory of bureaucracy", *The American Economic Reviw* 55 (1965), 439-440
[58] Downs, Anthony, „A theory of bureaucracy", *The American Economic Reviw* 55 (1965), 440
[59] Downs, Anthony, „A theory of bureaucracy", *The American Economic Reviw* 55 (1965), 439
[60] Downs, Anthony, „A theory of bureaucracy", *The American Economic Reviw* 55 (1965), 441-442
[61] Downs, Anthony, „A theory of bureaucracy", *The American Economic Reviw* 55 (1965), 444
[62] Niskanen Jr., William A., *Bureaucracy and public economics* (Ed. Edward Elgar, 1994), 15
[63] Niskanen Jr., William A., *Bureaucracy and public economics*, (Ed. Edward Elgar, 1994), 15-18, 22

The budget is subject to the constraint that it must be equal to or greater than the minimum total cost of supply as compared to the results expected by the body which finances the bureau[64].

The bureau shaping theory proposed by Patrick Dunleavy is built in opposition to the budget maximizing model proposed by William Niskanen. Dunleavy starts from the assumption that bureaucrats seek to maximize their personal utility when making official decisions. The general policy of a bureau is defined by a combination of individual decisions made by senior bureaucrats who act in it and their interaction with the structure the agency is subordinated to (interactions with the sponsor body). In general, the policy influence of the officials of the bureau is significantly structured according to rank, so that officials holding top-level positions will be the most influential. Structures acting as principal (sponsors) will depend to a considerable extent on the bureau (agent) in relation to information about the costs, benefits and results of the bureau, although they receive some general information from the public.

There are four reasons why rational bureaucrats should not act to maximize the budget: a) the collective action problems within bureaucracies have a considerable influence on the general behavior of the office, b) the extent to which the utility of the bureaucrats is associated with an increased budget varies depending on the different components of the overall budget and according to different types of agents, c) even if some bureaucrats act in order to maximize the budget, this process will continue only until an optimum level is reached and d) high-level bureaucrats try to maximize the utility of the type of tasks they carry out (work-related utilities) rather than the financial utility, in which case collective strategies for the remodeling of the bureau in which they work into other types of structures (agencies) may be the best alternative to achieve this goal. Whether high-level bureaucrats choose the modeling strategy or strategies to maximize the bureau's budget systematically vary depending on the type of bureaucratic structure[65].

Reasons for bureau shaping
Senior officials (who are in hierarchical positions where they can influence the policies of the bureau) acting to maximize their own welfare are mainly interested in securing a prestigious working environment and pleasant tasks for three reasons. The first reason is that high-level officials are less interested in financial components (income, job security) than lower-level officials, this is a general assumption of public choice literature. High-level officials are more interested in maximizing utility and non-financial status, prestige, influence and, in particular, the importance and interesting nature of the work they perform. Secondly, the design of the public sector imposes severe limits on the ability of officials to increase their financial utility (income) by using individual or collective strategies, whether it is the budget maximizing strategy or the use of discretionary funds for personal interest. The amount received as a salary is restricted by the use of a standardized cap. Thus, in public administration there are no consistent bonuses equivalent to the ones provided to the leadership of private corporations. In addition, general limitations imposed on the number of employees, centralized auditing systems, the prohibition of economic activities and the structure of careers are features that reduce the ability of government officials to pursue individual financial interests.

Similarly, non-financial but related benefits, such as company cars or equipment are also strictly controlled[66]. The third reason is the fact that utility maximization regarding the inherent characteristics of the tasks seems to be a major influence on how the bureaucracy works.

There is sufficient evidence that self-interested bureaucrats have strong preferences about the work they want to perform and the type of agency they want to work in. Clearly, there is a financial

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[64] Niskanen Jr., William A., *Bureaucracy and public economics*, (Ed. Edward Elgar, 1994), 15-18, 42

[65] Dunleavy, P., *The bureau-shaping model in Democracy, Bureaucracy and Public Choice*, (Harvester Wheatsheaf, 1991), 97

[66] Dunleavy, P., *The bureau-shaping model in Democracy, Bureaucracy and Public Choice*(Harvester Wheatsheaf, 1991),117

component of the agenda of officials, an income level they wish to achieve, but there is a high probability that this component is not very important for officials which hold positions that allow them to make bureau policy decisions. In other words, senior officials have already reached the level of income they wanted to achieve so that the importance of this factor decreases the higher the hierarchical position. Consequently, rational officials want to work in small, collegial and elite bureaus who are close to the centers of political power and not to be in charge of large structures with many employees and large budgets, but with routine activities, with a conflictual environment and low status[67].

Collective strategies for bureau shaping

If officials want to maximize their utility regarding the characteristics of the tasks they perform the most effective strategy that is available is that of individual action, that is looking for jobs that bring them closer to the desired level and the desired agency.

However, once the individual alternatives are exhausted there are a series of collective strategies that can be used for shaping the bureau in order for it to become an increasingly accurate approximation of the type of elite agency, with has a friendly atmosphere and is close to the centers of political power. There are five ways to shape a bureau:

1. Major internal reorganizations. Changing the structure of the bureau on a regular basis may increase the degree to which it approaches the ideal of an elite agency that outlines policy directions. The number of posts dealing with public policy formulation increases, while the number of lower level positions that deal with routine activities is reduced and employees occupying these positions are separated from the upper levels. Sometimes this is a geographical separation.

2. Transforming internal practices. Senior officials (policy-level officials) want to maximize their work related utility and to increase their ability to control policies in a discretionary manner. The adoption of sophisticated systems of management and policy analysis (using electronic equipment for routine tasks, statistical models) can protect the bureau from criticism from rival bureaus, external partners and the structure they are subordinated to. There is also the tendency to change the composition of the staff, encouraging the employment of specialized professionals with technical expertise, which increases the agency's status and improves the nature of the tasks performed by members. The main feature of this strategy is the automatization or externalization of routine tasks allowing the use of staff for policy development tasks. After the completion of these changes the officials dealing with policy analysis tend to emphasize the collegial decision-making and teamwork methods which results in the dispersal of responsibility.

3. Redefining the relationship with external partners. In cases where the bureau interacts with external organizations on a regular basis, such as subordinate public agencies, subcontractors, organizations whose activity is regulated by the bureau or interest groups, these relationships can be readjusted so that the volume of routine tasks is reduced and the bureau's control over policy is maximized. The bureau tries to minimize its dependence on external organizations given that a high volume of control or management tasks can be a risk if the subordinate or external organizations refuse to cooperate. Replacing this type of tasks with a control mechanism which protects the bureau is usually a priority.

4. Competition with other bureaus. Bureaus always defend their ability to manage funds for subordinate bureaucratic structures. Government agencies at the same level compete with each other for responsibilities concerning the administration of lower-level bureaus and public policy areas that fit the profile of the agency type they wish to approximate.

5. Hiring external agents. The most radical alternative available to senior offices who want to redefine the functions of their agency comes from their ability to outsource functions inconsistent

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[67] Dunleavy, P., *The bureau-shaping model in Democracy, Bureaucracy and Public Choice*(Harvester Wheatsheaf, 1991),118-119

with the ideal type of agency that senior officials want to approximate. Central government departments may transfer routine functions or activities to local government structures or such tasks can be transferred to the quasi-governmental agencies. The auxiliary functions can be outsourced to the private sector[68].

I believe that the model of bureaucratic behavior proposed by Dunleavy best fits the given collective choice arrangement, namely the government agency. One argument for this is that he refers to bureaus that have similar characteristics to those of governmental agencies. For example, in this model he shows that rational officials want to work in small, collegial and elite bureaus that are close to the centers of political power and not to be in charge of large structures with many employees and large budgets . This shows that the model can be applied to government agencies. The argument is that we can draw a parallel between the small, collegiate and elite bureau, that is not necessarily close to the main governmental hierarchy and the government agency which is usually positioned further away from the hierarchical structure of the central ministries and state departments. Another issue concerns the fact that self-interested bureaucrats have strong preferences regarding the type of work they want to perform and the type of agency they want to work in. This feature can be correlated with the fact that government agencies carry out public tasks at the national level.

In addition, the bureaus for which Dunleavy suggests this model are state financed and civil servants are employed, features also present in the case of government agencies.

3. Challenges in studying agencification and bureaucratic behaviour in Central and Eastern Europe

In terms of studying the agencification process in Central and Eastern Europe states there were difficulties regarding change in the government apparatus. To highlight this situation we should consider a brief description of the transition from a communist to a democratic regime in the countries from Central and Eastern Europe. It should be noted that the transition led to the significant changes on several fronts. On the one hand, the transition to a market economy led to significant changes in the structure and nature of the state, especially concerning privatization of public enterprises and also a public policy shift towards economic reform. On the other hand, there are political changes accompanying the process of democratization. In this context, concerns for economic and political reforms have prevailed in relation to achieving change in the government apparatus itself, particularly in relation to public administration. One argument in favor of this idea is offered by Barbara Nunberg who claims that public administration reforms have occurred at a much lower rate, a possible reason being the reluctance of foreign investors in supporting external programs to strengthen administrative capacity. This was largely due to the fact that attention was focused in particular on accelerating economic reforms, but also to some extent the appearance of a wave of anti-statist response to delegitimization of the communist state69.

In this context, in the countries from Central and Eastern Europe there are significant changes ocuring during the ongoing democratization process, these changes being incremental in nature. At the same time, there is the need to increase capacity for policy formulation and implementation of programs to strengthen and maintain the results produced by the aforementioned reforms. To achieve this goal the interest shifted towards producing changes in the government apparatus, specifically in regard to the transition from a centralized bureaucracy to a modern, efficient and focused one based

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[68] Dunleavy, P., *The bureau-shaping model in Democracy, Bureaucracy and Public Choice*, (Harvester Wheatsheaf, 1991),119-121

[69]Nunberg, Barbara. Barbone, Luca. Derlien, Hans-Ulrich, *The state after communism: administrative transitions in Central and Eastern Europe* (World Bank regional and sectoral studies, 1999), 1.

on performance70. From these considerations it is noted that in order to propose an analytical model of bureaucratic behavior in the governmental sector it will be required to draw a clear and comprehensive view regarding the institutional environment and the processes and transformations that occur within it.

Taking these into account it is necessary to follow the emergence of government agencies and the specifics of this process in Central and Eastern Europe states.

First, as mentioned above the changes in the government apparatus were performed in a slower pace during the process of democratization. Secondly, a large part of public organizations in these countries inherited legal personality since the communist regime, which resulted in procedural and formal consequences. In these circumstances, the creation of government agencies in Central and Eastern Europe involved the creation of new autonomous organizations to respond to new functions, but also a significant increase in legally separate autonomous.[71]

The challenge of studying the behavior of bureaucrats in government agencies from countries in the process of democratization in these circumstances is twofold. While there is a series of empirical research embodied in case studies concerning government agencies in some countries in Central and Eastern Europe (Beblavy, 2002, Pollitt, Talbot, 2004; Pollitt, Talbot, Caufield, Smullen, 2005, Van Thiel & CRIPO team, 2009, Hajnal, 2010), they focus primarily on providing research tools and methods and less on shaping a clear and comprehensive theoretical framework. For this reason, the challenges of such a study leads to highlighting the similarities and differences in creating agencies between democratic states in relation to the ones in the process of democratization. Through this method there will be provided a better understanding of the complexity of the institutional environment. Moreover, such challenge of sketching a theoretical framework and outline a model involving the analysis of bureaucratic behavior will become more clearly defined.

Considering the challenges presented above in studying bureaucratic behaviour in agencies in Central and Eastern Europe states I consider that the method developed in this paper has a real potential. An argument in this sense is that by developing a institutional analysis framework for studying bureaucratic behaviour there are several aspects covered. First, it offers a strategy to create a formal characterization of the existing institutions in government agencies in general. Second, by viewing institutions as rules, norms and procedures it helps to highlight the institutional arrangements in the moment of creating the agency and the changes that occur in time. An important aspect possible to be observed is the process of auto-regulation which appears when agencies obtain a certain degree of autonomy. Hence, the approach suggested outlines exogenous institutional arrangements and how they shape the agencies when they are created and also endogenous ones which are established during the lifespan of the agency. These dimensions are important in tackling the challenges presented above in studying agencies from Central and Eastern Europe states.

Conclusions

This study shows that in order to create a framework for analyzing the behavior of bureaucratic governmental agencies two steps need to be taken.

A first step is the formal characterization of the existing institutions within government agencies. We have shown that it can be done by using the rational choice institutionalism type approaches. From this approach we found that the model which defines institutions as based on rules as having the best potential in characterizing the institutional context which corresponds with the formation and operation of government agencies.

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[70] Nunberg, Barbara. Barbone, Luca. Derlien, Hans-Ulrich, *The state after communism: administrative transitions in Central and Eastern Europe* (World Bank regional and sectoral studies, 1999), 1-2.

[71] Beblavy, Miroslav, „Understanding the Waves of Agencification and the Governance Problems They Have Raised in Central and Eastern European Countries" (OECD Journal on Budgeting, 2002), 121.

A second step regards the choice of a bureaucratic model that can be used in explaining bureaucratic behavior in government agencies, taking into account the institutional context in which they are placed. Completion of this approach has led to exposure in the behavior postulates on collective choice arrangement gives (government agencies).

In conclusion, to draw up a comprehensive framework for the analysis of bureaucratic behavior in government agencies is necessary to rely on a method to consider institutional arrangements as they occur and at a later stage of their operation, but to consider and a bureaucratic model to answer this question on the influence of institutional context to the internal and external rules of bureaucratic behavior.

The implications of using an institutional framework for analyzing government agencies in Central and Eastern Europe states are as suggested in the third section of the paper that the researcher is offered a comprehensive strategy in studying bureaucratic behavior. Also, the study shows that the challenges presented by researching bureaucratic behavior in agencies in Central and Eastern Europe states and the difficulties in finding common ground in this area are better faced if we are equipped with theoretical and methodological tools from an institutionalist perspective.

In this respect, as mentioned at the beginning of the paper, developing an institutional analysis framework in studying bureaucratic behavior in government agencies is a step for a future research concerning public accountability and bureaucratic behavior in agencies in Central and Eastern Europe. Hence, this study represents the foundation on which there will be conducted the research mentioned, that will put an emphasis on institutional arrangements and how they affect bureaucratic behavior in terms of public accountability.

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