

**THE APPLICABILITY OF NEW PUBLIC
MANAGEMENT PRINCIPLES IN
ESTONIAN LOCAL GOVERNMENT**

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LIST OF ORIGINAL PUBLICATIONS

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- III. **Tõnnisson, Kristiina**. (2004) Evaluating the Quality of Internal Information Flows and Citizens Interactions in Estonian Local Authorities, in: Michael, B., Kattel, R. and Drechsler, W. (eds) *Enhancing the Capacities to Govern: Challenges Facing the CEE Countries*, Bratislava: NISPAcee, pp. 211–23.
- IV. **Tõnnisson, Kristiina**. (2006) Why CEE Countries, NPM Principles and Bad Policy Implementation Could Easily Be Fatal Friends? The Case of Estonian Local Governments, in: Dunn, B., Staronova, K., Pushkarev, S. (eds) *Implementation in Central and Eastern Europe: Why Failures Occur*, NISPAcee. Forthcoming.
- V. **Tõnnisson, Kristiina**. (2004) The Applicability of Networking Principles among Estonian Local Governments, in: Jenei, G., McLaughlin, K., Mike, K. and Osborne, S.P. (eds) *Challenges of Public Management Reforms. Theoretical Perspectives and Recommendations*, Budapest: IRSPM-BUESPA, pp. 193–213.
- VI. **Tõnnisson, Kristiina** and Kaido Paabus. (2005) Securing Common Knowledge and Values in Decentralized Public Service. The Case of Estonia, in: Jenei, G., Barabashev, A. and van der Berg, F. (eds) *Institutional Requirements and Problem Solving in the Public Administrations of the Enlarged European Union and Its Neighbours*, Bratislava: NISPAcee, pp. 262–78.

INTRODUCTION

In Estonia, as in the rest of Europe, the study of Public Administration has shown growing interest both in local government studies and in the modernization of public organizations. Often the provision of services has been delegated to individual municipalities increasing the need for general discussion about appropriate approaches and management tools. The subsidiarity principle strongly promoted by the European Union creates additional attention on local governments and their modernization plans. Various modernization ideas and activities around the world show that there is not any single model for efficient and effective public management. Country-specific characteristics and traditions are central in the planning and implementation of public administration reforms. Countries with different development levels also have different goals of their reforms. For established democracies flexibility has been the keyword behind public administration reforms. Transitional countries on the other hand have too much flexibility due to general political and economic instability. Transitional countries on the other hand try to establish their traditions, principles and mindset of people in accordance with the new economic, social and political reality. Starting from the end of the 1980s, discussion about appropriate management practices and modernization initiatives has often been followed and enhanced by pro and con arguments of the *New Public Management* (NPM) approach. This approach is mostly referring to the market-oriented principles and private sector practices that are meant to be transferred to and applied by the public sector.

The focus of this dissertation is on the current management practices in the Estonian local government. The central aim is to analyze some of the main NPM-type management ideas which Estonian local governments have been experimenting with since the beginning of the 1990s. Although certain aspects of national and European levels are looked at and analyzed together with the characteristics of the transitional countries in Central and Eastern Europe (CEE), the main analysis concentrates on Estonian local level. Only if the developments on the organizational level in Estonian local governments are combined with the developments in the broader context, an adequate picture of an analysis could be expected.

In order to gather most accurate information the dissertation is based on the extensive research during seven years starting with the week-long site visits to six different Estonian municipalities including 73 in-depth interviews with local administrators and 156 interviews with citizens in 1999 (II) and ending with e-survey of Heads of Local Governments (executives) reaching 96% response rate (231 municipalities) in 2005 (I, IV). The idea behind these and additional numerous contacts (interviews, working groups, presentations, etc.) was to get inside of the mindset of key actors in local governments' change process and to examine as properly as possible the factors that shape and constrain the reform

ideas. Even if there are differences among Estonian municipalities, especially in the context of bigger cities/regional centers versus rural municipalities; Tallinn versus other local governments, the research (e-survey, interviews, documents' analysis, etc) allows still identifying some general trends and drawing some general conclusions for Estonian local government.

The original articles the thesis is based on concentrate on the possibilities, preconditions and early outcomes of adopting various modern management ideas. The dissertation deals more closely with the following issues: local governments' practices with the 4 C (consultation, competition, challenge, comparison) (I), the impact of the organizational context on quality management (II), internal and external information management (III), policy implementation in the transitional environment (IV), networking among municipalities (V), and aspects of the decentralized public service system (VI). The consideration underlying this selection of the research topics was that in many accounts, they are seen as representing the current situation and public management discourse in Estonian municipalities.

First, the introduction of the dissertation gives an overview of the development and current stage of Estonian local government. In these parts necessary background information and general trends have been analyzed and discussed. After a short introduction to *New Public Management* movement and its central ideas, the analysis concentrates on Peters (2001) four modern management approaches: marketization, participation, flexibility and deregulation. Each principle has been discussed within the context of Estonian local governments. Finally some central learned and unlearned lessons are analyzed and general conclusions are drawn.

Development of Estonian local government

In order to analyze the current development of Estonian local government, one should look back to the recent history. While the importance of historical developments and path-dependency is crucial for analyzing Estonian reality, a short historical overview of Estonia and its local government provides necessary background information for analysis.

Estonia as an independent state does not have a strong and long tradition. The country had its first experience of statehood from 1918 to 1940. A characteristic feature of the society of this period was the important role played by institutions of civic society (Aareleid-Tart and Siisiäinen, 1993) together with a strong emphasis of local governments. During the following 50 years under Soviet occupation, the communist regime transformed the Estonian public sector to a system characterized by centralization and politicization. Since local government is a pillar of democracy and has a strong orientation to the citizen, it is exactly for this reason that local government is usually very quickly

eliminated in totalitarian systems (Drechsler, 2000). As one of the results, the administrative system based on local government was abolished (Raagmaa, 1996: 6) and the Estonian public administration system was attached and assimilated to the system of the Soviet Union. Local governments were directly under the control of the central administration, more precisely under the control of the communist party. They were seen as local administrative units implementing the orders from “above” and figuring out the ways of how to implement the party decisions (Veskimägi, 2005: 346). In this environment, publicly presented values, attitudes and beliefs had to reflect mostly the views of the communist party. The separation of official and unofficial opinions, evaluations and behaviors, and Orwellian double-think and double-behavior characterized soviet political culture (Fleron, 1996: 238). The closed nature and the lack of tolerance for other ideas and values were additional strong characteristics of the time (Lauristin and Vihalemm, 1997). The politicization of civil service led to selective implementation of legislation, low motivation for job performance and closed decision-making both on central and local levels.

After regaining its independence, Estonia had to transform itself very quickly from an occupied soviet republic to an independent European state. It meant transition from the communist past, systems and structures towards market economy principles and liberal democracy. According to the World Bank (1996: 9), Estonia chose a clear strategy of the reform “to launch a rapid, all-out program, undertaking as many reforms as possible in the shortest possible time”. The market was considered as the only and reliable future and that is why economic reforms got most of the attention. As Estonia’s former Prime Minister Mart Laar (1996: 97) has stated: “We tried to learn from the experiences of other countries which had undergone a similar transition. Two main lessons emerged. One was to take care of politics first, and then to proceed with economic reform”. In this environment, the development of public administration was not a priority. However, within public administration, local government reforms have been rather attractive to the politicians since the end of the 1980s.

At the end of the the 1980s, conceptual work to establish the basic principles of Estonian local government started. The local level was the first one to be changed and transformed according to the democratic principles. In November 1989, democratic local government was introduced in Estonia as the outcome of the first political reform (Kettunen and Kungla, 2005: 361). At first, the Estonian local government consisted of two tiers. Towns, rural municipalities and boroughs were units of the first tier and counties were the units of the second tier. After years of reforming the basis and principles of local self-governments, a new one-tier local government system was introduced in 1994. The local authorities were turned into one-level institutions and the county councils, where the local Soviet *nomenclatura* held especially strong positions, were abolished as local government units (Lauristin and Vihalemm, 1997: 106). The county governments became parts of the central government. After the

establishment of the one-tier local government system, there was no direct elected representation of local people left on the regional level. Instead of that, local governments were encouraged to form associations of local authorities on the regional level.

Estonia has been developing a classical cabinet model with the strong role of the executives on the local level (Sootla and Grau, 2005: 297). After the elections in 1989, new councilors and executives had to deal with the legacy of the Soviet system. Often it were municipalities badly organized and in financial difficulty (II), forcing local managers to spend their energy and time on overcoming deficits and problems of a structural nature — renovation of the building, computerization of the organizations, simplification of the processes, modification of organizational structures, etc. The question was not about reforming, restructuring or downsizing municipalities, but rather of building the systems of local governments in the first place. Since there was almost no restoration of old knowledge and expertise possible among local administrators and politicians, they had to develop and gain new knowledge. In order to free themselves from the network of Soviet relationships and their inertia, local authorities started to employ new personnel (Lauristin and Vihalemm, 1997: 106). In addition to finding new people, municipalities needed to implement appropriate systems and principles.

Starting from the beginning of the transition, the administrative reforms have been rather unfocused both on the central and local levels because of too many competing targets. The lack of know-how and experience of how to transform the local government system made prior thorough analysis an unlikely option. Time pressure and limited expertise forced a development of Estonian public administration that was neither rational nor consistent (Randma-Liiv, 2005a: 101). The proposed approaches and suggestions about what, when and how to reform were closely connected to the experience and understanding of “the talker”, not so much to the situation itself. “The internalisation of transition countries has followed a specific model in which foreign aid, in the form of imported expert knowledge, has had an important role in transition analysis” (Temmes *et al.*, 2005: 69). In Estonia, quite a few established practices on the local level were worked out on the examples from the neighboring countries around the Baltic Sea (e.g. from Finland, Denmark) and policy transfer was used rather widely, at least in the initial transition period. Then again, “although certain influences from various model countries are acknowledged, the major decisions about the design and operation of Estonian public administration have remained “home-grown”” (Randma-Liiv, 2005b: 484–5). Within a short period of time, Estonian local governments had to create new organizations and new structures. It meant a quickly built-up process with frequently unpredictable results.

Even if there are several studies showing how dangerous it can be to simplify the problems of Estonian public administration and their solutions (Randma and Annus, 2000; Drechsler, 2000), simplifications in the practice of the

Estonian public sector reforms has been taking place. In most cases the reform ideas of Estonian public administration have been finally reverted or reduced to the reform ideas of Estonian local government. To be more precise, the ideas have been mostly concentrating on administrative-territorial reforms with the aim of municipalities' amalgamation. Even if there are studies showing that there is no ideal size for Estonian local government units and equating a larger unit with increased efficiency is not in conformity with available knowledge and experience (Drechsler, 2000), most political forces have, since the restoration of the Estonian local government system, seen its main problem as the "size problem" (State Chancellery, 2004).

That is why various administrative-territorial reform attempts and approaches have been promoted from time to time. In reality, not too many mergers have happened. In May 2006, the number of 227 local government units is the result of the mergers since 1996 when the number of municipalities was 255 (Ministry of the Interior, 2005). Despite the fact that Drechsler (2000) argues that large-scale and forceful merging of local government units would be especially harmful for Estonia as there is no effective (intermediary) institution between local interests and the central government, the Estonian government adopted the Local Government Merger Act in 2004 establishing the principles for mergers of municipalities and the principles for promoting such mergers. Already in the 1990s there was a need for reforming public administration practices while implementing modern management ideas and approaches. Since Estonian local governments could not learn from their own "past", municipalities' reform attempts have often been based on experimenting with new ideas and on trials. That in turn has increased chances and possibilities for making errors and witnessing of unexpected outcomes.

Current Stage of Estonian local government

If the first part of the 1990s in Estonian local governments was characterized by *doing things*, though often with the price of speeding and lack of analysis, then the first part of the current decade could be characterized by a certain satisfaction of *having these things*. After reaching a certain point in the modernization process, quite a few local governments saw this process as a successfully finished transformation, not as the beginning of a bigger transformation. Even if some municipalities understood the need to think about other broader democratic, political, administrative and managerial issues, there were often no skills for that. By now, several municipalities have understood that such a short-term and narrow approach to reform processes does not fit very well with the principles of sustainable development of their own organization as well as of the whole country (I). Even if it is often stated that long-term plans and strategies are needed for the best possible usage of the resources today, local governments do not often have enough skills and knowledge to develop them and to improve

the existing state of affairs (**II, I**). There are studies showing that only 9% of Estonian local governments invest based on their long-term development principles and plans (Soiver, 2004). It has led to the situation where most municipalities deal with their own everyday problems when having no interest and resources to deal either with their long-term plans or Estonian public administration development in general.

Estonian municipalities provide a rather large scale of services, and a remarkable share of public infrastructure has been given to the maintenance by local authorities. Among other fields, municipalities are responsible for secondary education, social care, housing, municipal public transport, maintenance of infrastructure, water supply, spatial planning, etc. Even if many responsibilities have been divided among the central government and municipalities for more than a decade already, there is still a lack of clear understanding of the roles, functions and responsibilities of the central, county and local levels (**IV**). This understanding is not just missing among local governments, but it is also missing on the central level among county governors themselves (Õunapuu, 2003). In addition to the confusions concerning responsibilities, local governments face severe difficulties in getting financial tools from the central government for being able to carry out required activities imposed on them by the state and stated in laws and other legal acts. The lack of finances and financial dependency on the state is currently one of the major problems that Estonian municipalities are facing (**I**). Though according to the Estonian legislation, the state budget and local governments' budgets are separated and local authorities have their own independent budget, the central level is keeping considerable control over local governments' finances representing the highest fiscal centralism in the Baltic States (Wrobel, 2003: 277). The biggest portion of income for the local budget comes from the state personal income tax (42%) and the second largest sources are subsidies and investments also directly from the state budget (31%) (Ministry of Interior, 2005). Local taxes gave only 1 % of the total revenue in local government in 2005. Even if, according to the coalition treaty of the Estonian three-party coalition government in power since April 2003, the strengthening of the local government level and providing them with independent and sustainable revenues are among its priorities, the central government has not made any concrete steps in order to follow this priority during the last three years. Looking at the current development plans and agendas, this priority will most probably never reach its implementation stage.

Constantly changing expectations from the central government towards the local level have not increased mutual understanding. There is no consistent system for consultation, information-sharing and collaboration between the state and local governments (**I**). Sometimes, there are roundtables, meetings and consultations, but often, it is considered as window-dressing or cosmetic exercise by the municipalities. The scope for possible input from the local level has been minimal in many areas. Also public management reform ideas in Estonia have been mostly initialized and promoted from the state level. Though there

are also some other examples (e.g. the City Government of Tallinn has initiated quite a few reform ideas in the areas of service delivery and contracting out), municipalities themselves have not been too proactive in developing their own initiatives and approaches (IV). Mostly, they have been relying on picking up the modernization discourse from the central government.

Estonian municipalities have achieved the most visible outcomes in organizational restructuring, though even then not all of the stated purposes have been accomplished (II, III). These changes are not without importance, but it is often not enough nor is it what was claimed for the framework of the reforming process. “People generally have little reason to be interested in the structures of political management: they are interested in what these structures do and what they provide for them.” (Fenwick and Elcock, 2004: 535). Even if quite a few structural reform processes could be considered successful, they are rarely implemented because of this purpose. The restructuring has mostly been the result of local political power games, and/or the need for that derives from available human resources in local government systems (II, V).

Neither structural changes nor changes in managerial approaches have succeeded too much in developing new values and working practices among local administrators (II). This situation has been similarly described by Taagepera (2006: 80) who stated that Estonia tried to join Western world on the level of institutions but was reluctant to adopt the corresponding values and habits. While changes just in management principles do not lead to better outcomes unless they are supported by new incentives and capacities, Estonian local governments face major transformation in the future as well. Since public administrators’ values and attitudes directly affect the processes and outcomes of public administration — often more than the structures and processes themselves — Estonian local administration is still rather far from “good public administration” (Drechsler, 2004). This situation is often worsened by the municipalities’ feeling of being “left alone” in important matters by the state. It means that municipalities themselves have to overcome the difficulties and to find resources to fulfill their duties imposed on them by the state. It all has given additional input to the quite common current attitude in the Estonian municipalities, where the public administrators fail to see themselves as part of a greater whole — the Estonian society (I). Often the division of “we” e.g. local governments and “they” e.g. central government is too strong.

New Public Management

Recent public management reforms around the world have been affected by the *New Public Management* movement. Estonia’s re-independence and its development of the basic principles of public administration coincided with the era of the NPM ideology. That is why this approach has left a certain footprint on Estonia’s public sector. Even if major NPM reforms are analyzed rather

critically or even faded away in most of the developed countries so that “[m]ost of us could write the New Public Management’s post mortem now” (Lynn, 1998: 231), these principles have changed our way of thinking about public administration and we can not go back to the unchanged situation where we started from (Peters, 2001: 199–201). Thus, NPM approach helps to understand the development and the path of changes in Estonian municipalities. It provides a good framework for thorough analyses of the reasons and motives of the reform ideas.

According to Wollmann (2004: 641), traditional public administration reforms are mostly aiming to strengthen the political and administrative institutions of the advanced welfare state to redress “market failures”. Most of the recent reforms and institutional changes in public administration over the world have not been “traditional reforms” in this sense, but rather reforms that are conceptually rooted in and driven by NPM ideas. Despite the fact the NPM type of principles started to develop already in the 1960s (e.g. Fulton Report in the UK in 1968), the term *New Public Management* appeared in the early 1990s (Aucoin, 1990; Hood, 1991). The NPM concept tries to combine and summarize thinking about the governance and management of the public sector over 20 years mostly in the UK, New Zealand, Australia and the USA (Barzelay, 2001). Also other countries in Europe subscribed to NPM thinking (Wollmann, 2004) as well as most OECD countries (Lane, 1997). Most of the NPM ideas are embedded in the neo-liberal policy discourse and are rooted in bundles of various concepts that often might even be contradictory (Peters, 2001).

The one and central frame in the NPM approach is still the private sector. The market-oriented principles and private sector practices are meant to be transferred to and applied by the public sector in order to overcome state and public administration failures and to improve the functioning of Weberian administrative structures. “The NPM is an administrative ideology providing a ‘strategy of containment’ aimed at regaining political power over bureaucrats as part of an overall strategy of retooling the state along market principles (the three E’s of economy, efficiency, effectiveness that have replaced the three C’s of traditional administration, conduct, code of ethics, and culture)” (Samier, 2005: 82). According to Wollmann (2000: 932) this concept runs counter to basic political and cultural premises of local governments as local democracy. Even if most of the countries have admitted that increasing efficiency, improving service delivery and enhancing accountability are needed, not every country has taken the same approach and implemented the same ideas. Countries have been carrying out modernization reforms in their public administration, but in different areas and in different ways (Torres, 2004). There is a question whether international developments in the modernization of local governance are variants on the NPM or are they challenges and critiques to its core values (Osborne, McLaughlin, 2002: 12).

Hood (1991: 4–5) was one of the first to offer a systematic approach to NPM principles while identifying seven doctrinal components (emphasis in the

original): “*hand-on professional management*” in the public sector, *explicit standards and measures of performance*, greater emphasis on *output controls*, shift to *disaggregation* of units in the public sector, shift to greater *competition* in the public sector, *stress on private-sector styles of management practice*, stress on greater *discipline* and *parsimony* in resource use. Later, quite a few authors developed their own approaches categorizing the features of NPM mostly into four groups. E.g. Torres (2004: 100) enumerates his four principles: performance management reforms, the relationship between government and citizens, personnel management, and devolution. Widely known is also the framework of Peters (2001) who grouped the features of transformation in government organizations as follows: marketization, participation, flexibility and deregulation. While this approach gives a good overview of the major trends and prevailing thinking in public administration, the current dissertation also draws on it while analyzing the changes and reform ideas in Estonian local government.

Marketization

The market approach for reforming government emphasizes market incentives, private sector techniques and decentralization. “The primary intellectual root of the market approach to changing the public sector is the belief in the efficiency of markets as the mechanism for allocating resources within a society” (Peters, 2001: 25). The idea behind it is the assumption that traditional bureaucracies do not provide sufficient incentives for public servants to perform efficiently and effectively. That is why the central value is the basic belief in the virtue of competition. The advocates of this approach believe that the closer public sector comes to market interventions, the better the outcomes will be. Entrepreneurship, customer satisfaction, efficiency are just some central keywords used within this framework. According to this approach, good managers can produce better government with less money. For that, the managers need to have enough freedom and flexibility to be able to manage. It is believed that techniques and motivational systems from the private sector are the best ways to reach these aims.

Most of the researchers agree nowadays that there is a great need for selectiveness while using various market models. E.g. for Wollmann (2001), the conceptual and normative approach to marketization of the public sector should be avoided and pluralist lenses for looking at reform processes should be provided instead. Also Bozeman (2002: 157) states: “Too often, contemporary discourse is dominated not by public values, but by market intervention, technical efficiency, and the private value of public things”. He described these deficiencies in market-driven models of service provisions as “public-value failure”. Despite this criticism and the fact that many of the NPM ideas have largely died away in Western countries by now, the e-survey among Heads of

Local Governments with 96% response rate showed that there is a belief in Estonian local governments to obtain better results through implementing some sort of market-based approach and pursuing the 4 C framework (*challenge, compare, consult, compete*) (I, IV).

There are studies showing that in local service provision, the part of private service providers has grown and the part of public subjects has decreased in Estonia (Kõre, 2005). The management of various spheres of life (e.g. garbage collection, municipal housing, social services, etc) is gradually being given over to the private sector. Contracting out to the lowest bidder from the private sector is widely practiced in Estonia, especially in case of technical tasks (Ministry of Interior, 2005). At the same time, there is a study showing that public organizations in Estonia are not able to act as a “smart buyer” because of institutional settings which are too weak to control and steer complex contracting relationships (Lember, 2004). Certain political, legal, administrative and economic aspects hinder the marketization processes in Estonia making it rather questionable for Estonian local governments as well. One of the central arguments is that there is not actually any real market on Estonia’s local level. The number of potential service providers is usually very small, being in most cases just one or zero. “With the possible exception of Tallinn and maybe some strong regional centers, local governments are unlikely to find NGOs that would be willing and capable to act as partners in service provision” (Lagerspetz *et al.*, 2002: 83). Since the central idea of the market approach is competition, implementing marketization principles on local level does not respond to the real idea of the approach.

Structuring local governments’ relationships with citizens as a market exchange action can be especially dangerous in Estonian municipalities since the strong and solid system of local governance is not in place yet. In addition, it can be damaging to public confidence and local governments’ reputation. “It is the symbolism of citizens as passive consumers, making judgments on preferences rather than participating in public processes, that needs reconsideration.” (Ryan, 2001: 107). This trend might create serious conflicts between managerial values on the one hand and democratic values on the other hand. Since the relationship between a local government and its citizens and inhabitants is more complex than a consumer-provider relationship, the role of consumers cannot replace the role of citizens either in the policy formulation or in the policy implementation process.

While for Estonian local governments it is easier to deal with and concentrate on their customers rather than on the citizens because of the limited resources, it is easy to equalize customers with citizens. This can easily reinforce the erosion of the already rather low public accountability in Estonian local governments. Also Parker and Gould (1999) find it alarming and dangerous that the concept of accountability to the public at large with the multiple dimensions has often changed to accountability for financial outcomes. Technocratic aims (e.g. cost-efficiency) have easily started to rule over democratic

aims (accountability, transparency, etc). Since the philosophy of marketization is often utilitarian — being good equals being cost-efficient and being cost-efficient equals being good —, it has often led to over-concentration on financial efficiency. That has been happening also in Estonian municipalities where financial issues are often considered more important than general democratic issues (I). Another risk deriving from the marketization approach is that only organizational activities which can be quantified become the subject of accountability. Other characteristics of the services that are not measured or quantified may lose their value and/or take a turn to the worse. The study based on the extensive e-survey in 2005 among Estonian local governments showed that financial accountability is considered the central one also in Estonian municipalities (I).

While the majority of Estonian governments since 1991 have started their reform ideas from the ideal of the minimal state and public sector, Estonian local governments also follow this practice in many senses. The central aim in Estonian local governments' practice is not to build a solid ground for local democracy or to build up social capital among the constituencies as one might expect, but to improve the efficiency of the institutional structures and local administration. Often municipalities have adopted a cost-concerned and performance-oriented approach that can easily overrun the democratic values. As Forde (2005: 145) puts it: "a consumerist approach appears more consistent with a desire to improve the administration and delivery of services than with an attempt to foster participation, democracy and, above all, participatory democracy". This situation in Estonian local governments can be well described also by Lowndes (2002: 135) who cynically states that "delivery rather than democracy is the order of the day". The democratic development of the Estonian local government system has often suffered from a concentration on efficient service delivery and market values. When old democracies might well experiment with new ideas and test innovative approaches, too much experimenting and too many changes might become dangerous for young democracies and transitional countries.

One crucial element of the market approach is the decentralization of policy making and implementation (Peters, 2001: 34). Decentralization might quite well promote the effectiveness of the organization while being able to address the grass root needs more appropriately, but it might also become dysfunctional or even dangerous when there is a need for coordination activities, quick and tough decisions and general common guidelines. Especially fiscal decentralization can create fiscal imbalances and endanger the overall development and stability. Some recent developments and/or cases in Estonian municipalities (bankruptcy of the city Püssi, cases of the municipalities overloaded by bank loans, etc) have shown that before a certain and functional system is in place and when the administrative capacity of local governments is not yet as high, a certain level of centralization would be rather useful. The advice to move into the decentralized administrative reform model could be an especially drastic

mistake in transitional countries (Temmes, 2005) likewise in Estonian local governments, which often face quick and tough decisions in many life spheres. Implementing such a decentralized system assumes a capacity to monitor and assess effectively the performance of the decentralized bodies created (Peters, 2001: 35). If reforms are aiming for savings and rationalization, as many reform ideas in Estonian municipalities do, decentralization principles can cause problems particularly in the implementation stage.

Through decentralization, marketization also promotes empowerment and decision making on lower levels. Given the power to decide over many aspects of the policy implementation process, street-level bureaucrats actually make policy choices rather than simply implementing the decisions. The actions of front-line officials may have substantial and even unexpected consequences for the actual outcome and the development of public policies. Maynard-Moody and Musheno (2003) come to the conclusion that the behaviors of street-level bureaucrats are not mostly influenced by formal policy guidelines or bureaucratic regulations as one might expect, but rather by their own moral judgments based on their personal knowledge. Since in Estonia, there are no strong public values in place yet shared by civil servants (VI), making decisions based on personal knowledge might be rather dangerous. As interviews with local administrators show, without having this common framework in place, the decisions of the municipal administrators can differ rather heavily from each other decreasing again the accountability of local governments (II) that is especially needed for developing and building up strong local governance.

Since local governments need to be open for the public, and most of the information gathered and produced by them should be available for all, promoting competition among Estonian municipalities themselves might create additional frustration and lead to rather closed local governance. It might result in hiding information or even in some expensive and senseless media campaigns that actually would increase the costs for the municipalities (Madise, 2000). The study shows that fortunately the competition among local governments themselves has not reached this point (I) while competition itself is still not considered as something crucial. Summing up various principles like the inappropriateness of decentralization, the lack of incentives and capacities, the nonexistent market, the over-concentration on customers rather than on citizens, the market approach will most probably not be the most appropriate way to go for Estonian local government. It might decrease the value and accountability of the whole local government system that is not strong enough to carry out the implementation of market principles effectively in the first place.

Participation

Enhancing public participation involves a set of ideas and steps to facilitate citizens' participation in public administration. This approach to reforming the public sector is based on the assumption that "...governing should be about finding out what the public wants and finding ways of delivering those services" (Peters, 2001: 50). It tries to increase the input of citizens, customers and lower-level officials in the decision-making processes through empowerment and facilitation. The advocates of these ideas believe that the customers themselves and the street-level officials have the most appropriate information and insights about the services and programs. If this information was utilized appropriately, the government would perform better. Thus, in order to increase the public administration effectiveness, public organizations should foster individual and collective participation. In addition, the theme considers involvement and participation as some of the most effective means for motivating public employees.

While different approaches provide different opportunities for involvement, initiatives might create rather different outcomes as well. Participation requires from the society and local governments to adopt the more and more complicated structures while including various actors, networks and themes. In addition, participation in local decision making is different in established and developing democracies. As Lagerspetz *et al.* (2002: 85) state, "from the point of view of democratic participation, the task of the Estonian ... civil society is not to influence the existing channels of participation from 'the outside', but to create such channels in the first place. In our view, postmodern civic initiatives can only take root in an already fully functioning and open democratic constitutional system". Since Estonian local governments lack their own resources to create such channels, democratic participation on the local level and civil society in general in Estonia have not been well developed. The "rule of the stronger hand" (Aareleid-Tart and Tart, 1995) is clearly visible in the society. It means that more resourceful social groups or winners of the economic transformation are much more able to further their interest through the third sector than others. If the available mechanisms for participation facilitate further the participation of these groups, then the real purpose of participation has been reached. In order to advance a balanced civil society on the local level, the less advantaged social groups should be strengthened and supported in the first place.

The decision to consult, how to consult and what to expect from consulting are ultimately political decisions. In Estonia, consultation at the local level seems to be derived more from an "outside push" than an "inside call" (I). Even if Lagerspetz (2000) suggests that Estonian local governments should facilitate the process to have an opponent for every political decision from the public who would confront and argue about it, attempts to consult the public have not

always inspired confidence (IV). Relying too much on participation might produce incoherence in policy-making while moving the focus from central issues to bargained decisions. “Further, organizational change and policy change may also become more difficult if there is a collective commitment to a decision” (Peters, 2001: 70). If the decisions will be based on wide-scale consultation and participation it might become rather hard to change them later. If they are changed anyway, then the question of the real meaning of participation and legitimacy of the subsequent decision changes will be raised. In this context, the importance of leaders capable of consolidating people around a common vision and of building a common identity is becoming especially crucial (Raagmaa, 2001). While participation should involve all interested actors, not just the most beneficial or the strongest ones, the issues of appropriate leadership is particularly essential.

This social complexity and web of actors is indeed very difficult to handle, leaving the question of democratic control and legitimacy unanswered (Skelcher, 2003: 9–11). Power and tasks are shifted from the public actors in general to a wider group of actors though participative democracy cannot adequately replace representative democracy. “Rather, it is another component to set alongside aspects of direct and representative democracy” (Pratchett, 1999: 12). “To overstate the image, one could say that the classic image of the state that organizes service delivery and policy making with its own bureaucracy is being replaced by a state which only sets the conditions and tries to specify the products or policy aims it wants to achieve” (Klijn, 2002: 150). In the light of the available resources and know-how on the Estonian local level the municipalities would most probably not be able to handle participation effectively. First, fostering participation might become window dressing or second, it might create additional advantages of already privileged groups leaving less fortunate groups with less possibilities to be heard.

The rapid transition from the communist model to free market, rule of law and democracy makes the adoption of the participation model rather challenging for transitional countries where both public and private actors should be built up first before they would be able to participate in policy formulation and implementation. Since networks capable of formulating and implementing policies do not emerge over night, a leading role of the transition will continue to be played by the public sector until crucial and effective networks will be created. Strengthening the classical public administration values could be a remedy while helping to create a common framework and giving the general guidelines to the actors.

On the local level, the leading role of the municipalities to foster transition through participation is usually smaller than the leading role of the central government on the national level. Usually, the incentives of the actors to participate in activities are bigger on the local level and that is why the leading role of creating local networks and fostering participation might be held by various actors. In addition, according to a recent study, Estonian local

governments regard business actors as more influential than themselves (Sootla and Grau, 2005: 287). While considering such a network and consultation approach in the situation where businesses are already seen as very powerful actors, one has to recognize that constant negotiation and consultation seriously undermine the legitimacy of the state and local governments even more, which is again especially crucial in new democracies.

Several authors have argued that the quality of public service delivery depends more on cooperation than on government employees simply delivering the services (Walsh, 1991; Peters, 2001). Cooperation among public organizations (meaning also among local governments) has been one of the most serious problems in Estonia since the beginning of the transition. Since there are no common public service values or central principles in place yet, the general framework or basis for cooperation is often missing. Although partnerships between local governments, local non-governmental and business sector organizations have been promoted both by the state and local governments themselves with the common aim of finding solutions to local problems mostly in the fields like economic development, employment, social involvement, etc (Ministry of Interior, 2005), collaboration and networking among Estonian local governments is still rather weak (V). Since local governments by their very size make participation more likely and more meaningful than do national or regional governments (Peters, 2001: 62), collaboration among local governments themselves could be viewed as an indicator for wider public participation on the local level. While small and compact territory favors networking in municipalities, the studies show that a strong regional identity of people correlates with networking and institution building (Raagmaa, 2002: 73). If cooperation is carried out among Estonian municipalities, then it is mainly on a contractual basis and by joint provision of public services especially in the areas such as waste management, education, transport, etc. (I). While the studies of cooperation and coordination point out that organizations with different values (even if they deal with the same issues) have difficulties to coordinate (Gray, 1985; VI), creating common values would most probably be a required precondition for enhancing cooperation in Estonian local governments.

The rather low level of cooperation appears paradoxical especially in the EU context where municipalities are responsible for implementing both national and EU regulations and legislations. Also during the Estonia's accession period, the state adopted a centralized mechanism clearly dominating all phases of decision-making, assigning to local governments only a subordinate role. "Through the implementation of the principle of partnership and through providing additional financial resources, the EU has the potential to influence the power distribution between different levels of government by changing the opportunity structures of domestic actors" (Kettunen and Kungla, 2005: 358). If local governments became more powerful, then this power shift might also foster participation on the local level. "Local government is a means to enable participation in local affairs ... [and to] facilitate a plural government system in

which local democratic power counters centralization and control at the national level” (Skelcher, 2003: 9). Empowering local actors and increasing participation is often a precondition for following and implementing EU principles required for partnerships on the local level.

One of the most important principles of the local self-government in Estonia is the right of the residents to participate in exercising local authority. Local elections are held every fourth year and the voter turnout has been rather low coming down to 47% in 2005. Though local electoral apathy is the problem faced in other countries as well (Pratchett, 1999), such a low number of voter turnout in the last local elections in Estonia might seriously damage the legitimacy of the locally elected representative bodies. Taking into account this passive attitude towards local politics, introducing other participation processes might offer some remedies to vitalize local participation and local democracy if implemented with caution. The study (V) showed that strengthening the public service and public ethos represents the most important step toward improving participation in Estonian local governments, as the problems stem more from a lack of well-qualified and motivated civil servants than from poorly designed administrative structures. Local administrators’ proactive role in fostering participation is essential, but unfortunately it is still missing in most of the cases. That is often considered as another crucial weakness of Estonian civil society.

While the general prescription for making government function better is to foster collective participation by segments of government organizations that have commonly been excluded from decision making (Peters, 2001: 51), the involvement of the local level in decision making of higher levels (regional or national) would be highly beneficial. There are various possibilities for local governments to participate as a bigger group in the policy-making process. On the national level, there are two associations that represent common interest of local governments: the Association of Estonian Cities and the Association of Municipalities of Estonia. Additionally, in each county, a regional association of municipalities may be formed. Although the official documents announce that co-operation between the state and local governments is increasing while occurring mainly in an informal manner (Ministry of Interior, 2005), a study among Estonian local governments in 2005 does not confirm this trend (I, IV). Frequently, more development has taken place in the area of regional or of state non-governmental networks established on the basis of local initiatives (e.g. movement of Estonian Villages Kodukant) than in the area of local-central relationships. Hence, quite a few studies about various problems in the Estonian public sector suggest that promoting partnership programs between the state and the local governments would be highly beneficial (Kährik *et.al.*, 2003: 65).

Various empirical studies based on the interviews as well as on the e-survey (I, II, III) have raised some important points concerning fostering and implementing participation in Estonian local government. First of all, there are no appropriate channels available for democratic participation yet nor is the

Estonian civil society strong enough to take advantage of that (III). Currently, the people on the local level are still bystanders rather than participants and forces in the process. The “rule of the stronger hand” is rather common and local governments themselves are not strong enough to foster democratic participation proactively among all groups. In addition, handling the complex network of actors in a constantly changing world might become too difficult for municipalities. While often there is a need for quick changes, participation might slow down the process and the general development of Estonian municipalities. Finally, one of the most crucial factors is the legitimacy of local governments, which needs to be strengthened in Estonia and which might actually decrease participation. Participation as well as cooperation among municipalities requires some set of a common societal framework and principles that are not yet in place (I, V). That is why fostering participation in Estonian local government might currently actually harm them and slow down the general development rather than offer additional value to civil society and local community. As for whether public involvement and interest for consultation would be greater if local governments had more power, it is an issue for further analysis and debate.

Flexibility

The third alternative approach to the traditional model of governing by Peters (2001) is characterized by flexible administration as the response to the critics of traditional rigid public administration. “Flexibility refers to the capacity of government and its agencies to make appropriate policy responses to environmental changes” (Peters, 2001: 77). While traditional public sector organizations are often considered to be permanent entities, and public employment in many countries is regarded as a life time job, there is a modern trend to decrease this stability and to question the permanence of public organizations, structures, principles, and values. The general belief behind it is the idea of increasing societal abilities to respond fast and effectively to new challenges and to improve organizational capacities to survive in a constantly changing environment.

While permanence and institutionalization might often be seen as problems in the Western world, in transitional countries, on the contrary, they might actually be solutions. Also, in Estonia, the reasons and dynamics of the drawbacks and troubles are rather different from the Western ones, and therefore, also the remedies and solutions for better public administration might be, and usually are, different. Some of the most common obstacles for a sustainable development of Estonian public administration are the constantly ongoing changes without a clear framework, unfinished and often costly reform attempts, the low motivation of public employees with limited management experience, and the lack of trust among politicians and public officials. According to Vihalemm

et al. (1997: 197), one reason for the lack of political stability and lack of trust could well be the underdeveloped political culture. Naked individualism in society is reducing interpersonal trust even further (Taagepera, 2006: 80). This has decreased the commitment of public officials not just to the current day politics, but also to the policies, their own organizations and the state in general. Often, the question is not so much about ignoring changes in the environment or about the immobility of the ideas and approaches, but about having at least some system in place.

While Western local governments might sometimes struggle with their locking into the practices and solutions of the past, which is why they embrace flexibility, Estonian local governments had to create a totally new reality with the new practices. Even if Soviet doctrine never reached the position of ideological hegemony in Estonia (Lagerspetz, 1996: 131), the legacy of the previous regime is often still visible in Estonian public organizations — mostly in people's behaviors and mindsets. Hence, locking into past solutions rarely happens since the system of local governments itself is totally different. Thus, flexibility does not respond the same problems in developed and developing countries, rather it fosters totally different aspects of their public administration. The same characteristics of flexibility would have rather different effects in different realities and contexts. Before local governments in Estonia would be able to take advantage of the flexibility of the system, they should gain capacity to make appropriate policy responses to environmental changes. This capacity of the system is needed in the first place. According to Holmes (1997: 16), the lack of capacity to create a new political order is the heritage of a totalitarian system. If capacity is missing, flexibility will most probably lead to totally different outcomes. The real challenge for Estonian municipalities is to identify the most appropriate balance between flexibility and stability and to try to pursue this balance.

Even if the transitional public administration systems may not be optimal at the beginning of the transition, they still offer the heavily needed framework and stability for development. Constant changes together with a high level of flexibility will blur “the picture” and may create possibilities to follow self-interests, and to build up mini-states and power spheres within public administration. In this environment, most of the energy and resources would be used for creating, managing and understanding changes while trying to find one's own place and purpose. Before a certain change has reached its maturity and outcomes, new changes are frequently already on their way waiting for their turn in Estonian municipalities. Finally, there is no clear understanding about reality and “real” problems.

Another serious problem in Estonian public administration is coordination. In a time of rapid changes, together with the embracement of flexibility, actors have to become more and more involved with the various reasons and dimensions of the problems. In this context, coordination is conceptually more difficult. Changing aims and principles can easily create misunderstandings,

misconceptions, as well as turf fights. The low level of coordination could easily become a central reason for the low level of efficiency. While the current public opinion tries continuously to reduce the size and influence of the already reduced public sector, where the coordination problem is acknowledged as one of the central ones, flexibility might be especially dangerous. In this context, stability would most probably have its own virtue. The long-standing existing organizational structures, basic principles and targets could help to maneuver through transition and to guide the administrators' choices. Since organizational stability is an important source for organizational memory as well as for organizational capacity to avoid expensive errors (March, 1991), it is especially needed in Estonian local governments where the resources are rather limited. During times of rapid social, political and economic changes, stability can serve as necessary strength rather than hindering needed changes.

Flexibility is often also analyzed in the context of civil service and employment. Estonia has an open system for its civil service. It gives the municipalities the flexibility to react to its own needs but it also means that the level of competence and skills in human resource management is uneven. In an open system, the commitment of civil servants to their organizations and the principles of public service might be lower than in a career system. Hence, a study on Estonia's decentralized public service system proves that it is not just a formal structure and central controls that are required for establishing professional public service and creating common knowledge and values (IV). A considerable impact can be achieved through informal networks and cooperation. Then again, since one of the major problems of Estonia's public service is the vague coordination and implementation system, creating common values might not be as easy as expected.

While Estonian civil servants are relatively young and most of them started their career in the public sphere during independence (Riigikantselei, 2004), Estonian local governments could be considered "young governments" in various senses. Combining the youth of the administration and the statehood with the limited human capacity of the small country (Randma, 2001), it leads to another central problem in Estonian municipalities — low administrative capacity. For building up administrative capacity and creating organizational memory, stability is needed. Organizational flexibility, together with the current organizational and managerial capacities, will most probably not be sufficient to ensure positive outcomes. The problem "...does not lie in the structures, which are formally easy to replace, but in people, who are not" (Drechsler, 2005: 98). The attempts to change something or to find solutions have often occurred after the problems became serious and required fast solutions. In flexible systems, these fast but still efficient and effective solutions would be much more difficult to find. In addition, in Estonian local governments appropriate policy making, analysis and implementation systems are also not in place yet, making the issues of administrative capacities even more crucial. Societal broad-scale developments presuppose a strong and functioning central level as well as local

governments which do not exist yet. While the creation of a strong public sector is not popular because of the neo-liberal world view and while reminding people too much of the bureaucratic and harassing Soviet system, Estonian municipalities face serious challenges in ensuring sustainable development.

Estonian local governments have been struggling hard in trying to find their balance between flexibility and stability. Mäeltsemees (1998) suggests for local governments to apply and experiment with various different management practices that would be suitable for the size and local context of the municipality. On the other hand, spending too much time on experimentation can harm the sustainable development. In this frequently changing and flexible environment, it is not easy to figure out appropriate goals and desired targets. Often, the real outcomes have been conflicting policies and managerial guidelines, together with symbolic objectives (II). The constantly changing political arena has made the situation even fuzzier. Sometimes, the managerial techniques have become more important than the purpose for which they were used — the means were turned into ends. Over and over again, the situation was described by the respondents as managerial fear to make decisions and as the desire to postpone any critical judgment (III). Whatever the results, self-justification was much more common than characteristics of learning organization. The learning process itself was often considered something negative showing the weaknesses of the organization, not the strengths and the desire to improve the situation (II). When there was not enough expertise about a certain issue, applying rules and regulations was equaled with public administration. That, in turn, increased the passive role of Estonian local governments that often could not see beyond the legalistic framework.

Fostering flexibility in Estonian local governments might have its positive outcomes, but numerous interviews with civil servants (II, VI) have showed that it might actually have more negative results. Since the reasons why flexibility is fostered in developed countries do not characterize the context of Estonian municipalities, implementing flexibility will also have different outcomes. The Estonian public sector in general is struggling with too many constant changes that have decreased the commitment and motivation of civil servants to policies, politics and their own organizations. Thus, the problem of Estonian local governments is not the rigidity of the system but rather, on the contrary, it is the fact that the systems themselves are changing too often (II). Additionally, in order to take advantage of implementing the principles of flexibility, Estonian municipalities need to have the capacity to make appropriate policy response to environmental changes in the first place. If this ability and capacity are missing, as is currently the case, flexibility can harm the development of local governments more than actually helping it. The lack of capacity to deal with flexible networks also makes coordination conceptually more difficult. Since the low level of coordination is already one of the most crucial problems in Estonian public administration, flexibility will most probably make things worse. Before a certain framework of public values and

principles is in place, fostering a certain level of stability could actually be much more appropriate for Estonian local governments.

Deregulation

The fourth modern theme for reforming public administration is deregulating government while referring to internal management of the public sector. “The fundamental assumption of the move towards deregulating government has been that if some constraints on bureaucratic action are eliminated, government could perform its functions more efficiently” (Peters, 2001: 97). Deregulating can unleash the potential of civil servants and produce higher levels of government activities. It could be considered as a sub-approach of marketization through removing internal barriers and letting managers manage, or as a complimentary approach to marketization since achieving the promised efficiency through market mechanism would be much easier without rigid constraints of the public sector apparatus. Advocates of deregulation believe that using public officials’ personal judgment and exercising individual discretion is superior to any sort of rules, regulations and principles, leading to better, more efficient and effective outcomes. Sometimes, some contextual factors justified the rules initially, but after some time, they might have outlived their purpose and usefulness. It might happen that the roots for deregulation are more hidden in the perception of the overregulated and dysfunctional public administration held by the public rather than in regulations themselves, hindering the actions of civil servants.

In Estonia, most of the life spheres had to be built up from scratch during the 1990s. This process also required the establishment of a large number of new laws, rules, regulations and principles. In the situation where flexibility is already high in society because of transition, rules and regulations are needed in order to counterbalance. Imposing additional rules and controls might be counterproductive in developed countries where generally accepted public values and principles are already in place, but it might be productive in transitional countries where the basic principles of conventional public administration are not yet in place. That is why implementing deregulation in Estonian local governments might have a rather negative influence since there is no commonly understood and followed set of principles and values yet, guiding public servants’ decisions and actions throughout public service. In this case, regulations and procedures provide some certainty and predictability of actions. Especially in decentralized civil service systems, they might have their value. On the other hand, it is very easy for Estonian municipalities to turn into a rule-driven system, where rules become aims themselves.

Many public administrators in Estonian local governments find the rules very helpful. Sometimes, this attitude has developed to the degree of acquiring

learned incapacity. If there are no rules and regulations available, then certain issues will not be dealt with and not be solved at all. Most of the local administrators do not want to take personal responsibility for the decisions. Instead, they would prefer depending on rules for guidance. Avoidance of responsibility is a quite common pattern in Estonian municipalities (II). Since one of the reasons behind deregulation is to make public servants take more risks, it requires first motivation, ethics and a certain know-how, and second the general culture of acceptance of certain mistakes. Interviews with local administrators throughout recent years have indicated that neither of these sides is present strongly enough in Estonian local governments (I, II).

There is also a difference between regulations imposed on municipalities from the central level and their own regulations. The latter can be changed much more easily, and often they are followed and accepted much more than central ones. Sometimes, the central rules are imposed on local governments requiring certain things from them, but at the same time, the central government has not provided them enough financial resources for that (I). It might lead to the situation where laws and regulations are not followed, described as “implementation gap”, which several authors (Verheijen, 1998; Randma-Liiv, 2005a) consider a crucial factor in most CEE countries. Even if the extent of centralized regulations has been reduced on the local level in quite a few areas, e.g. in housing management (Kährik *et al.*, 2004), due to a small budget and the lack of efficient guidance and state-applied measures, local governments generally have little opportunity to really “enjoy” deregulation. In addition, a clear division of tasks, functions and responsibilities is still missing in Estonia’s public sector among the central and local levels. Although the central government has argued that it supports decentralization and deregulation, some aspects of recent developments seem to have become even more rule-bound (e.g. financial management on the local level) (I). Even if it is carried out with good intentions, it has often created mistrust on the local level.

Increasing the level of deregulation in Estonian local governments might have both positive and negative results. On the one hand, since the general level of flexibility in Estonian public administration is already very high because of constant changes, regulations are needed to counterbalance the situation while providing some certainty and predictability of actions. On the other hand, regulations have the tendency to create learned incapacity, especially in situations where there is a high degree of avoidance of responsibilities, as is the case in Estonian municipalities. Just after a certain level of development, competence and common understanding has been reached, deregulating processes might simplify the activities and improve the outcomes. If this level has not been reached yet, deregulation should be looked at with high caution.

Learned and unlearned lessons. Where are we now?

Estonian local governments have walked a long way throughout the transition. According to Sztompka (1996: 120), the transition in CEE countries has not been not so much a political or economic break from one system to another, a transformation of the institutions or a restoration of some earlier social order; rather, it has been more a reconstruction of a new social order from a strange mixture of components of various origins. While Peters (2001) himself is against blind and straightforward implementation of the four modern management approaches, a critical analysis of the applicability of these ideas in Estonian local government has pointed out some new crucial factors influencing public administration reforms especially in the context of developing democracies and local level.

First, these approaches focus on building markets, networks, a flexible and deregulated environment, but not so much conventional public administration. Since one basic question concerning the possibilities of developing modern management practices in Estonian local governments is how much need there is to first create the basics of conventional public administration (Temmes *et al.*, 2005: 66), it would be good to answer this question before a new wave of changes will be implemented. As the results of an e-survey conducted among Estonian municipalities in 2005 showed (I, IV), there might be a conflict between the purpose of these four management principles and the problems Estonian local governments are facing, together with solutions they are looking for. It is not the question of rigidity of the system that traditional public administration is often blamed for and that Estonian municipalities are struggling with, but the problems lie somewhere else. “The failure to understand the logical basis of reforms and to make them compatible with what else is being tried in a government is a prescription for failure, and perhaps even worse. That is, implementing incompatible reforms can lead to negative synergy as easily as it can to positive synergy, or more easily, and with that to an actual reduction in the effectiveness of government” (Peters, 2001: 64). The political and administrative instability, the lack of general understanding of a common framework for policy decisions and implementation, the constantly changing and often even conflicting aims, the missing framework of generally accepted rules and values, the insufficient management experience, and the low level of capacity to respond to the environmental changes are just some of the major drawbacks facing Estonian municipalities.

Second, it is clear that the assumption that all existing management practices in Estonian municipalities are bad is as misleading and wrong as an assumption that all new management practices are good. That is why all of these four principles can have positive outcomes if they are implemented at the right time and in the right context. The research showed that this right time and right context are not here yet in Estonian local governments. Implementing Peters’

(2001) principles in this context might actually harm the development more than helping it. On the other hand, analyzing the applicability of these principles provided some useful lessons and not all of the ideas carried by this modern theme should be thrown away. “The New Public Management will have important legacies to the extent that it is viewed as a paradigm of questions rather than of answers” (Lynn, 1998: 236). Analyzing these modern management approaches has raised essential points and further analysis is needed in order to draw additional conclusions.

Third, since organizational culture in Estonian municipalities does not often support publicly announced and promoted values (**II**), the real outcomes of the reforms might often be different from what one might expect. According to Drechsler and Esta (1997), two of the five central preconditions for successful administrative reforms are people’s motivation and organizational readiness for inner confrontation. In Estonian local governments, both of these characteristics are problematic. Civil servants have often become tired and finally unemotional towards changes in general. Too many reform attempts have been leading to a rather limited understanding of the real goals of the reforms as well as to administrators’ feelings of threats and fear (**II**). In addition, the feeling of ownership of various reforms has been rather low among civil servants leading them to a low willingness to adapt, and thus freezing the changes (**V**). In most cases, the “reform agenda” has been the playground for the politicians, who often see the reforms as a game of power distribution, not so much as an improvement of public services.

Conclusions

The current study was a first attempt to analyze the applicability of certain NPM principles described by Peters (2001) in Estonian local government. Marketization, participation, flexibility and deregulation have not been reform waves swiping only Western countries, also Estonian municipalities have been influenced by these ideas and principles. The outcomes of applying NPM principles in Western countries’ public administration have been analyzed quite a lot, but the situation in transitional countries has received much less attention. Even if transitional public administrations have been discussed, it has happened mostly in the context of central government (Randma, 2001). The current dissertation tries to decrease the gap. It analyzes the general problems of implementing modern management approaches in Estonian local government while combining them with the specific context of transitional countries as well as with the specific characteristics of Estonia.

All articles the dissertation is based on warn about the uncritical adoption of various NPM-type principles. While the reforms in Estonian municipalities have brought about some positive change, the transformation of Estonian local

governments has not been easy. First, there are serious questions raised concerning the appropriateness of modern management approaches in the public sector at all. Second, transitional countries share problems rather than solutions with Western countries. In transitional countries, the legitimacy of the public sector has been suffering due to the negative nature of the communist pre-transition regime. The instability of the systems, the constantly changing targets and the low level of administrative capacity create extra problems for the public organizations. Because of transition, there has been significant pressure to adopt popular policies and approaches in Estonian local governments without having enough time to analyze and adopt these ideas in depth. Third, the limited human resources, the special characteristics of the organizational culture and the prevailing common values in Estonian municipalities make the situation even fuzzier. Managers with too little experience in the public sector or in change management may often fall into the trap of “fashionable approaches” while overestimating the positive outcomes of the new ideas and underestimating the negative drawbacks. Especially dangerous can be ready-made-for-use models and ideas that, due to lack of knowledge and broader understanding, might look promising.

The research comes to the conclusion that all of the four discussed NPM themes — marketization, participation, flexibility and deregulation — might offer remedies to public organizations in the Western world (though even that is often questionable), but they should be implemented very consciously in Estonian local governments. Critical thinking and a broader analysis of Estonian local governments is needed before any of these principles would be implemented. Municipalities, together with citizens, the private and the non-profit sector, can all make an important contribution while supporting and facilitating the general transition, but only a strong public sector as a *greater whole* can handle the effective execution of policies and sustainable transition. While the situation on the Estonian local level is similar to the situation in other CEE countries in many respects, the same conclusion will most probably apply to other transitional countries and their local administration as well.

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SUMMARY IN ESTONIAN

New Public Management'i põhimõtete rakendatavus Eesti kohalikes omavalitsustes

Nii kohalike omavalitsuste temaatika kui ka uute moodsate juhtimismeetodite rakendamine avalikus sektoris on muutumas järjest populaarsemateks arutlusteemadeks avaliku halduse distsipliinis. Erinevad riigid on rakendanud erinevaid lähenemisi ning ideid. Sobivad moderniseerimispraktikad sõltuvad eelkõige riigi üldisest arengust ning olemasolevatest probleemidest. Ka Kesk- ja Ida-Euroopa üleminekuühiskonnad seisavad silmitsi uute probleemide ning väljakutsetega muutnud majanduslikus, sotsiaalses ja poliitilises keskkonnas.

Diskussioon sobivate juhtimismeetodite rakendamise üle avalikus sektoris on alates 1980-ndatest aastatest tihti olnud seotud ja mõjutatud *New Public Management (NPM)* ideedest. Vastavad põhimõtted pärinevad peamiselt erasektori juhtimispraktikast ning nad väärtustavad turumehhanismide sissetoomist avalikku sektorisse, konkurentsi tekitamist avalike organisatsioonide vahel ning organisatsioonilist paindlikkust, andes võimalikult palju võimu ja otsustusvabadust juhtidele. Kuigi enamik riike on tänaseks hakanud kahtlema nende põhimõtete universaalsuses ja sobivuses avalikus sektoris, on *NPM* ideed siiski suhteliselt populaarsed ja levinud Eesti ühiskonnas. Üldine neoliberaalne maailmakäsitlus, mis on Eestis laialt levinud, soosib nende põhimõtete populaarsust ka Eesti kohalikes omavalitsustes.

Käesoleva väitekirja juhtiv teema on *NPM* põhimõtete rakendamine Eesti kohalikes omavalitsustes. Analüüsi käigus arutletakse ning analüüsitakse nende põhimõtete rakendamise sobivust Eesti kui üleminekuühiskonna kohalikul tasandil ning tuuakse välja olulised aspektid nii Eesti riigi kui ka Euroopa Liidu arengutest, mis suuremal või vähemal määral on mõjutanud seda protsessi. Väitekirja aluseks on olnud põhjalikud uuringud viimase seitsme aasta jooksul alates 1999. aastal kuue Eesti kohaliku omavalitsuse nädalapikkusest külastusest, mille jooksul tehti 73 põhjalikku intervjuud kohalike omavalitsuste ametnikega ning 156 lühiintervjuud omavalitsuste elanikega, ning lõpetades 2005. aastal Eesti linna- ning vallajuhtide seas läbiviidud e-küsitlusega, millele vastas 96% küsitletutest ehk 231 kohalikku omavalitsust. Kuigi Eesti kohalike omavalitsuste vahel eksisteerivad erinevused ja seda eriti linnade/suuremate maakonnakeskuste ning valdade vahel ning veelgi tugevamalt Tallinna ja teiste kohalike omavalitsuste vahel, võib antud uuringutele tuginedes siiski välja tuua mõningad üldised trendid ning iseloomulikud jooned Eesti kohalike omavalitsuste olukorrast ning arengutest.

Väitekirja aluseks olevad artiklid analüüsivad lähemalt järgnevaid valdkondi Eesti kohalikes omavalitsustes: kohalike omavalitsuste praktikad 4 C põhimõtete (konsulteerimine, võistluslikkus, väljakutsete esitamine, enda võrdlemine teistega) rakendamisel (I), organisatsiooni struktuuri ja organisatsiooni

kultuuri mõju kvaliteedijuhtimispõhimõtete rakendamisele (II), organisatsiooni sisene ja väline kommunikatsiooni ja informatsioonijuhtimine (III), halduspoliiticate rakendamise probleemid Eesti kohalikes omavalitsustes (IV), kohalike omavalituste vaheline koostöö (V) ja detsentraliseeritud avaliku teenistuse süsteemi mõju ühtsete väärtuste loomisele Eesti avalikus sektoris (VI).

Kuigi Eesti omariikluse ajalugu pole väga pikk, pandi esimese iseseisvusperioodi jooksul (1918–1940) alus tugevale ning hästitoimivale kohalike omavalituste süsteemile, mis järgneva viiekümne aasta jooksul Nõukogude Liidu okupatsiooni tulemusena paljuski lõhuti. Peale taasiseseisvumist taastati Eestis kahetasandiline kohaliku omavalitsuse süsteem, mis reformimise tulemusena muudeti 1994. aastal ühetasandiliseks. Kohaliku omavalitsuse üksusteks jäid vallad ja linnad, maakonnad muutusid riigi käepikenduseks kohalikul tasandil. Hoolimata läbiviidud muutustest, vajab riigi ja kohalike omavalitsuste ülesannete ning funktsioonide jaotus veel tänapäevalgi suuremat selgust.

Juba alates 1990-ndate aastate algusest on pidevalt räägitud Eesti avaliku halduse reformimisest. Tihti on need arutelud suubunud diskussiooniks Eesti kohaliku omavalitsuste liitmiste ning ühinemiste üle. Hoolimata erinevatest väljakäidud reformiplaanidest, pole kohalike omavalitsuse arv väga oluliselt kahtanenud olles 2006. aastal 227 (1996. aastal oli see arv 255). Ka vajadus juhtimisreformide ning moodsate tehnikate järele avalikus sektoris tekkis juba 1990-ndate alguses. Samas polnud kohalikel omavalitsustel võimalik õppida omaenda kogemustest, sest kohalike omavalitsuste taastamisel tuli sisuliselt kogu süsteem nullist üles ehitada. Kui vanad demokraatiad võivad katsetada uute võtete ja juhtimismeetoditega, siis uutele demokraatiatele ning arenevatele ühiskondadele võib liigne muutustega katsetamine kohati ohtlikuks muutuda.

Kuna enamik Eesti Vabariigi valitsusi on toetanud neoliberalset majanduspoliitikat ja maailmavaadet, siis on järginud ja järgivad ka kohalikud omavalitsused paljuski seda suunda. 2005. aastal läbi viidud küsitlus Eesti valla ning linnajuhtide seas näitas, et Eesti kohalikud omavalitsused väärtustavad turumehhanismide rakendamist oma töös (I, IV). Samas eeldab turumehhanismide kasutamine konkurentsi olemasolu avalikus sektoris, mis Eesti kohalikul tasandil tihti puudub. Liigne keskendumine majanduslikule efektiivsusele kohaliku demokraatia ja kodanikuühiskonna arendamise asemel võib kergesti muuta kohalike omavalituste fookuse kohalike elanikele klientidele, mis eriti arenevates ühiskondades võib osutada probleemiks. Läbi ühe oma keskse põhimõtte — detsentraliseerimise — püüavad turumehhanismide ülekandmise pooldajad avalikus sektoris saavutada efektiivset ja kiiret otsustusprotsessi võimalikul madalal tasandil. Samas võib selline detsentraliseeritus muutuda takistavaks teguriks just üleminekuühiskonnas, kus tihti on vaja vastu võtta kiireid ning karme otsuseid ning kus omavalitsuste suhteliselt madal legitiimsus rahva silmis on probleem. Kui Eesti kohalikud omavalitsused ka ise peavad erasektorit mõjukamaks ning olulisemaks kohaliku elu kujundaks kui kohalikke omavalitsusi endid, võib turumehhanismide rakendamine kasu asemel pikas perspektiivis hoopis kahju tuua. Kui avalikus sektoris puudub selgelt välja

kujunenud väärtuste süsteem (VI), siis tuleks reformimist eelkõige alustada nende väärtuste tekitamisest, levitamisest ja kinnitamisest.

Kaasaegsetes lähenemistes avalikule haldusele peetakse väga oluliseks avalikkuse ning organisatsiooni enda töötajate osalemise suurendamist nii poliitika kujundamise kui elluviimise protsessis. Ka Eesti kohalikud omavalitsused on seda kohati rakendanud, kuid mitte alati tulemuslikult. Eesti kodanikuühiskond pole arenenud veel piisavalt tugevaks ning eriti kohalikul tasandil võib sobivate partnerite leidmine osutada probleemiks. Samas pole tihti ka kohalike omavalitsuste ametnike endi hoiakud ja väärtused piisavad selleks, et julgustada osalemist kohalikul tasandil (II). Pidev konsulteerimine ning huvigruppide kaasamine võib aga omakorda põhjustada kohalike omavalitsuste legitiimsuse kadu — eriti Eestis, kus alles arenevas kodanikuühiskonnas maksab tihti “suurema ja tugevama” võim. Ka koostöö kohalike omavalitsuste endi vahel on suhteliselt nõrk (V), mis võib osutada tõsiseks probleemiks eriti Euroopa Liidus, kus lähtuvalt subsidiaarsuse põhimõttest muutuvad kohalikud omavalitused ja nende asutused järjest olulisemaks. Koostöö puudumise üheks põhjuseks võib lugeda madalat ühtsete väärtuste ning põhimõtete taset Eesti avalikus sektoris (VI) ning kohalike omavalitsuste endi motivatsiooni puudust (II).

Paindlikkus on väärtus, mida tõstavad esile oma reformides mitmed arenenud ühiskonnad. Samas võib paindlikkus tekitada tõsiseid probleeme ülemineku-riikides, mis pidevalt algatatud, juba toimunud ja toimuvate muutuste tõttu on juba piisavalt ebastabiilsed. Kui Lääne riikide avalikes organisatsioonides on tihti probleemiks vanade praktikate liigne kivistumine ja organisatsiooniline paindumatus, siis Eesti kohalikes omavalitustes on olukord pigem vastupidine. Muutused toimuvad pidevalt erinevates valdkondades, tekitades töötajate stressi (II), organisatsiooni juhtimises arusaamatusi (III) ning raskendades ka koostööd teiste organisatsioonidega (V). Enne paindlikkuse suurendamist Eesti kohalikes omavalitsustes, peaks eksisteerima ühtne väärtuste raamistik ja üldised avalikkuse ning organisatsiooni töötajate poolt tunnustatud ning järgitud põhimõtted. See raamistik oleks vajalik suurendamiseks nii koostööd Eesti kohalike omavalitsuste vahel kui ka parandamiseks koordineerimist avalikus sektoris üldse. Seega võidaksid Eesti kohalikud omavalitsused pigem stabiilsuse kui paindlikkuse suurendamisest oma töös. Kuna ebastabiilses keskkonnas on raskem kujundada ja paika panna ka organisatsiooni eesmärgid ning vajalikke halduspoliitilise samme, siis tihti võivad selle tulemuseks olla konfliktid eesmärgid, koos sümboolsete seletustega (IV).

Keskne aspekt *NPM* põhimõtete juures on ka dereguleerimine, mille eesmärk on anda organisatsiooni juhtidele vabamad käed ise otsustamiseks, mida ja kuidas teha. Selle tulemusena peaks paranema organisatsiooniline efektiivsus ning otsuste tegemise protsess. Uuring Eesti kohalikes omavalitsustes näitas aga, et tihti võivad just reeglid ja regulatsioonid pakkuda ametnikele suurt abi. Tänu ühtsete arusaamade ja väärtuste puudumisele ning ametnike soovimatusele võtta vastu kriitilisi otsuseid (II), võivad just reeglid soodustada otsustusprotsesse. Tihti jäävad reformi plaanid ellu viimata ametnike endi madala

motivatsiooni ja vastavate hoiakute tõttu. Seega on oluline rõhutada klassikalise avaliku halduse väärtuste edendamist.

Kuigi ka paljud Lääne autorid suhtuvalt kriitilised NPM põhimõtete rakendamisele, aitab käesolev dissertatsioon paremini mõista Eesti kohalike omavalitsuste kompleksset olukorda. Kuna halvasti läbimõeldud ja planeerimata reformid, isegi kui nende eesmärk on üllas, võivad omada halvemaid tagajärgi kui reformidest loobumine, tuleks enne uute ideede ja põhimõtete rakendamist uurida ning analüüsida nende sobivust konkreetsesse konteksti. Nii vanad, eksisteerivad kui ka uued juhtimispõhimõtted võivad osutada ühes situatsioonis sobivaks, samas teises situatsioonis ebasobivaks. Kuigi analüüse NPM põhimõtete rakendamise kohta on tehtud päris palju, keskenduvad need peamiselt arenenud demokraatiatele ning Lääne riikidele. Isegi kui eksisteerivad mõningad uuringud ka üleminekuühiskondadest, keskenduvad need peamiselt riigi tasandile. Käesolev dissertatsioon annab oma panuse just NPM põhimõtete rakendamise uurimisele kohalikul tasandil. Töö aluseks olevad artiklid hoiatavad kaasaegsete *NPM* juhtimispõhimõtete pimedast rakendamise eest Eesti kohalikes omavalitsustes. Kuigi nad võivad olla sobivad mitmetele Lääne riikidele, lisanduvad üleminekuühiskondades nende rakendamisele veel lisaaspekte, mis muudavad nende meetodite järgimise küsitavaks.

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