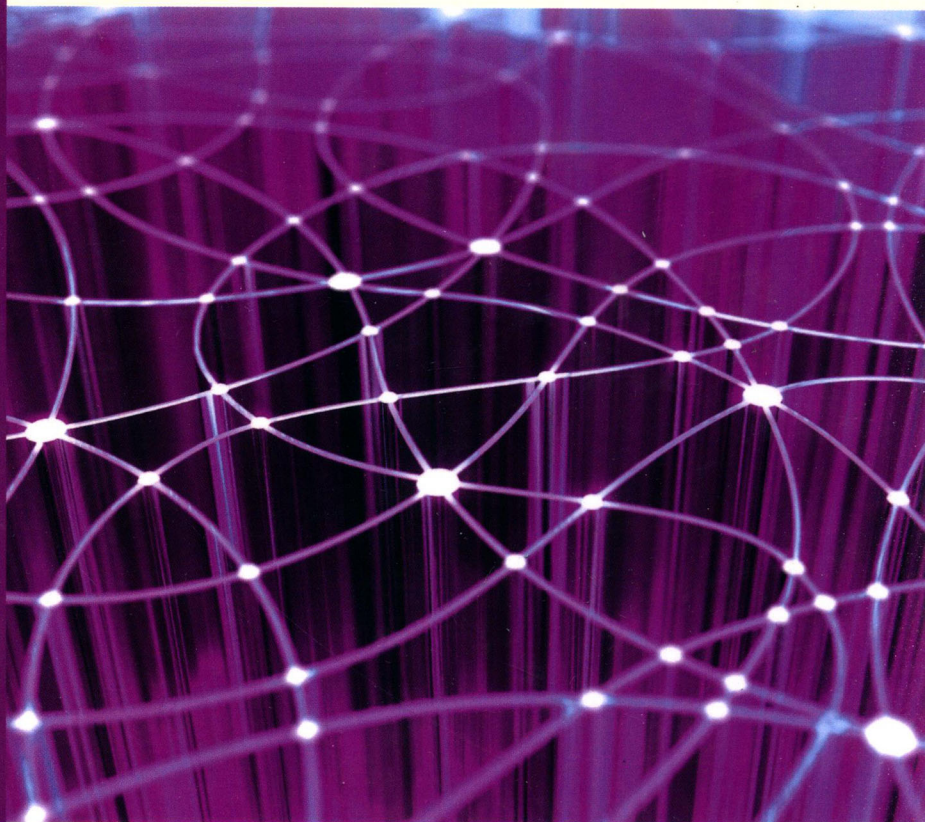
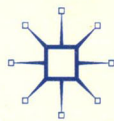


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POLITICAL STRUGGLES AND THE FORGING OF AUTONOMOUS GOVERNMENT AGENCIES

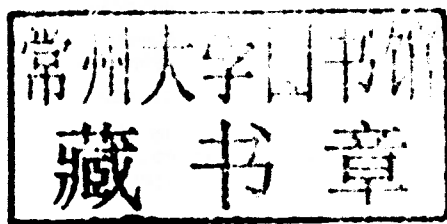
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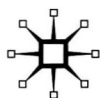
Political Struggles and the Forging of Autonomous Government Agencies

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Political Struggles and the Forging of Autonomous Government Agencies

Public Sector Organizations

Editors: **B. Guy Peters**, Maurice Falk Professor of Government, Pittsburgh University, USA, and **Geert Bouckaert**, Professor at the Public Management Institute, Katholieke Universiteit Leuven, Belgium

Organizations are the building blocks of governments. The role of organizations, formal and informal, is most readily apparent in public bureaucracy, but all the institutions of the public sector are composed of organizations, or have some organizational characteristics that affect their performance. Therefore, if scholars want to understand how governments work, a very good place to start is at the level of the organizations involved in delivering services. Likewise, if practitioners want to understand how to be effective in the public sector, they would be well advised to consider examining the role of organizations and how to make the organizations more effective.

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To my family
Quienes con mis triunfos ven coronados sus esfuerzos

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My greatest debt of thanks goes to my family who have inspired and supported me during these years and without their intervention nothing of this could have been possible.

'Explain all that' said the mock Turtle to Alice. 'No, no! The adventure first' said the gryphon in an impatient tone: 'explanation takes such a dreadful time'.

Alice's Adventures in Wonderland

Lewis Carroll

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Introduction

Considerable research and policy actions have been expended trying to analyse autonomous agencies in both developed and developing countries over the last couple of decades. Much recent literature in this area has been dedicated to explaining the genesis of independent institutions in the context of state reform within the framework of delegation theory.

Autonomous agencies are, in this vein, an expression of the expansion of the new state structure. At the beginning of the 1980s, government structures underwent profound change. According to the New Public Management approach then in vogue, public services could be delivered more effectively and efficiently if public sector organisations were granted more managerial autonomy and if they applied various management techniques from the private sector. Governments around the world then hived off departmental units from ministries creating highly specialised organisations. Hence new government agencies were created, delegating substantial degrees of autonomy to them.

These autonomous agencies have special organisational features that make them unique. They were structurally disaggregated from the central ministries and placed in charge of particular tasks at the national level. This put them outside the line of hierarchical control traditionally exercised by the central government departments. Such bodies were then established by statute as independent administrative authorities in many different countries. Their labels differed: autonomous bodies, independent agencies, arm's length bodies, non-majoritarian institutions, non-departmental public bodies or *quangos* (quasi non-governmental organisations).

It is commonly assumed that these agencies are insulated from political pressures. It is also a tenet of faith that this political insulation

maximises their efficiency. There is a wide repertoire of experience in insulating agencies from political pressures in the developed countries which crystallised the theoretical foundations into political-economic orthodoxy.

Examples include a wide range of institutional bodies from varied types of political systems, such as the Interstate Commerce Commission and the Food and Drug Administration in the United States, the Office of Communications (Ofcom) in the United Kingdom and the Ordnance Survey Ireland in the Republic of Ireland. In the developing world, parallel examples sprang up, including the Energy Regulation Board in Zambia, the National Telecommunications Commission in Thailand and the General Tax Directorate in Argentina.

Despite overarching similarities, the structure and degree of autonomy of these agencies are extremely diverse. In the literature on delegation many hypotheses explaining this variation have already been explored. The traditional explanations claim that different organisational forms are the result of deliberate decisions aimed at optimising design. Some affirm that governments create different agencies to credibly commit to particular policy choices. Others argue that diverse organisational forms arise from transaction costs, such as credible commitments. Other explanations offered point to more contextual factors; for instance, governments may be responding to a process of cross-national policy transfer.

Although numerous, the studies analysing the proliferation of these agencies have not arrived at any concrete explanation for these variations. These studies are traditionally dominated by a uni-directional, disclosure-based model of analysis. The common ground of these studies is to try to find evidence for the reasons for the creation. What they miss is a focus on the process of creation.

Social scientists studying autonomous agencies tend to emphasise the formal design of institutions and neglect the remaining institutional background forces affecting the process of creation. They ignore what happens after a law or constitutional reform that formed the agency has been passed, and also overlook reforms that follow later. The problem with such a formalistic approach is that it ignores the powerful role exerted by the players in the creation process in shaping these institutions. This massive impact, which takes place outside of the founding legislation, and which accounts for so much of the variation, remains virtually unexamined.¹

Studies analysing how political struggles between bureaucrats and political reformers have shaped the level of political control of these

newly created agencies are few. In studying this neglected yet crucial force, this book reveals how this process of bureaucratic infighting at the time of creation warps the resulting institutions.

Contrary to the prevailing view in the literature, autonomous agencies are often the result of political reactions and pressures, rather than of careful design.² The resulting agencies are, in fact, the consequence of political struggles between different actors, who try to shape them in their own interest. This research shows that the political struggles behind the design of autonomous agencies in developing countries account for many of the differences.

The argument

This book affirms that agencies take shape through political struggles that are rooted in, and mediated by, pre-existing governing arrangements. The final organisational designs of these autonomous agencies have come about as a result of conflicts that have played out within the constraints and opportunities provided by existing institutions and the interaction between diverse political and bureaucratic groups. This has resulted in a muddle of agencies with varying degrees of autonomy, lacking coherence and subject to different levels of political control. In country after country, as examples in this book show, the results often have little to do with the original formal design, little to do with the original claims of optimal efficiency.

This research establishes the links between the political pressures and agency design, showing that even when politicians formally control the process of creating an agency, this still results in diffuse and diverse organisational forms across policy sectors. At the same time, and despite existing similar pressures, the institutional structures and operations vary widely across different domains. This in turn reveals that, contrary to conventional explanations, organisational design varies systematically across issue areas and over time. It further reveals that this is not always due to deliberate preferences of the creators, but rather to actions of other actors, including resistance to the formal designs that politicians are attempting to institute. This research therefore explains variations in organisational forms as well as in the degree of independence of different autonomous agencies, highlighting the role of often-neglected players, such as bureaucrats.

The core finding is that autonomous agencies are not the result of a systematic design, but rather of a pluralistic chaos of political and bureaucratic forces. This research finds that agency design is

unavoidably political, a product of the interaction between several political actors operating within a country's institutional context. The intervention of actors having multiple and diverse interests can result in diverse institutional disarray at different levels. Understanding this is crucial because the disarray of institutions can have negative consequences for economic efficiency. It can also challenge the stability of the whole regulatory framework and policy-related decisions. The warping of these institutions by these forces may also affect the government's capacity to maintain such institutions over time, creating uncertainty in the economy and weakening democratic institutions.

The research develops a simple model of analysis to reveal the role of perverse incentives that undermine the autonomy of independent agencies. I use an innovative toolkit comprising institutional economics, game theory and network bureaucratic analysis to explain the variations in newly created institutions for market governance. The resulting model goes beyond prevailing concepts to document a process in which institutional design ensues from the collision of different groups within the government. It uncovers some of the causes behind why some actions were undertaken while others were not, and the factors that determined the shape, breadth and scope of the agencies. The research indicates that the political and the policy-making processes are inseparable, and that failing to understand one risks misunderstanding the other. Only by taking into account these factors can we fully appreciate that so-called autonomous agencies are not the result of a systematic and optimal design, but rather of a pluralistic chaos forged by political and bureaucratic forces. In so doing, the study fills an important theoretical gap in the literature.

Political struggles and agency design

This research highlights the critical role of bureaucrats as political actors that extends beyond their role as technocrats. In addition, it stresses the relevance of political institutions in shaping the incentives of the bureaucrats and other political actors, and how these impact organisational outcomes.

Bureaucracies are usually treated as complicated entities or mysterious black boxes, and their members as simple technocrats focused on carrying out the will of the politicians who designed the agencies. By contrast, politicians are viewed as able to organise administrative structures to create organisations that can function precisely as intended. In addition, they are perceived as actors who can enforce their

preferences through unlimited access to budgets, personnel decisions and oversight hearings, along with numerous other opportunities.

This research then transcends the failures in both delegation theory and presidential approaches to understanding reforms in developing countries. The former school claims that politicians design governmental agencies and bureaucrats implement their ideas without alteration. The latter school believes implicitly that presidents are omnipotent actors capable of commanding all the pieces on the political chessboard in order to advance a modernisation agenda. Both schools implicitly perceive presidents and politicians as actors capable of successfully implementing their will. This study reveals an anomaly or lacuna in the existing literature: presidents and politicians are important, but they rarely determine final organisational outcomes.

This research also suggests that the actions of political actors are embedded in institutions that are a product of a combination of historical legacies. Reforms to institutions, therefore, impact the incentives of the actors.³ Consequently, theories that predict political behaviour in stable institutional environments may not be particularly useful when applied to studying newly created institutions in transitional countries.

The Mexican case

The reasons for selecting just one country to study are as follows. First, doing so controls important structural variables, such as legal frameworks, economic structure and political institutions. Secondly, Mexico has an illustrative character with broader theoretical implications. Mexico is more than just a case; it is a significant example highlighting the importance of political processes in the 'transfer of models' from developed countries and in their implementation. Mexico is no longer merely the territory of ethnologists and anthropologists. Its study has been shown to yield both empirical and theoretical implications for different social sciences.

The Mexican bureaucracy had a powerful unbroken tradition that has made it difficult to assimilate any new organisational form that would break its structure and balance of power. High-level bureaucrats had access not only to resources and information, but to key parts of the decision-making process that was supposed to remain the exclusive domain of the designers, in addition to their responsibility for the implementation of the resulting policies.⁴ Bureaucrats developed a degree of specialisation that gave them the power of independent decision-making. Bureaucrats therefore controlled which