

Re-Thinking Approaches to Government Reforms
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New Public Management: How Well Does It Travel?
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New Zealand has introduced successful reforms to its public service. But these reforms cannot be taken as an off-the-peg solution for the problems of public sector management in developing countries.

New Zealand has been a leader in reforming its public sector. The New Public Management (NPM), which introduced the principles of economic markets into the New Zealand public service, has been regarded as a model for public sector reform. NPM reforms include the introduction into the public service of performance targets, a strengthened Treasury, and managerial freedom for departments. Restrictions on what a department or agency has to produce are tightened, while constraints upon how they carry out their tasks are eased. The implementation of NPM reforms requires a complete change of the organisational structure of the public sector. Anything less than a total change in the system of public sector management is not good enough.

Tom Hughes, a consultant, has suggested that public sector reform along the lines of the NPM has four implicit assumptions: that it is internally consistent; that its standards are universally applicable; that its worth is self-evident; and that its failure is a logical impossibility. If the four implicit assumptions of the NPM hold, then it would follow that the NPM provided a pro forma solution for public sector reform in countries throughout the world.

The greatest potential impact for such a package of reforms is in those countries that have the greatest problems in their public administration. However, evidence from attempts to introduce NPM into developing countries contradicts these assumptions.

The introduction of systems of public management focussed on performance provides a theoretical solution to deeply entrenched and wasteful systems of management in a country's public service. However, evidence from a number of countries suggests that the conditions in a society or the absence of structures for governmental accountability cause NPM reforms to fail. Those countries that have, in theory, most to gain from NPM are, in fact, the least suited to it. Deep seated problems in a country's society or in its political system can render the reforms ineffective.

Other factors also impede the possibility of implementing large-scale public sector reform in developing countries. The more in need of reform a country is, the more difficult it is for western experts to communicate their ideas to the government of that country. Problems with communications make it difficult for outsiders to relate to the country in a professional manner, and often any advice that is communicated is unwelcome. How, then, can advice to developing countries be improved?

In order to tailor advice to the needs of developing countries, it is necessary to understand the factors within those countries that affect the way that the public sector operates. These factors include the following:

- Outcomes are valued differently in different countries, so the structure of incentives must be valued differently.
- Staff behaviour is influenced by informal and cultural factors, and leadership is a critically important factor.
- The extent to which rules are enforced is as important as the strictness of the rules themselves. This in turn influences the extent to which the imposition of new rules can shape the public service.
- Management systems are imbedded in wider institutions.
- Over time, successful management is achieved where management and staff interact to produce a situation where staff become self-regulating, and external controls can be lessened.

Taking these underlying ideas into account, Allen Schick, an expert on public sector reform in developing countries, has argued that there are three systems for managing budgets. A better understanding of these techniques can lead to public sector reforms tailored to the needs of developing countries. In the first system, the government and parliament are the primary means of controlling the public sector. The second system for managing budgets involves ensuring self-control within the public sector through holding it accountable for what it has done, instead of regulating what it is permitted to do. Thirdly, a system of managerial accountability can be adopted, in which individual managers are held responsible for achieving specific tasks, while being left free to determine the strategy for achieving those tasks.

These three systems of public sector management represent progressive stages in developing management structures from a situation of government-control to one of internal control. External controls must be enforced before internal controls can be adopted. Hence, in Singapore, incremental reforms were consolidated at every stage, with an alignment between rules and practice being established before further reforms were implemented. Countries cannot accelerate reform by borrowing successful policies from other countries. For reforms to be successful, a country cannot “leap-frog” a stage.

Alex Matheson has proposed a system of reforms, tailored to meet the needs of developing countries at different stages of the reform process. These proposals are intended to guide those countries through the stages of reform identified by Schick, and to consolidate the reforms at each stage.

If a country at stage one (an externally controlled system) has a culture of the disobedience of official rules, a rule-based reform process will be ineffective. It is therefore necessary to deal with the problems of rule-obedience and lack of accountability (for example of a government to a legislature). More delegated management would only increase the problems. Where, however, the culture of obedience to rules exists already, the reform process should include altering rules to deal with any deficiencies in the system. Once this system had been consolidated,

wider reforms (such as strengthening leadership, values and co-operation) could be considered.

Where a country was at stage two (holding the public sector to account for its actions), but was failing in the areas in which it was accountable, the main reform option is to re-impose external controls, reverting to stage one, until such time as the system becomes compliant. The root of the problem is not in management but in governance. Where a stage two system is largely compliant, the focus should be on correcting deficiencies in the system, before introducing further reforms. These reforms could include strengthening staff capacity or the devolution of further powers to the agency in a move to stage three. This would be a very major reform.

A public service at stage three which was failing would be an embarrassment to the government. The only viable reform would be for the government to impose temporary controls on the service, while in the longer term withdrawing powers from the organisation. A largely compliant system would be improved by strengthening the external pressures (such as citizens' charters, output monitoring, and incentives).

Exposure of the situations in which the NPM can fail does not mean that the theory is invalid. Market principles have been successfully applied to public administration in several western countries outside of New Zealand, notably in Australia. In these countries, a culture of obedience to rules - a necessary condition for the success of NPM reforms - existed before the reforms were introduced. Where NPM techniques have failed in developing countries, it is because of the lack of such a culture.

NPM techniques can be useful to developing countries, but only when they have developed the complex management structures that are necessary for NPM to take root and be effective. In order to achieve these structures, it is necessary to progress through three stages of incremental reform, consolidating the advances made at each stage of the reform before progressing to the next stage. It is not possible to "leap-frog" stages and to implement a total change of system immediately. When the incremental reforms above are complete, and only then, will the NPM techniques be of immediate use to developing countries.

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