

# [New public management in ghana](https://assignbuster.com/new-public-management-in-ghana/)

## ABSTRACT

Ghana local government has undergone several dynamic changes during the course of the 1990s (Charles Polidano, 1999: 13). As agent of the central government, it has been forced to endure greater demand for social services despite the budgetary constraints as well as meeting requirements for IMF loans strict conditions

In response, there is an attempt by the local government to maintain the quality and quantity of public services by applying business-like principles to governance (Borins, 1995), adopting market mechanisms (Walsh, 1995), and utilizing alternative service delivery (Glover & Burton , 1998). These strategies have been championed by proponents of the “ New Right” (Pierson, 1991), public choice (Self, 1993), and the new public management (Borins, 1995) all of whom advocate reduced government intervention into the workings of the market economy. Now as always, the generals of administrative reform prefer to march into action behind a protective advance guard of rhetoric and this rhetoric draws on whatever ideas are globally fashionable. But has the NPM gone beyond rhetoric in local government?

The purpose of this paper, therefore, is to review the state of NPM reforms in Ghana local government and to identify the challenges that they present to local governance. In particular, the paper will focus and follow on the NPM selected applications in Ghana local government.

## III Project contribution

The project will allow scholars to understand how the theories of NPM can be transcribed into practicable reforms in local governance. In this manner, the scientific objective of this second degree project is to contribute to the research fields of NPM studies and public sector studies with novel observations and theory. The connection between NPM and civil service has been theoretically explored in depth, and furthermore this project will be a novel scientific contribution to management studies because it extends and elaborates a case study design approach

## IV My background

From 2007 to 2008, I had held a position as a Project Manager and coordinator in charge of National Disaster Management and World Food Program (WFP) respectively of Wa East District Assembly, a wing of local government in Ghana. The aim of these programs is to educate people on natural disasters and sound environmental practices, and also to assess and assist victims of natural disasters. At that level, I have been awarded a scholarship by the Chinese government to enable me further my education in order to contribute efficiently towards the development of local governance and other relevant sectors. This is part of my motivation for suggesting this project topic.

## V. Methodology

Methodologically the project will be anchored in qualitative case-based theory building (Yin 1994; Eisenhardt and Graebner 2007; Corbin and Strauss 2008). The process consists of defining a pertinent research question and then using within-case analysis and replication logic to develop new insights (Eisenhardt 1989; Carlile 2004). The design of the case work will follow Yin’s approach for using case studies as a research strategy (Yin 1994). In addition, building theory from cases allows for a flexible study where the research design can be altered when new insights or themes emerge. The method employs both qualitative and quantitative data of secondary source.

The specific case study design takes its point of departure in a matched pair design; where the basic idea is to review cases to discover insights through comparing similarities and differences. Eisenhardt describes how using pairs of cases to investigate similarities and differences and other “ cross-case searching tactics” of organizational performance, allow investigators to capture novel findings and can lead to accurate and reliable theory (Eisenhardt 1989: 541).

The data collection will consist of secondary data; background research and information/data collection from both Ghana local government office(s) and other sources (internet) covering Ghana local government performance from 2001 to date. The data analysis will consist of within-case analysis, data analysis tools such bar chart, histogram, cause-effect diagrams will be utilized as well as outsourcing the application of balance scorecard in needed situations. This analysis will ensure that the conclusions and results are applicable both within the Ghana local government and across the public sector

1. Introduction

By the commencement of the 1990s, a new model of public sector management had emerged in most advanced countries and many developing ones. Initially, the new model had several names, including: ‘ managerialism’ (Pollitt, 1993); ‘ new public management’ (Hood, 1991); ‘ market-based public administration’ (Lan and Rosenbloom, 1992); the ‘ post-bureaucratic paradigm’ (Barzelay, 1992) or ‘ entrepreneurial government’ (Osborne and Gaebler, 1992). Despite the differing names, they all essentially describe the same phenomenon. The literature has more or less settled on new public management, often abbreviated to NPM, a term coined by Hood (1991), a persistent critic. Various authors also include privatization, decentralization and downsizing as part of the package (Ingraham 1996; Minogue 1998).

This has been a product of a number of factors, including the economic and fiscal crises of the state that called the post-war consensus on the active role of the state in the economy into serious question. In developed economies such as the United Kingdom, Canada and Australia, the crisis in the Keynesian welfare state led to the search for alternative ways of organizing and managing public services and redefining the role of the state to give more prominence to markets and competition, and to the private and voluntary sectors.

On the contrast, the economic and fiscal crisis that engulfed most developing countries in the 1970s and 1980s led to a rethinking of state-led development which had increased the size, functions and power of the state and its bureaucracy (George A Larbi 1999: 112).

A survey by the Organization for Economic Co-operation and Development concluded that new management techniques and practices involving market-type mechanisms associated with the private for-profit sector are being used to bring about changes in the management of public services in countries that have widely varying governance, economic and institutional environments (OECD, 1993a).

These practices and techniques have conventionally been labelled the new public management (NPM) or the new managerialism (Hood, 1991; Dunleavy and Hood, 1994; Pollitt, 1993; Ferlie et al., 1996).

The components of NPM have evolved over the years. However, as Moore et al. (1994: 13) point out; the central feature of NPM is the attempt to introduce or simulate, within those sections of the public service that are not privatized, the performance incentives and the disciplines that exist in a market environment. The assumption is that there are benefits in terms of efficiency and effectiveness in exposing public sector activities to market pressures and in using markets to serve public purposes, and that government can learn from the private sector despite contextual differences (Metcalfe and Richards, 1990: 155).

Some observers have argued that there are convergent trends (Kickert and Beck Jørgensen, 1995: 501) or diffusion of reforms. (Halligan, 1997) or a globalization of public sector management (Flynn, 1997) as an increasing number of crisis and non-crisis states in Africa, Asia and Latin America are also embracing elements of the new public management approach.

A noticeable trend in public sector reforms, in the context of economic crisis and structural adjustment, is that a wider range of administrative functions and the delivery of public services are being subjected to the approach (Bienefeld, 1990; Mukandala, 1992).

Interestingly, there has been a long-drawn-out, ideologically charged debate about the merits and demerits of the new public management, or NPM as it is commonly known. The debate tends to focus on the desirability or otherwise of NPM reforms in principle. Advocates and critics alike often accept the assumption that the new public management is universal, notwithstanding that this is disputed by a growing body of work with respect to different countries as well as institutions.

The universality assumption is encouraged by the undoubted fact that NPM catch-phrases feature prominently in the vocabulary of civil service reform all around the world (Thomas 1996). Recently, the generals of administrative reform prefer to march into action behind a protective advance guard of rhetoric. Furthermore, that rhetoric draws on whatever ideas that are internationally fashionable. But has the ‘ NPM’ gone beyond rhetoric in public institutions which are the lead implementers?

This paper looks at precisely this question in relation to local government. To what extent can the new public management genuinely be called a dominant paradigm of public service reform in the local government?

We are almost bound to conclude that the new public management is a dominant paradigm if all we do is look for evidence of NPM-style reforms. But NPM initiatives may be little more than a minor strand of reform, the froth at the top of the glass (Polidana 1999: 13). Other reforms, unrelated or even contrary to the tenets of the new public management, may outweigh it in importance. So to be more certain of reaching a balanced conclusion, we must ask four questions in all.

First, are public institutions such as local government and others committing themselves to NPM-style reforms?

Second, are such reforms being undertaken as part of the worldwide quest towards greater efficiency and cost savings which is said to be the driving force of the new public management (see Minogue 1998)?

Third, are the reforms actually being implemented, or are we being misled by the rhetoric of political leaders (and senior bureaucrats)? As I have already mentioned, the rhetoric of reform tends to outpace the reality in any country or institution.

Fourth, are reforms simultaneously being undertaken that are unrelated to the new public management or indeed run counter to its principles? This question helps us put any evidence of NPM-style initiatives in its proper perspective. I shall deal with each of these questions in turn.

The evidence gathered in this paper also sheds light on the vexed issue of the appropriateness of NPM reforms in local governance. This represents a fifth question which I shall take up towards the end of the paper. Can the new public management work in the local government?

As we will see, localized contingency factors-ones that vary from sector to sector and situation to situation within the same country-play a predominant role in determining the outcome of individual reform initiatives. Different situations can call for radically different responses.

## 2. 1 CONCEPTUAL FRAMEWORK

## 2. 1. 0 Principles and Practices of NPM

At the end of the 20th century, a post bureaucratic paradigm of public management was firmly embedded in many countries reflecting the outcome of the suite of reforms intended to enact a break from the traditional model of public administration underpinned by Weber’s (1946) bureaucracy, Wilson’s (1887) policy-administration divide, and Taylor’s (1911) scientific management model of work organization.

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These practices and techniques have conventionally been labelled the new public management (NPM) or the new managerialism (Hood, 1991; Dunleavy and Hood, 1994; Pollitt, 1993; Ferlie et al., 1996). In part at least, NPM was a reaction to perceived weaknesses of the traditional bureaucratic paradigm of public administration (O’Flynn 2005a; Stoker 2006), and it encompassed a ‘ critique of monopolistic forms of service provision and an argument for a wider range of service providers and a more market-oriented approach to management’ (Stoker 2006: 45). In articulating this NPM paradigm in the early 1990s,

Hood set out its key doctrinal components (1991: 4-5):

1. Hands-on professional management;

2. Explicit standards and measures of performance;

3. Greater emphasis on output controls;

4. Disaggregation of units in the public sector;

5. Greater competition in the public sector;

6. Private sector styles of management practice; and

7. Greater discipline and parsimony in resource use.

Within this new paradigm, the doctrinal components sat alongside four reinforcing megatrends: slowing down or reversing government growth; privatization and quasi-privatization; automation in the production and distribution of public services; and, an international agenda in public sector reforms (Hood 1991: 3-4). Fifteen years after Hood (1991), Hughes (2006) in his paper on the ‘ new pragmatism’ articulated four grand themes which characterized NPM: management (i. e.

results and managerial responsibility) is a higher order function than administration (i. e. following instructions); economic principles (i. e. drawn from public choice theory, principal-agent theory, contracting, competition, and the theory of the firm) can assist public management; modern management theory and practices (i. e. flexibility in staffing and organization ) can improve public management; and service delivery is important to citizens. As Stoker (2006: 46) noted, NPM sought . . . to dismantle the bureaucratic pillar of the Weberian model of traditional public administration.

Out with the large, multipurpose hierarchical bureaucracies, [NPM] proclaims, and in with the lean, flat, autonomous organizations drawn from the public and private spheres and steered by a tight central leadership corps.

Performance contracts are used across a number of sectors including utilities, transport, telecommunications and agriculture (e. g., in Ghana, Bolivia, Senegal and India). Contracting out is increasingly being adopted in the delivery of public services including urban services (e. g., solid waste management), ancillary health services such as cleaning, laundry and catering (e. g., in Zimbabwe), and road maintenance.

Such characterizations provide a good starting point for considering the NPM paradigm, however, there has been a tendency toward conflating shorter reform phases into a NPM catchall. In the Australian context, for example, there were two quite clear phases in the move away from traditional administration, based on distinct theoretical and philosophical underpinnings (Considine and Painter 1997).

In the Australian experience, the 1980s was characterised by a post-bureaucratic model of NPM and this was heavily focused on internal reforms and corporate management (Alford 1998; Yeatman 1997). Commonly adopted practices included: corporate planning based on central goals; comprehensive program budgeting; management improvement programs; contract employment for managers; central auditing; and performance monitoring of individuals.

The key aims were to empower public servants and increase managerial quality. Following on from this, Australia experienced a marketisation phase in the 1990s which emerged alongside the dominance of economic rationalist discourse (Pusey 1991). This marketisation phase represented an overt challenge to the efficacy of the traditional approach with its monopoly over the production and delivery of public services as it was focused on developing market solutions to government failure.

By the time of the marketisation phase it was clear that a new paradigm of public management was becoming dominant and it was during this time that NPM came into its own. In the Australian experience, the marketisation phase rested on the creation of markets in the public sector and the use of contracts to define and govern relationships.

For some, such moves signaled the emergence of a new contractualism (Hughes 2003), while for others contracts and competition became the basis for changing the fundamental nature of the public sector (Walsh 1995). Chalmers and Davis argued that, ‘ contracting has been established as a standard form of policy delivery – indeed as an instrument with few limits, preferable in most circumstances to traditional public bureaucracy’ (2001: 76). Such beliefs were also acknowledged by Deakin and Michie: ‘ If there is a single strand that runs through the changes wrought by the neoliberal revolution . . . it is the revival of contract as the foremost organizing mechanism of economic activity’ (1997: 1). During this era, where notions of competition and contracts were so important, the NPM paradigm became dominant

As we know, this did not occur without resistance and NPM has been subject to ongoing and fierce debate in the academic literature because it challenged conventional thinking and brought together a range of practices, policies and theories rather than proposing some coherent theory. Notwithstanding this point there has been some agreement on critical theoretical perspectives informing policy makers and underpinning thinking in the NPM paradigm including: public choice theory, principal-agent theory, transaction cost economics and competition theory (Kaboolian 1998; O’Flynn 2005a). Public choice theory was extremely influential with Boyne arguing, ‘. . . seldom has the major practical implication of an abstract model of bureaucracy been so widely implemented’ (1998a: 474).

NPM encompassed the public choice belief that governments were unresponsive, inefficient, monopolistic, and unable to reach formal goals. In the main this reflected the inherent failures of government:

politicians are captured by interest groups and will act in their own self-interest rather than the public interest;

the bureaucracy does not necessarily carry out political directions because of the self-interest of bureaucrats and

bureaucrats act in pursuit of self-interest rather than efficiency (Walsh 1995).

Following this line of argument, bureaucracy leads to resource wastage and budget maximisation in the pursuit of power, status, income, ideology, patronage, discretionary power and ease of management, producing allocative inefficiency and oversupply (Boyne 1998a; Niskanen 1971; Rowley 1995; Walsh 1995). The aim of public choice advocates then was to persuade policy-makers to adopt policies and practices which would import incentive structures based on principal agent theory and property rights in order to increase efficiency and downsize the state (de Laine 1997; Mascarenhas 1993).

Despite sustained critique (see for example Boyne 1998a, 1998b; Boyne et al. 2003; Tregillis 1990; Walsh 1995), public choice theory has been critical in underpinning key features of NPM including: separation and fragmentation (Boyne et al. 2003; Self 1993; Streeton and Orchard 1994); competitive markets for public services (Boyne et al. 2003); and preference for private sector provision governed by contracts (Hodge 2000).

Principal-agent theory focuses on the relationship between principals and agents and the issues that arise when we assume their interests diverge (Walsh 1995). It provides a means of conceptualising both human behaviour in the agency relationship and the development of organisational forms based on assumptions of self-interest, opportunism, incomplete information, and goal divergence (Althaus 1997).

These assumptions predict the emergence of agency issues when contracts are formed and where the actions of the agent have implications for the welfare of both parties (Petersen 1995a). The critical challenge for the principal becomes how to choose an agent and construct incentive structures to align goals in an environment of uncertainty, information asymmetry, and high cost monitoring; and where incentives exist for agents to shirk (Foss 1995). Such structures, which aim to produce optimal outcomes and combat adverse selection and moral hazard, are termed agency costs (Althaus 1997). Hence, at the core of this perspective is the notion that contracts formally setting out requirements, monitoring, reward and incentive systems provide the legitimate connection between principal and the agent (de Laine 1997; Muetzelfeldt 1994).

Principal-agent theory played an important part in the NPM paradigm and it underpinned many practical reforms including the structural separation of purchasers and providers to establish contractual and quasi-contractual relationships (O’Flynn 2005a). In total, this laid the foundation for a process whereby it was expected that,. . . the government manager clearly articulates the policy, sets the performance standards, and chooses in a competitive market an agent who will faithfully act in the government’s behalf to deliver the goods and services so that the outcome sought will be attained (Kelly 1998: 205).

There has been a continued critique of the appropriateness of agency theory in the public sector. Doubts have been raised, for example, about the ability of purchasers and providers to separate, the efficacy of decoupling policy from delivery, and the ability of purchasers to clearly articulate their preferences in a competitive environment (O’Flynn and Alford 2005; Stewart 1996). Regardless of such critiques, however, key characteristics of NPM were built around ideas from principal-agent theory.

Transaction cost economics has also played an important role in the NPM era. Coase (1937) set out the crucial role of transaction costs, hypothesizing that an assessment of these costs determined whether transactions were internalized or not. 4 Coase’s (1937) theory of the firm and the associated make-buy decisions is translated as the public sector procurement decision – whether public agencies produce themselves (i. e. make) or contract out (i. e. buy) (Williamson 1999).

Williamson (1979) extended Coase’s (1937) ideas through the development of a schema setting out his propositions for the most efficient matching of transactions and governance structures. This ranged from market governance based on classical contracting and formally prescribed relationships and remedies to unified governance (i. e. hierarchy) whereby relationship norms and customs govern behaviour rather than formally written contracts.

The most efficient structure is that which best matches specific transaction characteristics (i. e. the levels of frequency and asset specificity) with governance structures allowing for economising on the costs associated with bounded rationality, opportunism, and asset specificity; and an overall reduction in the cost of transacting.

Transaction cost economics was important to NPM as it set out options for governments including markets, hybrids, and hierarchy (Petersen 1995b). However, it might be argued that the dominance of public choice theory resulted in a blinkered view of this approach as governments tended toward market governance models. Practice also tended to ignore key writers in the field including Williamson who argued that, ‘[r]ecourse to public bureaucracy for those transactions for which it is comparatively wellsuited is properly regarded as an efficient result’ (1999: 24). In the literature there has been some critique of the application of traditional contracting notions to the public sector, and the underlying assumptions about human behavior encompassed in such theories (Vincent-Jones 1997; Walsh et al. 1997).

The doctrine of competition has been central to the development of NPM. While perfect competition rarely exists in reality, governments have sought to pursue activity to stimulate competition rather than replicate pure markets (Townsend 1995). Public choice advocates have been vocal in calling for the discipline of competition to be imposed on public sector operations as a means of improving efficiency:

One of the most fundamental determinants of the efficiency of any arrangement is competition; that is, the degree of competition that an arrangement permits will, to a significant degree, determine how efficiently that arrangement will supply a service . . . market . . . [and] contract . . . systems are most conducive to fostering competition and thereby achieving economic efficiency (Savas 1982: 80-1).

Competitive tendering, in particular, has been a popular instrument used by government. The adoption of such practices ‘ carries the belief that planners remain the ultimate arbiters of resource allocation but that gains in productive efficiency can be achieved by some degree of competitive regulation’ (Hensher and Beesley 1989: 236). Competition between bidders is intended to spur efficiency gains and cost savings for purchasers, as market forces can drive out marginal producers (Cubbin, Domberger and Meadowcroft 1987; Domberger, Hall and Li 1995; Rimmer 1994).

Interestingly, it has been argued that the mere threat of competition can generate efficiency gains and cost savings within the public sector as internal providers seek to protect themselves from unemployment (Rimmer 1994; Walsh and O’Flynn 2000).

The applicability of the competition doctrine to the public sector has been questioned in the literature for several reasons including the existence of both demand and supply side imperfections (Kelly 1998), and the absence of conditions required to generate efficiency gains (Wilkinson 1995). Despite such critiques, competition theory has clearly played a critical role in the development of the NPM paradigm. The NPM paradigm encompassed specific assumptions about human behaviour centred on individualism, instrumentality and individual rationality and from here came new performance motivated administration and institutional arrangements, new structural forms, and new managerial doctrines (Kelly 1998; Lynn 1998).

Flowing from these perspectives were a set of core principles that sustained NPM:

(i) economic markets should be the model for relationships in the public sector;

(ii) policy, implementation and delivery functions should be separated and constructed as a series of contracts; and

(iii) a range of new administrative technologies should be introduced including performance-based contracting, competition, market incentives, and deregulation (Kaboolian 1998).

Within the NPM paradigm, the way in which government was viewed, constructed and arranged was firmly rooted within an economic frame and, from here, policy rhetoric focused on the notion that small government was superior and that government failure must be addressed in order to maximise efficiency. This often resulted in prescriptions built around competition and contracts, with the result being a firmly embedded post-bureaucratic model, not only in Ghana but also in many countries across the world.

The practical application of NPM, like its bureaucratic predecessor, suffered from a range of weaknesses which reflected both implementation challenges and fundamental tensions (O’Flynn and Alford 2005). For example, competitive regimes have been commonly adopted, but evidence shows that they are usually costly to implement and rarely deliver genuine competition (Entwistle and Martin 2005).

Further, there is evidence that such approaches have resulted in increased transaction costs due to the high costs of contract preparation, monitoring and enforcement (Entwistle and Martin 2005; O’Flynn and Alford 2005). Minogue (2000) argues that the extensive literature on privatisation, contracting, and the use of markets lacks evidence of any real efficiency gains and that the restructuring and downsizing of civil services (especially in Britain) has produced a decline in accountability.

O’Flynn and Alford (2005) have argued that competitive government models also lead to fragmentation of relationships which may spur destructive behaviour. A comprehensive list of problems is presented by Lawton (1998 cited in Minogue 2000) who claims the fundamental values of public service organisations have been undermined by competition and the NPM, by limited resources, conflicts between individual demands and public interest, the erosion of accountability and responsibility due to fragmentation, and increased risk-taking.

Even the OECD, long a NPM advocate, acknowledged in a 2003 report that the ‘ reforms produced some unexpected negative results’ (OECD 2003: 2), echoing March and Olsen’s statement that reform ‘ rarely satisfies the prior intention of those who initiate it’ (1989: 65). Partly this reflected the wholesale application of private sector models and the failure to pay heed to the interconnected and interdependent nature of the public sector. Perhaps more fundamentally the competitive government model failed ‘ to understand that public management arrangements not only deliver public services, but also enshrine deeper governance values’ (OECD 2003: 3).

The NPM paradigm rested on economic foundations which defined government activity, policy-making and service delivery. Despite a range of weaknesses that have emerged following almost two decades of experimentation and, consequently, Since the 1980s, developed and developing countries have been embarking on public sector management reforms. The following section discusses the public sector reforms which forms the basis for potential paradigmatic change.

## 2. 1. 1 Non-NPM reforms

An essential concomitant to the development of results-based accountability is the removal or at least relaxation of procedural controls over line management. The idea is, in NPM-speak, to move from accountability for inputs (obeying the rules on spending and staffing) to accountability for outputs (performance). As we have already seen, however, governments have been reluctant to give line managers greater discretion over staff promotions and pay. Some countries have gone further than this: they have tightened up existing central controls within the civil service and introduced new ones.

This has often happened in response to the need to bring staff numbers down.

Notwithstanding its proclaimed goal of introducing results-oriented management,

Uganda actually recentralised the recruitment of temporary and non-pensionable staff because this ‘ had been open to wide abuse’ (Wangolo 1995: 150) when it was in the hands of departments themselves. Until then the government simply had no idea how many people were employed in the civil service. In an effort to control recruitment, other countries have required departmental heads to gain central clearance not only to create new positions, but also to fill vacancies in the already approved complement.

More generally speaking, a major thrust of public sector reform throughout Africa and

Latin America has been to strengthen and rationalise functions such as budgeting, financial control, staff classification and complement control. Proper execution of these functions is taken for granted in most industrialised countries, which are devolving some of them to line agencies. But these functions remain weak in many developing countries. The World Bank regularly encounters problems such as poor expenditure control and inadequate accounting systems in its client countries (Beschel 1995: 21); while Holmes (1992: 474) notes that ‘ many middle-income countries see standardization in the wage and salary area … as a prerequisite to improvin