

New public
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INTRODUCTION

Public sector reforms adopted in a number of countries such as USA, UK and New Zealand in the last fifteen years and characterised by efficiency units, performance management, contracting out, market type mechanisms, and agency status have come to be known as the New Public Management or NPM. Appearance of the NPM as shifting the paradigm from the old traditional model of administration has been promoted by a remarkable degree of consensus among the political leadership of various countries and is presented today as the major tool for public sector management reforms.

The elements of NPM have been implemented in diverse forms in different countries depending on their historical nature of bureaucracy and public sector management and reform objectives. For instance, more emphasis was given to performance management in Scandinavian countries, while a stronger accent was on market type mechanisms, contractualisation of the public service and systematic approaches to improving service quality in New Zealand, the UK and the USA. The long-term benefits from these reforms have not been empirically validated. Nevertheless, the major donors are agreed that what developing countries must do to improve public sector management is to sweep away the traditional public administration paradigm that underpins their bureaucracies and introduce the new public management (Turner and Hulme 1997: 230). Mongolia has not escaped from this trend.

The Government of Mongolia is preparing to introduce public administration reforms based on the New Zealand experience of contract relationship

between resources used and outputs purchased. However, there is a question mark about Mongolia's capacity to implement such reforms and whether they meet current needs.

Therefore, assuming that the concepts of NPM are quite familiar, attempts have been made to assess the Mongolian situation against prescriptions of the New Zealand model of Public Sector Reform, particularly in relation with the country's transitional circumstances.

THE NEW ZEALAND MODEL OF PUBLIC MANAGEMENT

The proponents of the New Public Management have often identified New Zealand as a good example of this contemporary mode of administrative reform called NPM. New Zealand has implemented an enormous number and range of management reforms since 1988. These include accrual basis accounting and appropriations. Budgeting for outputs rather than inputs, separation of service delivery functions from advisory and regulatory functions, replacing permanent department heads with chief executives appointed for a fixed term, discretion for managers to spend their operating budgets as they deem fit, individual employment contracts for most senior managers, annual purchase agreements between ministers and their departments, annual reports, and audited financial and performance statements (Schick 1998: 2).

Every element of reform has been designed to establish or strengthen contract-like relationship between the government and ministers as purchasers of goods and services, and departments and other entities as

suppliers. This ‘ new contractualism’ replaced the relational contracts that characterise traditional public administration (Schick 1998: 3).

Managerial reform is based on a simple principle: managers cannot be held responsible for results unless they have freedom to act, that is, to spend and hire within agreed budgets as they see fit, to make their own choices concerning office accommodation and other purchases, and to run their organisation free from ex ante control by outsiders.

The New Zealand experience shows how effective management practices in the private sector can be brought into a public sector environment and adapted. The change was driven by ideas that have only recently entered mainstream economics and they have been applied with full fidelity to their internal logic. Although one can justify that the country has vastly enlarged the stockpile of public management ideas and practices, however, there remain concerns related to contract-like arrangements in the public sector and there is much more to be accomplished before a final assessment can be made (Schick 1998: 4).

TRANSITIONAL FEATURES

OF PUBLIC ADMINISTRATION IN MONGOLIA

After the collapse of the socialist block, radical political and economic changes occurred in most former socialist countries. According to Hesse (1993) the former socialist countries have a number of common characteristics, such as:

? a transition from one party rule to a multi-party, pluralist system with democratic and accountable government;

? the deconcentration and decentralisation of political power;

? the creation of distinct spheres of economics and politics; and,

? economic liberalisation.

No socialist country has yet completed the full process of economic liberalisation. This is mainly because the task of transforming a former socialist economy is significantly more complicated than the issues facing a typical developing country. In many cases even rudimentary institutions that can be easily converted to market concepts and terminology. The process can be characterised not simply by a transition to a new economic system but also as a fundamental transformation of the whole society and all of its institutions in line with the market philosophy.

Earlier literatures on civil service reforms in developing countries indicate that strategically administrative reform was successful, when it was implemented as part of the main economic and political change. There was less chance of its success, when it was undertaken on its own as a separate activity. Unfortunately those who are involved in the design of main economic and political change strategies underestimate the fact that administrative change needs to be undertaken before or together with economic and political change. It is often assumed that there is no political support and not adequate financial and technical resources to undertake public administration reforms. As a result public administration lags behind

other sectors and is often criticised for being an obstacle to reforms in other sectors. This characterises the current situation in Mongolia.

Despite the profound political and socio-economical changes, which have taken place in Mongolia since 1990, public administration remained the same until recently. The organisation and activities of all levels of the former public management institutions were no longer appropriate for attaining the goals of the reforms in all spheres of economic and political life. This finds its expression in the weakening of the prestige of all state institutions, their inefficient and non-operational activities, and also the ineffectiveness of Mongolian legislation and decisions of public and management institutions.

The lack of public administrative mechanisms able to replace the party-centred system at the initial stage of the transition period led to a weakening of Government's leadership and regulating activities. For instance, national capacity has been reduced in the areas of policy and planning due to the abolishment of planning mechanisms as part of the discontinuation of central planning. However, market economy policy and planning mechanisms have not yet replaced the previous systems. ' It is wrong to presume that a free market will develop overnight if central planning is eliminated and the market freed. Scrapping the central planning system is obviously a necessary step toward the evolution of a market economy, but unless existing institutions can readily be converted to facilitate production and distribution under market conditions, the transition process will be difficult and lengthy' (Rana 1995: 1168).

PUBLIC ADMINISTRATION REFORM PROCESS IN MONGOLIA

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The Government of Mongolia is currently engaged in major public sector reforms intended to complement the increasingly market-oriented economy. These reforms are designed to improve government decision making and accountability, and the cost-effectiveness of service delivery. The intent is to redesign the structure of the public sector, and to remove old institutional arrangements and 'ingrained habits' derived from the earlier period of centralised planning that are major obstacles to improving efficiency and accountability. The nature of the public administration reforms in Mongolia is influenced in part by the perspective that has guided reforms in New Zealand since 1988.

In January 1997, the mission from the International Monetary Fund (IMF) visited Mongolia to carry out the preparatory work for the new Enhanced Structural Adjustment Facility agreement between the IMF and the Government of Mongolia and prepared an aide-memoir with recommendations with regard to the public administration reforms. According to the assessment by the mission 'the primary emphasis of the public administration reform do date appears to have been on organisational and administrative change and has not been linked to reform of the budget process' and 'public expenditure management considerations are not well reflected in the current statement of policy. Also the Ministry of Finance appears to play a relatively small role in its implementation'. The main recommendations of this mission to the Government of Mongolia concerning the public administration reform were the following:

The Ministry of Finance (MoF) should immediately take on a central role in further development of the public sector reforms and these reforms should

be integrated with the budget process by taking into account budget constraints and the need for improved financial accountability.

? Devolution of financial powers to agencies (along the lines of the New Zealand model) should proceed only to the extent that systems of accountability fully satisfactory to the MoF are in place (IMF 1997).

? The IMF mission recommended applying the New Zealand model for public administration reform in Mongolia. Apparently it has been a serious challenge for the Government of Mongolia.

This can be noted by the Cabinet decision of March 1997 to transfer functions for formulating strategies for public administration reforms from the Cabinet Secretariat to the Ministry of Finance. Accordingly the Ministry of Finance has formed a Public Administration Reform team. The team was assisted by two missions from New Zealand visited Mongolia in March and May 1997 as a response to the request from the Government of Mongolia for technical assistance on public administration reform. The purpose of the two missions was to evaluate the current situation and design a new strategy for public administration reform in Mongolia.

The new strategy is aimed at reorienting the public administration reform program undertaken by the previous government in line with the needs to improve the efficiency of government operations and public expenditure management and increase financial control and managerial accountability. Recommendations of the consultants and the new strategy are greatly focused on adopting all the possible elements of the New Zealand model

including output specification, budgeting, contracting, performance agreements, and agency status.

One centrepiece of the reforms is the new ‘ Public Sector Management and Finance Act’, which was submitted for Parliament debates in November 1997. The bill defines the functions, powers, performance specifications and channels of accountability for the full array of government institutions, including the cabinet, ministries, agencies, state-owned enterprises, parliamentary bodies and so on. However, the bill was not complete as a legal document, failed to conceptualise the modern approaches to public sector management into their Mongolian context, briefly it was a foreign law written by foreigners. Thus major amendments were required to improve the bill with regard to clarification of practical aspects of practical aspects of public sector management that were left beyond regulation such as division of functional responsibilities among public sector institutions and relationship central and local authorities under the conceptual arrangements.

The government, however, was strongly pushing the adoption of the law and deemed to get the approval by any means possible, although reformers recognised the weakness of the bill. This may be justified by the reasonable explanation that the Government wanted to start the implementation immediately without wasting time on the design issues and as they advocated, to see some first fruits of the reform before the next political election to be held in 2000. It has been quite ambitious to declare or believe that transitional programs will be completed by the year 2003.

During the last period two big delegations consisting of the Parliament members, government senior officials, and representatives from the opposition party were sent to New Zealand and State of Victoria of Australia to learn practical experience of implementing the NPM ideas in these countries. In addition, a quite large number of national and international workshops were organised among different actors as part of the lobbying activities.

Despite these significant efforts made by the advocates and lobbying measures the new law still has not received the final endorsement from the legislative authority. The opposition the adoption of the new law. There are only few people in the Government who are greatly impressed and strongly believe that the model will perfectly work in Mongolia. There is a great uncertainty about what will happen with the new program even in the immediate future.

SUITABILITY OF THE NEW ZEALAND MODEL FOR MONGOLIA

The reasons explaining why the Government wants such a radical approach to public administration reform in the country are quite clear. The previous administrative reforms did not bring significant improvements in the public sector management and were limited by a number of structural changes in state institutions. Although there were the first attempts by the Government to separate policy coordination, regulatory and implementing functions, the question of whether the structures and functions of recently established agencies are appropriately designed to ensure efficiency and effectiveness of government operations has not been clear. At the same time, the demand

for accelerating public reform with the aim to improve overall efficiency has been increased by the pressures from donor organisations.

However, it should be noted that there is not sufficient justification and factual arguments developed by both the advocates and the opponents for why the country should not adopt the New Zealand model. Before making a final decision the questions such as what are the real obstacles to success of NPM in Mongolia and what are the real recipes for potential success need to be answered, in other words, there is a need to study the consequences first.

It must be admitted that the task to make such a complete analysis is beyond the scope of the current work and for the time being there is very limited literature available to make a base for developing the arguments for why the country should implement NPM.

Schick stresses the importance of preconditions for successfully implementing the NPM approach and claims that countries striving to uplift themselves after decades of mismanagement should not ignore these preconditions. He identifies the establishment of a formal public sector, which is based on strong civil service system and long standing habit of public managers to spend public money according to prescribed rules as one of the preconditions. In addition, he notes that if contracts and the rule of law are underdeveloped in business relations, it is highly improbable that they can be safely or effectively applied in the conduct of the government's business (Schick 1998: 6).

Whether Mongolia has these preconditions may be even questionable that some other developing countries, the public sector of which were operating

under colonial systems and in which market mechanisms have been established for years. The transitional features of the public management of Mongolia mentioned earlier could serve as an explanation for why such emphasis should be made. If the New Zealand model is all about applying the best techniques of private sector management in public management, the question of whether just newly emerging private sector of Mongolia has accumulated those techniques and practices is even more doubtful.

NPM is often attempted assuming that proper capacity exists, which is not always the case. The actual capacity of Mongolia to apply NPM should be thoroughly investigated, especially when it comes to managers' ability to decide and to have responsibility. Otherwise the reform may have an impact on the public confidence in the government operations.

In Addition, as Hughes (1994: 83) claims, implementation is a real problem if there is insufficient attention paid to it. Implementation is much more costly in developing countries where a traditional model bureaucracy is not well developed and some basic preconditions are not ensured. In Mongolia, informal estimates have been made that USD 20 million are required to implement NPM reforms. This accounts only for the transitional periods from the old to the new system. Some potential donors like the Asian Development Bank and the World Bank are committed to provide technical assistance and program loans in support of the reforms. So far neither the national government nor the donor agencies have made an estimation of how much the country would benefit from the reforms.

It is not meaningful to think that if USD 20 million were available to the country today, this would have an automatic impact on the structure, efficiency and vision of the public administration and sustainability of reforms. NPM requires good planning and a very good estimate of the real capacities to implement it and a good program of assistance or training to build these capacities. To some extent, the donors' commitments are influenced by their willingness to show at least a developing or transitional country, where the NPM model will successfully work and it has been encouraged by the interest of the current Government of Mongolia in the model. The major donors are often quick to sell a model that is pre-packaged without carefully looking at the implementation side of it.

Public management reform is a difficult process to define and implement in general. In the developing countries problems of inefficiency, culture impact, political pressure and other factors such as corruption and a lack of competitiveness and sophisticated markets render this task even more difficult.

Reform programs should have a long-term perspective and be free from political ambitions that could negatively affect their long-term effects and objectives. As there has always been a tendency for the public sector reforms to be donor driven, it is much more desirable to develop a Mongolian version of reform that satisfies the needs of the country and its administrative environment and reality, which may or may not be NPM.

The conclusion to be made here is that sooner or later the country should move towards some forms of NPM. However, rather than taking such an

extreme and prompt action to immediately adopt the most advanced model of it, the focus should be on capacity building to ensure necessary pre-conditions have been established for its future successful implementation.

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