

PREFACE

This is the first of a series of three booklets, or 'Information Packs', on the theme **Law and Governance**. The first issue, titled **Modernising Governance**, examines the range of public sector management reforms that have been so widespread during the last two decades. Issue Two, titled **Private Sector Development and Regulation** looks, by contrast, at the institutional and policy foundations of capitalist market systems. Issue Three, titled **Law, Administration and Government**, analyses the ways in which legal institutions and practices both support, and hold accountable, modern systems of government. In each Issue, the main focus will be on institutions, policies and reforms in the United Kingdom system of law and governance. However, there will be comparisons with other government systems, and some discussion of the application of developed country models to developing countries.

The series is designed and edited by Martin Minogue, Director of Regulatory Governance in the Centre on Regulation and Competition, University of Manchester. He has also written this first Issue, Modernising Governance. Section One analyses the set of ideas which inform current debates on public management reform, and in particular describes the dominant 'new public management' (NPM) model of changes in the relationship between the state and the market. Section Two describes the development and application of this NPM model in the UK. Section Three examines comparative experiences in public management reform, with particular reference to the transfer of 'best practice' ideas from developed to developing and transitional countries. Section Four lists useful documentary and website sources of information.

The Centre on Regulation and Competition, Institute of Development Policy and Management, University of Manchester was assigned by the British Council to collect and contribute all the papers for the Information Packs 2003-2004

SECTION ONE**States, markets and governance**

In the past two decades there has been an unprecedented wave of reforms as the traditional model of public administration has come under attack. These reforms originated in developed industrial economies, whose political leaders were under pressure to keep down levels of public taxation and expenditure, while maintaining high levels of welfare and other public services. A significant feature of the reforms was the belief that the state had become too large and over-extended, and that the market offered superior mechanisms for achieving the efficient supply of goods and services. As the reform movement has spread, partly through globalising processes, and partly through the commitment to these reform ideas of major international donors such as the World Bank, reformers are being faced with a choice between competing concepts of the state. The traditional view was of a 'welfare' state which would both manage the economy and promote the welfare of all its citizens. The state both represented and reflected the public interest and the continuous expansion of this 'public interest' state was for long regarded as unproblematic. The economy would yield planned growth and social demand could therefore be met out of increased taxation. In this system reform was merely a question of updating the machinery of government, ensuring that an expanding range of functions would be carried out through an appropriate set of organisational structures.

In the 1980s this conception of the state came under attack simply because the state was felt to be unable to find the financial resources to meet rapidly growing social demand. The view gained ground that government was too big and too expensive, yet would have to continue to meet high demands and expectations. Government would either have to be reduced in size, or made more efficient, or both. The scale of the problem can be seen from the fact that between 1980 and 1990 public expenditure per head in Organisation for Economic Cooperation and Development (OECD) countries almost doubled. In many countries public expenditure as a proportion of a gross domestic product was as high as 50%. Moreover in some transitional countries, especially in Eastern Europe and the former Soviet Union, the state collapsed and compelled new thinking about state management systems. The new approach which became dominant was essentially a 'public choice' approach, which contrasted the

merits of the private sector with the failures of the traditional state model. This is often expressed as a choice between 'old' public administration and 'new' public management.

The applicability of these different models of the state, and the question whether a new global paradigm of public management is emerging, are matters of considerable debate and dispute, which should be no great surprise given the intensely ideological nature of the political choices they represent. The purpose of this issue is to present a critical account of the origins and nature of New Public Management (NPM), illustrated from the British system which has been its most committed advocate, with supporting material from other developed economies. Section Two evaluates the practice of these reforms by reference to British experience. The final section considers efforts to transfer the NPM model to other countries.

This model is driven by the assumptions that large state bureaucracies are inherently defective and wasteful, and that the market is better equipped than the state to provide most goods and services. The essential changes which would have to be made to a traditional public management system where NPM is introduced are:

- restructuring and reducing the public sector, particularly through privatisation
- reorganising and slimming down central civil services
- introducing competition into remaining public services, especially through internal markets, and the contracting of public services provision to the private sector
- improving efficiency and obtaining 'value for money' through performance management and auditing

The characteristics of a system reformed along NPM lines are:

- a separation of strategic policy from operational management
- a concern with results rather than process and procedure
- an orientation to the needs of citizens rather than the interests of the organisation or bureaucrats
- a withdrawal from direct service provision in favour of a steering or enabling role
- a changed, entrepreneurial management culture

Table 1 Arguments in favour of the NPM model	Table 2 Arguments critical of the NPM model
<ul style="list-style-type: none"> • the market has proved a more efficient alternative to the failed traditional state model • there have been clear efficiency gains through the application of the NPM model • public managers now have more autonomy and better incentives to manage well • consumers of public services have now been given more choice and can hold public managers directly accountable for their service delivery • overall efficiency gains have helped to control public spending and deliver low-tax regimes • it has been demonstrated that public administration can be transformed from a 'bureaucratic' culture into an 'entrepreneurial' culture 	<ul style="list-style-type: none"> • the market has been revealed to be a flawed alternative to the state • the evidence on efficiency gains is ambiguous and indeterminate, particularly because any cost savings are often dissipated by relatively unmeasurable transactions costs • increased managerial autonomy has blurred lines of accountability and increased the risk of policy errors and delivery failures • the introduction of competitive principles has turned public bodies into organisation characterised by conflict rather than collaboration • there has been considerable demoralisation of public workforces • in several cases public services have got worse rather than better

Tables 1 and 2 set out the arguments that have been expressed in support of the reform model and those in opposition to it. Generally those in favour of the model are practitioners concerned to find positive approaches to the problem of public management failure that confront them. The criticisms are largely provided by researchers and academics, who have been able to stand back and evaluate more critically the results of reform efforts across a range of systems.

Good Governance

Another significant element of an increasingly global reform agenda has been the concern of aid donors with governance, initially 'good governance' (democratisation, the rule of law, human rights protection, transparency, participation and accountability). 'Good governance' and 'new public management' are regarded as mutually supportive reforms, with greater political accountability contributing to more efficient and less corrupt government. Overall the donor position now might fairly be summarised in terms of giving support to three key players (state, market and civil society) with the state providing a conducive political and legal environment for a private sector which will generate jobs and income, while civil society maintains political and social interaction

with both. What is notable here is that the interplay between state, market and society makes 'governance' at once an inclusive and a vague concept, leaving considerable room for flexible interpretation in individual cases.

As a reform strategy, good governance aims to achieve much more than mere efficient management of economic and financial resources, or particular public services; it is also a broad reform strategy to strengthen the institutions of civil society, and make government more open, responsive, effective, accountable and democratic. In this respect, 'public management' is one component of the broader strategy of good governance; and it is in good governance that we see the efficiency concerns of public management combine with the accountability concerns of governance. A related assumption in governance thought is that there is a clear relationship between democratic political systems and effective economic development.

The post-privatisation regulatory state

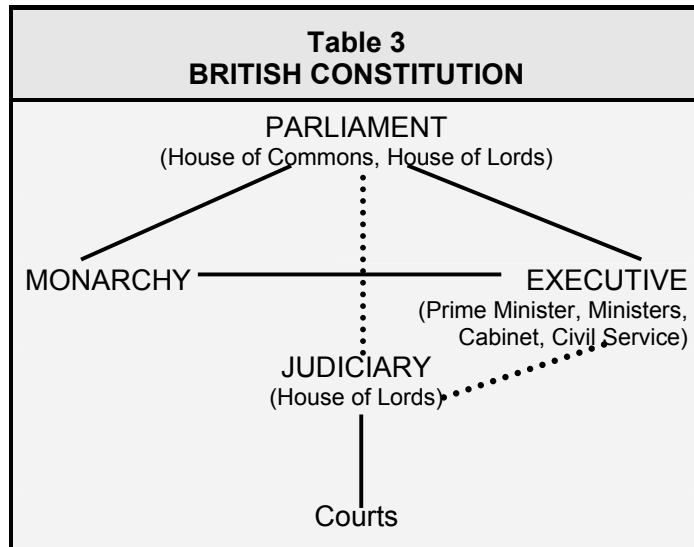
It is generally accepted that, at least in the developed economies, the linkage between public management and economic reform processes has now moved into what might be called a post-privatisation phase, with considerable emphasis on institutions of regulatory governance. Regulation is seen, not as a narrow exercise in rule application and adjudication, but as a crucial part of the whole range of neo-liberal market reforms, which include privatisation and reshaped state-market mechanisms such as contracting and public-private partnerships. Since much regulation is carried out inside government, it is appropriate to consider the effects on regulatory policy and practice of public management reforms that introduce into the state sector the entrepreneurial disciplines of the market-place. Moreover, since regulation can be categorised as a distinctive mode of policymaking it is appropriate to examine its relation to the general public policy process. Finally, the significant effects on regulatory systems and processes of political ideas, institutions and relationships of power require analysis of governance frameworks and an understanding of such concepts as 'the regulatory state', 'regulatory capture' and 'regulatory reform'. These ideas define the shift from a state that provides most services, to a state that transfers these responsibilities to other providers, while introducing new forms of control and regulation.

The analysis so far demonstrates how important ideas and concepts are in the field of public management reform. Different ideas about what is wrong with the state or about the merits and demerits of the market inevitably produce different models of

reform of state-market relationships. Moreover, a significant question is whether globalising tendencies are producing a common blueprint for reform which is widely accepted, or whether we should pay some attention to the differences which occur when this blueprint is applied to different types of economic, political and social systems. This question will be given further consideration in Section Three.

SECTION TWO Modernising British Government**Basic Features of the British Constitution**

The primary subject of this booklet – changes in the management of the British public sector – must be understood within the framework of the British constitutional system. The essentials of this system are the executive, the legislature and the judiciary. This structure is represented in Table 3, showing the supremacy of Parliament (the legislature) and the links



between the Executive, Parliament and the Monarchy. The basic points to understand are:

- a) The monarchy has a purely symbolic position and real executive power rests with the leader of the political party which has a majority in the elected House of Commons, the lower chamber of the legislature. This person is designated Prime Minister, and in effect the Prime Minister appoints other ministers, most of whom are assigned to direct specific departments. The House of Lords, which is not an elected chamber, has limited powers.
- b) Unusually, there is no written constitution and many of the powers exercised by the executive flow from what are called conventions i.e. political understandings about the way in which the system will work. These are based upon historical precedents and are accepted by all political parties. By definition therefore such conventions can change where there is political agreement to do this. Some examples of conventions are listed in Table 4.
- c) The judiciary is not wholly separated from Parliament, as instanced by the fact that senior judges are members of the House of Lords; but the independence of the judiciary is carefully protected by very strict provisions about appointment and dismissal.

Table 4 BRITISH CONSTITUTION		
<u>LAWS</u>	Statute Law	(Parliament)
	Common Law	(Precedents)
	European Law	(Limited)
<u>CONVENTIONS</u>	Political Understandings	
	Historical development	
	Examples of conventions include: <ul style="list-style-type: none"> • The office of Prime Minister has no legal basis, but is a convention, it is accepted that this office will be held by the leader of the majority political party. • Parliamentary laws only take effect when they receive the Royal Assent, but this is a formal power which is never withheld. 	

- d) As Table Two shows, law comes from different sources and British membership of the European Union (EU) has involved an acceptance that in some areas EU law will over-ride British law: correspondingly, the European Court of Justice is the highest appeal court for this type of law.
- e) The executive largely consists of central government ministries and agencies; local authorities; and public corporations. Public corporations include such bodies as the Post Office. There are also less clearly defined, autonomous institutions such as non-departmental public bodies, for example the British Broadcasting Corporation (BBC) or the Bank of England. All major policy sectors are the direct responsibility of ministries and agencies with the exception of the health sector, for which there is a specially created and managed National Health Service (NHS).
- f) As indicated in Tables 5 and 6, executive work is directed and managed by Ministers and civil servants. The principal distinction between Ministers and civil servants is that Ministers hold elected and therefore temporary office, whereas civil servants hold appointed and normally permanent office.

Table 5 Duties and Responsibilities of Ministers	
Responsible for	Developing and ensuring delivery of agreed Government policy
Accountable to Parliament for	Providing full, accurate and timely information about the action taken by his/her Department
May not	Use public resources for party political purposes Act, or require civil servants to act unlawfully
Must	Uphold civil service political impartiality Give consideration to civil servants' advice

Table 6 Duties and Responsibilities of Civil Servants	
Civil servants must	<ul style="list-style-type: none"> • Serve the elected Government loyally and impartially
	<ul style="list-style-type: none"> • Give Ministers honest advice, and provide them with all relevant information
	<ul style="list-style-type: none"> • Deal with the public sympathetically, promptly, fairly and efficiently
	<ul style="list-style-type: none"> • Ensure proper, effective, efficient use of public money
Civil servants may not	<ul style="list-style-type: none"> • Misuse their official position to further private interests or receive benefits
	<ul style="list-style-type: none"> • Disclose confidential information or misuse official information to frustrate, influence or delay Minister's decisions

- g) The main responsibility for public policy and its management is vested in the Cabinet, the membership of which is some twenty senior Ministers (out of a total of more than a hundred Ministers), and is chaired by the Prime Minister. It has decision making, coordinative and strategic functions (see Table 7) and its work is supported by a number of major cabinet committees.
- h) Substantial areas of responsibility for public policy making and implementation are delegated to elected local authorities. In Scotland and Wales these operate within the framework of powers devolved to elected Regional Assemblies.

Table 7 Duties of the Cabinet Office	
<ul style="list-style-type: none"> • To help the Prime Minister and Ministers collectively to reach well-informed and timely decisions on policy and its presentation, and to drive forward its implementation, together with their agenda for modernizing government, for improving the quality, coherence and responsiveness of public services, and for promoting a strong and well-managed civil service. 	
<ul style="list-style-type: none"> • To provide efficient arrangements for collective decision-making, including analysis of policy and performance that cut across more than one part of government and systems which promote coordinated action and presentation. 	
<ul style="list-style-type: none"> • To support the Prime Minister effectively and efficiently in his role as Head of Government and to provide similar support to Ministers in the Cabinet Office on matters for which they are responsible. 	
<ul style="list-style-type: none"> • To develop public services, programmes and regulation across the public sector which meet the needs of users and which are of a high quality, modern and well-coordinated. 	

Modernising British Public Management

The principal reforms in British public sector management have taken place over the past two decades. While reform of the public sector has been a traditional feature of British government for more than a hundred years, the period since 1980 has seen an unusually intensive and comprehensive set of changes in the British system of governance and its management.

Section One analysed the conceptual and ideological roots of these reforms which have been labelled 'The New Public Management'. Perhaps surprisingly, these reforms are not based in a clear strategy or in any single reform initiative. Moreover, they show some continuity across different political administrations, so that changes initiated by Conservative administrations led by Mrs. Thatcher and Mr. Major have been largely adopted and extended under the more recent Labour administrations of Mr. Blair. While there is no single strategy, certain significant tendencies can be noted:

- Strong political direction from successive Prime Ministers
- Planning and control of a wide set of reforms by central institutions such as the Cabinet Office, the Office of Public Services Reform and the Treasury.
- Significant reform documents including a 1988 report 'Improving Management in Government: The Next Steps'; a 1991 White Paper 'Competing for Quality', a 1994 White Paper 'The Civil Service: Continuity and Change'; a White Paper 'Modernising Government' (1999) and a related document 'Modern Local Government' (1998).
- The involvement of private sector leaders in specific reform initiatives.

The progress and character of these reforms are set out in detail below, with some critical analysis. While a major feature of these reforms has been an extensive privatisation programme to end public ownership and direction of a number of primarily industrial and utilities sectors the primary focus here is on internal reforms in the British government system.

Restructuring the Public Sector

The initial impetus for reform of the public sector came from the belief that the public sector was too large, inefficient and wasteful. The logical outcome of this view was to take substantial numbers of industries with public corporation status out of state ownership in the belief that they would operate with greater efficiency in the private sector. Table 8 lists the principal UK privatisation from 1980 to 1994, the principal privatisation reform period. While all these privatisations took place under successive Conservative administrations, they

Table 8 Principal UK Privatisations 1980-95	
<u>Utilities</u>	
Oil	1982
Telecommunications	1984
Gas	1986
Water	1989
Electricity	1991
Coal	1994
<u>Transportation</u>	
Road Haulage	1982
Buses	1986
Airports and airport authorities	1987
Railways	1994 – 1995
<u>Industry</u>	
Shipbuilding	1986
Cars	1988
Steel	1988

were in no case reversed when Labour took office in 1997. If we look at the scale of privatisation in the countries of the Organisation for Economic Cooperation and Development (OECD) from 1979 to 1991, we see that privatisation proceeds as a percentage of the UK's average annual Gross Domestic Product (GDP) constituted 11.9%. This is substantially greater than any other country except for New Zealand with a figure of 14%. This process removed some 650,000 employees from the public sector between 1979 and 1995. While the evaluation of the results of privatisation is a contentious area, there can be no doubt that this was an irreversible process which significantly changed the structure of the British state and its relations with the private sector. This programme also resulted in new types of regulatory institutions.

The political claim that privatisation would slim down a high spending state is not supported by the statistics on public expenditure. Table 9 shows that government spending as a proportion of GDP was not significantly lower at the end of Mrs Thatcher's period of office than it had been when she arrived in 1979. During this period public spending rose in real terms by approximately 50%. Moreover, economic growth rate rates under privatising governments turn out to be almost the same as economic growth rates before privatisation. In the UK, as in general, evidence for the superiority of private over public enterprise is mixed and inconclusive, the real issue being monopoly and its

associated inefficiencies rather than ownership. Studies of UK privatisation experiences in the main period of activity, the 1980s, concluded that it was impossible to attribute variations in economic performance between public and privatised bodies to ownership.

Tables 10 and 11 contrast the claimed benefits of privatisation with findings from research about actual results. Privatisation will be analysed in more detail in Issue Two of Law and Governance.

Table 9		
UK public expenditure as % of GDP		
1970 - 1971		40.6
1978 - 1979	Thatcher elected	43.3
1982 - 1983	End Thatcher 1	46.7
1986 - 1987	End Thatcher 2	43.5
Mean levels		
1970-79		43.7
1980-89		43.8

Table 10	Table 11
The Claimed Benefits of Privatisation	Research Findings on Privatisation
<ul style="list-style-type: none"> Improved national economic performance, as failing public enterprises were divested into more efficient private markets improved performance by individual enterprises as they were exposed to competition and the disciplines of the market improved quality of services and goods incentives to improved performance by individual managers 	<ul style="list-style-type: none"> the real issue is monopoly and its associated inefficiencies rather than ownership Evidence of the superiority of private over public enterprises is mixed and inconclusive the link between privatisation and economic growth has not been demonstrated; only one part of total economic strategy

Restructuring the Civil Service

The dominant view of modern government is that it should be mission-driven, decentralised, and entrepreneurial. The structural characteristic of this model is that, compared with the traditional government bureaucracy, it should have a smaller policy core, overseeing a flatter, less hierarchical, more fragmented implementing periphery. This has been described as the 'hollowing out' of government.

The British experience with this kind of restructuring has resulted in the creation of 'next steps' (or executive) agencies, analysed below. Before considering agency creation it is worth examining the process by which the managers of these changes, located principally in the Cabinet Office, arrived at decisions about these fundamental reorganisations of central government work. The procedure was known as the Prior Options Review (now renamed the Organisational Options Review), under which all Ministries were required to examine all their activities and categorise them as set out in

Table 12 It is interesting to compare this procedure with the Canadian approach, set out in Table 13.

Table 12 - Public Sector Restructuring Decisions in the UK
<ul style="list-style-type: none"> • Should not be carried out by government: abolish or privatise • should not be provided directly by government: contract operation to the private sector, while retaining formal control and responsibility • appropriate for government; decentralise either to executive agencies or to sub-national bodies such as local government, all such agencies being subject to the principles of competition
Table 13 - Public Sector Restructuring Decisions in Canada
<ul style="list-style-type: none"> • <i>Public interest test</i>: does the activity continue to serve a public interest? • <i>Role of government</i>: is there a legitimate and necessary role for government in the activity? • <i>Federalism test</i>: is the current role of the Federal (central) government appropriate, or is the activity a candidate for alignment with provincial administrations? • <i>Partnership test</i>: what activities should, or could be transferred in whole or in part to the private/voluntary sector? • <i>Efficiency test</i>: if the activity continues, how could its efficiency be improved? • <i>Affordability test</i>: is the resulting package of activities affordable within financial constraints? If not, what activities would be abandoned?

This type of review was also closely associated with what are known as efficiency scrutinies, analysed in detail below, but the main structural result was the creation of executive agencies.

Executive Agencies

The creation of executive agencies has been described as corresponding to a revolution in the structure of modern British government. It has involved the creation of a series of free-standing agencies separated from Ministerial departments and run by appointed Chief Executives rather than traditional, policy-oriented civil servants. The origin of this reform was a 1988 report entitled 'Improving Management in Government: the Next Steps'. This report concluded:

- The main civil service function was the delivery of government services
- Yet, senior management had relatively little experience of service delivery
- Ministers were overloaded with day-to-day concerns

- There was insufficient emphasis on results and performance
- The civil service was too big and diverse to be managed as a single entity

Table 14 - Setting up an Executive Agency

- identify a coherent, specific set of activities which will be the basis for an autonomous agency
- appoint a Chief Executive to manage the agency, appointed on a competitive basis, with competition often open to candidates from outside government
- establish a Framework Agreement, which operates over a five year period, setting out in a Strategic Plan objectives and responsibilities
- annually set out in a Business Plan key financial, service, and quality targets
- establish a performance measurement and reward system to support the Business Plan

The executive agency solution is set out in Table 14.

The staff of executive agencies continue to be classified as civil servants, but Chief Executives have day-to-day control over all personnel matters. In turn, the Chief Executive continues to have relations of accountability to the sponsoring Minister and senior Ministry officials at a policy level, but at the operational level enjoys considerable independence. British progress with executive agencies is summarised at Tables 15 to 18.

This reform is generally regarded by practitioners as successful because it has established a clearer division between policy decision making (the province of Ministers and senior officials), and day-to-day service delivery in which most civil servants are in practice involved. This also is said to have given greater incentives to agency managers to manage effectively and has the advantage of

Table 15 – UK Executive Agencies

Date	Agencies	Staff	% of all civil servants
1993	90	350,000	60%
1998	138	386,000	75%
2002	127	373,000	78%

**Table 16
Examples of Ministry Staff in Executive Agencies**

Department of Social Security	97%
Treasury	13%
Foreign & Commonwealth Office	1%

**Table 17
Function of Executive Agencies**

External Service Delivery	49
Internal Service Delivery	45
Regulation	21
Research	12

**Table 19
Funding of Executive Agencies (EAs)**

Government funded	108
Trading fund	19

making more precisely visible particular aspects of government work to the general public. A 1998 survey found that Ministries had an 88% satisfaction rate in respect of Executive Agencies. However, some concerns have been expressed both by politicians and by academic commentators. The disadvantages of agencies are said to be:

- blurred lines of accountability, because of the reduction of formal political control and the increase in managerial autonomy ; but at the same time, day to day ministerial interventions may restrict such autonomy
- relations between agency chiefs and senior Ministry staff lack clarity
- fragmented and disconnected organisation, which then requires more attention to coordination and 'joined up' government
- too much a model driven by the wish to reduce civil service numbers and public expenditure, rather than services improvement

A special Review produced in July 2002:

Better Government Services: Executive Agencies

in the 21st Century says clearly 'the agency model has been a success'. But it found that some agencies had become 'disconnected from their departments', so that 'the gulf between policy and delivery is considered by most to have widened'.

The Review recommended that the policy aims of Ministers and the service delivery plans of their

EAs must be more carefully integrated; and that existing five year reviews of EAs should be replaced by a combination of continuous review of service targets and business plans, and three year reviews of financing and strategy.

1901	116,000	
1939	347,000	
1979	732,000	(Thatcher elected PM)
1993	554,000	
1996	494,000	(Blair elected PM)
2003	512,000	

Civil service – total staff	494,000
Of which Senior civil service (top grades)	3,860
External recruitment	1/3 of top 3 grades
Women	52% of all staff 65% of 600 top officials 3 of 35 Permanent Secretaries (highest appointment)
Ethnic Minorities	8% of all staff 1.5% of senior civil service 0 Permanent Secretaries

The impact of public service restructuring can be seen by the changing numbers of civil servants set out in Table 19 while Table 20 indicates other characteristics of the civil service.

Improving Public Services

The Conservative administrations up to 1997 focussed on restructuring and reducing the size of government, while attempting to change internal public management (both central and local) from a 'bureaucratic' to an 'entrepreneurial' culture. The Labour administrations since 1997 have placed a primary emphasis on 'better government', and the more effective delivery of better quality public services. This emphasis was set out in the 'Modernising Government' White Papers in 1998 and 1999. The key principles, outlined by Prime Minister Blair, are set out in Table 21

Table 21 - Four Principles of Public Service
National Standards and clear frameworks of accountability
Devolution and Delegation to the local level to encourage diversity
Flexibility and Incentives to encourage excellent front-line performance
Expanding Choice for the consumer

A fifth principle might be added, using the topical label 'joined-up government'; this recognises the strategic need for co-ordination of policies and service delivery across the many different

types of public service organisation, and the different levels of government (central, local and regional). The realisation of these principles is considered under the sections sub-headed Efficiency, Contracting, Creating Partnerships, Citizens and Services, E-Government and Performance Management.

Efficiency

All organisations should, in principle, seek to be efficient. The guiding spirit of the British approach was caught in a 1991 White Paper Competing for Quality, which stated that 'public services will increasingly move to a culture where relationships are contractual rather than bureaucratic.' The resulting initiative ensured that wherever possible, government providers of a service activity should be subjected to competitive bids from potential outside suppliers. The process was known as '**market-testing**' in central government, and took the form of **compulsory competitive tendering** in local government. In turn these initiatives were complemented in the civil service by a series of efficiency scrutinies, and financial management reforms, intended to make officials more directly accountable for the effective management of their own little bits of administrative empire. Some data on the market testing reviews is at Table 22

On the basis of such reforms, government claimed in 1996 to have made a 20% saving (£720 m) on a total of £3.6bn of work reviewed. The private sector had been

awarded £1.3bn of work. Where competitive bids were sought, on £728m of work, government teams had won 71%, or £519m of work. Further savings were made through generic scrutinies: e.g. a process of rationalisation

Table 22 Prior Options results to 1993			
937 activities reviewed			
Abolition	47		
Privatisation	4		
Contracted out	241		
Market-tested	498	... external supplier	153
		... internal supplier	345
Internal restructuring	147		

and reduction of forms in the National Health Service brought savings of £40m a year, and changes in the criminal justice system were estimated to save £30m a year.

Contracting

Under this type of arrangement, a private contractor assumes responsibility under a contract for providing a specified level and quality of public services for a fee. The objective is to obtain the most cost-effective delivery of the service over a defined period of time. The contract will normally be awarded, and renewed, on the basis of competitive tenders, invited from both the existing public service organisation and from potential private contractors. Constitutional and legal authority and political responsibility for a service remain with the public agency, but responsibility for managing and providing the service rests with the winner of the contract bid.

Particular initiatives have been implemented over the past decade in the UK, described in parts of the literature as a 'contract state'. The main application has been through local government provision. Legislation in the 1980s and early 1990s extended the principle of compulsory competitive tendering (CCT) to a range of services, including waste collection, street cleaning, schools cleaning and catering services, legal services, computer services, personnel services, leisure management, and housing management. Estimated cost savings were claimed by government as 7% on average. Contracting was also applied internally, with one part of government purchasing services from another (e.g. training, printing) and through the 'internal market' mechanism such as obtained in the National Health Service, e.g. doctors purchasing patient services from public hospitals under a specified and costed contract.

The advantages of contracting are clear; it offers, through competition, to cut costs and contain public expenditure; to set enforceable standards of performance and quality; and to strengthen both policymakers and managers by drawing a clear

distinction between the determination of services and their delivery. Does UK experience justify such claims? The growing literature generally supplies more negative than positive judgements. The reality of contracted public services provision rarely lived up to the classic contract model and the market (external or internal) was frequently unable to provide the anticipated competition. By 1994 62% of local government contracts remained in house, and these accounted for 82% of total contract value. The claimed efficiency gains are demonstrated to be unsupportable by evidence or are offset by countervailing damage to relations of trust and collaboration or by reduced morale in workforces. In short, the outcome of contracting reforms is contested and uneven, as well as having caused substantial workforce resistance during their introduction.

Creating Partnerships

Because of these problems the Labour government elected in 1997 abandoned compulsory contracting and quietly shelved earlier forms of market testing, replacing this approach in local government with a policy of 'best value' and continuous improvement through creating partnerships with the voluntary sector (not-for-profit) or private sector organisations (though still on a contractual basis).

Public private partnerships (PPPs) are one of the cornerstones of the British government's modernisation programme. A government publication titled Public Private Partnerships – the Government Approach (2000) defines PPPs in three categories:

- the introduction of private sector ownership into state-owned businesses
- Private Finance Initiative (PFI), where the public sector contracts to purchase goods or services on a long-term basis, so as to take advantage of private sector management skills, while benefiting from private finance to underpin public projects
- Selling government services into wider markets where private sector expertise and finance are used to exploit the commercial potential of government assets.

Investment under PFI has remained relatively constant in the period 1998-2003 at between 10 and 13.5 percent; progress with PFI is presented in tables 23 and 24.

To reinvigorate PFI and develop procurement skills across the public sector, the government has established Partnerships UK. The Office of Government Commerce has also introduced the Gateway process as a performance management tool to ensure successful

Table 23 - PFI Projects		
<i>Date</i>	<i>No of Projects</i>	<i>Value</i>
1995	9	£665
2002	65	£7.6b

delivery. The same task is performed by Public Private Partnership Programme (4Ps) for local bodies. These organisations support and assist the public sector by standardising PFI documentation and road-testing PFI projects for commercial viability before a full-scale procurement process begins. A Project Review Group has also been established to review the progress of local authority projects so that best practise is shared more effectively.

Government has tried to ensure that the success of PPPs and PFIs are not at the cost of the terms and conditions of staff. It has taken steps since 1997 to protect employees in PFI schemes. In June 1999, it announced the Fair Deal for Staff Pensions which ensured comparable levels and quality of occupational pension schemes for staff who are transferred from the public sector. The Cabinet Office Statement of Practice sets out how staff compulsorily transferred should be treated. The March 2003 Best Value Code of Practice which is applicable to all new staff working on PPP and PFI makes sure that the terms and conditions of service are 'overall, no less favourable' than those of their transferred colleagues. The government has therefore tried to mitigate the difficulties of old and new employees.

Table 24 – PFI outcomes	
Total PFI Projects completed*	451
* includes schools	239
* includes hospitals/health centres	153
Delivered on budget	100%
Delivered on time	89%

PFI has also attracted criticisms:

- That some projects have been agreed at a higher cost than would have resulted from direct state funding or alternative sources of finance
- That the overwhelming focus on new and refurbished buildings has neglected the staffing and other resources needed for effective service delivery
- That PFI is mainly a device to reduce the public sector borrowing requirement
- That one result is to save capital spending now only to create increased current spending in the future, so that any saving is illusory, and defers tax burdens from present to future generations

However, the attractions of PFI for governments with scarce capital resources are obvious, and this is another area of bi-partisan agreement on reform, with Labour governments committed to expanding an initiative created by Conservative governments.

Citizens and Public Services

The drive for efficiency has two fundamental purposes: to avoid wastefulness in public expenditure, and to increase the productivity of public sector workforces. A related (some would say primary) purpose is to improve the quality of services provided by the state to the citizen: thus one test of public management is the degree of satisfaction or dissatisfaction with what the organisation provides. Correspondingly, managers become more directly accountable through a commitment to supply a particular level or quality of service to users (the emphasis here is on the citizen as customer or consumer). The creation of a standard quality of service at a high level should motivate those who work in the organisation. This requires a match between expectations of the service, and its actual delivery. This can be the basis, along with an appreciation of available resources, of a realistic standard of service provision to which the organisation commits itself.

It is this thinking which lay behind the UK initiative in introducing a Citizen's Charter programme; initially received with scepticism it is now regarded as a 'success story' and an example of 'best practice'. The principles are set out in Table 25.

Table 25 - Citizen's Charter Programme, UK
<p>Established in 1991, it encouraged public organisations to draw up, publish, and work to a clear set of service standards. A Charter should follow six principles:</p> <ul style="list-style-type: none"> • set standards of performance and assess actual performance against these standards • provide clear information about services, including actual performance against targets • undertake consultation with service users • treat customers with courtesy and helpfulness • be ready to put things right when they go wrong, including the payment of financial compensation • ensure value for money

The system was guided by a Citizen's Charter Unit in the Cabinet Office. By 1998 the results were:

- 42 main Charters had been established for key public services and privatised utilities (e.g. a Patient's Charter, a Taxpayer's Charter, a Passenger's Charter)
- Several Charters had been published by Executive Agencies, e.g. the Employment Service's *Job Seeker's Charter*, and the Inland Revenue's *Taxpayer's Charter*.
- 10,000 local Charters had been established, e.g. for doctors, fire services, police

- 913 agencies held the Charter Mark Award for high standards, or innovations
- performance tables were published so that users could compare the performance of 'their' agency with that of similar agencies (e.g. schools, hospitals)
- a Citizen's Charter Complaints Task Force recommended standard complaints procedures and remedies for every public organisation

Significant improvements in performance have been associated with the introduction of Charters. These include:

- faster processing of claims by the Benefits Agency
- an 84% satisfaction rate among employers dealing with the Inland Revenue, with over one third believing its service had improved
- a 79 day reduction in the maximum time for processing a passport by the Passports Agency
- a special award to the Employment Service for the quality of its training
- most Executive Agencies now carry out regular surveys of customer satisfaction

This is all part of what has been described as 'administration as service, the public as client'. The traditional model certainly did not perceive or treat citizens as customers. The concept of accountability to clients challenges some fundamental principles of government, not least the idea that accountability between citizen and state can only operate through the political or legal system: in this responsive model, public managers account directly to users for the quality of services provided to them, and individual public managers are required to focus on client relations as a major part of their job.

While the Blair government of 1997 continued the Citizen's Charter system, renaming it 'Service First' and introducing a 5,000 member People's Panel as a focus group for public opinion on specific services, the current emphasis has switched to methods for ensuring that managerial responses to consumer expectations can be identified and measured through performance management systems. In 1998 a Public Sector Productivity Panel (PSP) was

Table 26	
4 Key Principles for Customer Driven Services	
	Understanding who customers are and what they want
	Building operation, strategies, performance measures and system behaviour around customers
	Managing stakeholder relations
	Using customer relationships to deliver target outcomes

created 'to advise on ways of improving productivity and efficiency of public sector bodies'. In 2001 the PSCP recommended an enhanced 'customer focus' for public services, based on the four key principles set out in Table 26.

The 2002 Executive Agencies Review demonstrated that Executive Agencies used several methods to assess customer satisfaction, including surveys, user groups, written feedback, complaint systems, independent evaluation, and internet feedback.

E-Government

A significant element of the Labour government's approach to improving the quality of public services is the use of Information Technology, the aim being to help consumers of public services to access information about entitlements to service, complaints procedures and redress machinery. The Blair government set a target of providing a quarter of public services electronically (through televisions, telephones or computers) by 2002, rising to 100% by 2005. Local authorities are also being required to make all their services open to electronic access by this date. The Office for E-Governance announced that in 2003, 40% of government services are able to be delivered electronically, which is good progress, but suggests that the 2005 target looks too optimistic.

The Information Technology revolution has enormous potential for streamlining central government structures and enabling public services to become more customer-friendly. The realisation of this potential is limited by the costs of establishing a comprehensive system and the problem of ensuring that such services can be used by all citizens. Moreover, the extended use of electronic government would inevitably mean further job losses in the civil service.

Performance management

All of the reforms reviewed above depend for successful outcomes on the application of performance management systems, to measure both organisational and individual efficiency. New management reforms insist that one part of the package of increased managerial autonomy should include delegation to specific departments and agencies of responsibility for hiring, rewarding, and firing staff; for removing poor performers and rewarding good performers; and for establishing a link between managerial performance and effective results. Table 27 shows how this works in the UK.

Performance management in Executive Agencies (EAs) has been established in two ways. First it involves measurements of organisational or service delivery performance in a way which underwrites a new type of public accountability. The key indicators provided by EAs within agreed business plans could be oriented either to financial performance or the meeting of public service delivery targets. Second, performance assessment is also applied to individual managers with stricter new systems for assessing internal performance. Those performing well receive merit pay, but those with sub-standard performance come under increased pressure through denial of pay increments, early retirement or closer monitoring. Performance systems of this kind underwrite the increased flexibility over recruitment, pay and reward afforded to EAs.

The 2002 Executive Agencies Review found that 75% of EAs service targets were met in 2001-2, but also that

- two thirds of targets, when reviewed, were set lower or remained the same
- most targets were directed at specific outputs or financial allocations, but not at speedy delivery, improved access or the measure of effectiveness.
- There is little linking of costs to key outputs

A 2003 evaluation of executive agency performance by the National Audit Office (NAO) stated that targets should not just be based upon past performance but on new opportunities

provided by new technology and partnerships; and recommended more consistent management and reporting of performance.

For Central Ministries each ministry must draw up a Public Service Agreement (PSA) approved by the Treasury. PSAs set out publicly in one document the aims, objectives and performance targets that must be pursued in return for the investment being made. They include value-for-money targets and a statement of who is responsible for the delivery of those targets. In the 2000 Spending Review government

Table 27 Performance payments in UK
<p>Performance awards are now made to most public service staff and include:</p> <ul style="list-style-type: none"> • to NHS doctors for meeting a range of medical targets • to NHS managers for meeting performance targets, e.g. reduced waiting lists • to heads of schools and 'good' schoolteachers • to most civil servants • to Chief Executives of executive agencies

introduced Service Delivery Agreements (SDAs). The SDAs present and explain how the Ministry will:

- Manage and achieve its PSA objectives
- Establish key performance targets
- Set strategies for improving performance
- Use methods for improving consumer access (some Ministries have appointed a senior official to be a Consumer Champion)
- Manage its workforce including incentives and treatment of women and minority groups
- Develop electronic government
- Improve policy making systems

In local government efficiency and quality issues have taken specific forms. In the British system, local government is a substantial provider of public services including education, personal social services, housing and many smaller services. Local government spends about a quarter of all public expenditure, and is the largest public sector employer with 7% of the national workforce. Central government exerts many forms of financial and administrative control, and has extended to local authorities the public management reforms developed at the centre, so that NPM principles cascade down through the whole governmental system.

From 1979 – 1997 under Conservative administrations, the reforms focussed on privatisation (for example, of public housing), de-regulation (for example, of bus transport) and contracting of service provision to the private sector (for example, waste collection and the provision of school meals). Since 1997, the emphasis has been on implementing the Labour administrations 'modernising government' initiative through what is labelled a 'best value' process, **introduced by the Local Government Act, 1999**. This requires local administrations to pursue 'continuous improvement' through the introduction of performance targets and indicators based on:

- A review of objectives
- Consultation with users, customers and staff
- Consideration of competitive alternative providers for specific services

Service provision should be determined by whatever arrangement offers 'best value' when compared with the alternatives. **A crucial initiative here is the creation of Local Strategic Partnerships(in 2001) to ensure that local authorities work together with local people, local businesses, and local voluntary organisations. These partnerships**

build on existing local networks . They are of diverse kinds and cover many sectors: for example, health, education, environmental planning, urban regeneration, and crime reduction. A 2001 Parliamentary report indicated the existence of more than 2300 such partnerships, most of them linked to the 'best value' process to aim for the 'continuous improvement' of local public services.

A related policy on 'local partnerships' aims to meet criticisms of the centralising thrust of earlier administrations . The Local Government Act 2000 gives to local authorities the responsibility for the 'well-being' of their local communities, and requires them to plan and oversee local community development strategies in consultation with their local communities and local voluntary organisations. In some cases, local referendums have been held as part of this process.

A recent change is the introduction for local government of Comprehensive Performance Assessments (CPA). The Audit Commission (responsible for the audit and regulation of local government finance and administration) will implement CPA and will produce an assessment for every authority categorising them as either excellent, good, fair, weak, or poor. These judgements will be based on the quality of local services and managerial effectiveness, taking into account local factors that cause variations in performance, for example, high levels of social deprivation.

In 2001 Public Service Agreements (PSA) were extended to local authorities and government made available £300m over the following two years for local authorities signing up to PSAs.

A new initiative introduced in 1999 awards best performing local authorities with the status of 'Beacon council' in consequence of which they receive financial rewards and the prestige of being identified as centres of excellence in local government. 54 such awards were made in 2002-2003.

This array of quality and performance reforms has required a major cultural shift for public service employees, and there are serious problems with establishing adequate performance indicators and measurement:

- there are different methods of measurement which in turn depend on different measures of what constitutes 'successful' performance
- measuring quality involves establishing appropriate levels of consumer satisfaction, standards of service, or conformity to external criteria through benchmarking

- measuring 'value added' involves separating out the contributions of individuals, units, or the whole organisation to overall outcomes
- performance league tables are often crude and misleading
- organisations may set targets too low giving more attention hitting targets than to improving levels of performance
- organisations may set targets too high producing low staff morale and a sense of failure

All of these areas are complex, information-hungry, and frequently disputed, not least by staffs, so that establishing a workable performance management system is a long-term project, yet one which is now regarded as essential to the achievement of improved efficiency and effectiveness in public services management. The Modernising Government White Paper (1999) gives substantial attention to these issues, as does the preceding White Paper on local government (1998). These documents envisage a thorough review by all public service authorities of activities, costs, resources, and service outputs, all to be published, monitored, and continuously reviewed. Several local authorities have already published performance plans of this type, with detailed sets of indicators of performance. In the British system at least, performance management, both as a managerial tool and as a mechanism of central direction of the public management reform process, will be a crucial feature of public management in the next decade.

Ethics and public standards

The NPM philosophy attacks waste and extravagance in the state sector but has little to say about the standards of personal conduct and probity which are expected in public life. Yet, most countries with a large state sector have to grapple not only with poor management, but with issues of corruption. Both produce unacceptable inefficiencies but it may be that there is an unavoidable conflict between an entrepreneurial style of public management and traditional standards of transparent and accountable government. NPM reformers argue that too much control and regulation will restrict efficiency and that entrepreneurialism entails the acceptance of risk. In Britain the extent to which these risks (poor control of public funds, dishonesty, and unethical conduct) have developed alongside the new enterprise culture was identified in the 1994

Table 28 – 1995 Civil Service Code

- | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • the constitutional role of civil servants is to assist the duly constituted government of whatever political complexion |
| <ul style="list-style-type: none"> • Civil servants should act with honesty, impartiality and integrity |
| <ul style="list-style-type: none"> • Civil servants should ensure the proper use of public money |
| <ul style="list-style-type: none"> • Civil servants should not use their official position to further their private interest |
| <ul style="list-style-type: none"> • Civil servants should comply with restriction on their political activities |
| <ul style="list-style-type: none"> • Civil servants should not without authority disclose confidential information |
| <ul style="list-style-type: none"> • Civil servants should report any attempt to require them to act illegally, unethically or improperly and should also report evidence of criminal or unlawful activity by other |

Parliamentary report. This was followed by two major official enquiries, the Nolan Committee and the Scott Report both of which revealed serious concerns about the standards of conduct of some MPs, Ministers and civil servants. The Committee on Standards in Public Life was set up by the Prime Minister in October 1994 and is a standing committee which can examine any matters of concern about standards of conduct of all holders of public office. While the committee concluded that standards of conduct in British public life remain high, it recommended a Code of Conduct for the civil service (Table 28) and the appointment of a new Parliamentary Commission for Standards, to investigate complaints about the conduct of elected Members of Parliament.

It should be noted that instances of fraud and financial corruption are relatively rare in the British government system; for example, fraud in local government amounted to £89m in 1997-1998, with 233,000 cases; but almost all of these resulted from dishonest claims from the welfare benefits system. Current concern over standards has focussed largely on the appropriate set of relationships between politicians and civil servants. Particular attention has been given to the position of policy advisors who enjoy the status of temporary civil servants, but are in fact political appointments, attached to Ministers. The Blair government in 1997 appointed 53 such advisors. There are clear rules governing the position of these advisors and their relation to politically impartial civil servants. In 1998 a Public Interest Disclosure Act, known as a 'whistle-blowers charter' gave protection to any public official who wished to reveal criminal, corrupt or illegal actions within their own organisations.

Table 29 – Codes of Conduct	
	Advantages
	<ul style="list-style-type: none"> • Gives a clear set of guidelines for consistent behaviour by public officials
	<ul style="list-style-type: none"> • Provides a positive vision of official conduct rather than a punitive approach
	<ul style="list-style-type: none"> • Is the basis for a public service ethos, a significant aspect of professionalism
	<ul style="list-style-type: none"> • Can be used as a benchmark for performance assessment
	<ul style="list-style-type: none"> • Offers assurances to the public about standards of discipline and integrity
	Disadvantages
	<ul style="list-style-type: none"> • The absence of formal sanctions may render a Code ineffective
	<ul style="list-style-type: none"> • Breaches of a Code do not normally constitute grounds for public complaints

For local government, the Local Government Act 2000 set up a new Standards Board to police a statutory Code of Conduct for elected councillors. It is intended that there will be a similar code for local officials.

These British codes exemplify the advantages and disadvantages of Codes of Conduct as indicated in Table 29.

Accountability

The emphasis on performance, management and measurement in the drive to secure better quality services and more efficiency in British government has produced a considerable requirement for new systems of audit and inspection of performance standards and outcomes to ensure public accountability. While the setting of national standards and the inspection of them was also a feature of traditional British public management, the new arrangements are more comprehensive and more detailed, covering the whole range of British central and local public service provision. A crucial role is taken by two audit institutions. The National Audit Office, an agency responsible to Parliament and not to the Executive, is charged not only with examining the financial accounts of a range of central departments and agencies but with undertaking value-for-money audits, in which recommendations can be made for more efficient and cost-effective ways of implementing policy. The NAO can also make special reviews, for example, of Executive Agencies and privatisation projects. For local government, the analogous body is the Audit Commission, which has functions similar to those of the NAO in respect of local authorities. There are several other types of regulatory control in specific sectors. For example, in the education sector OFSTED, a central institution for inspecting schools, produces detailed judgements on schools which in some cases result in government exercising powers for managing schools, including through contracting of such responsibility to private agencies. In the health sector five new regulatory agencies were established in 1999 – 2001, including the Commission for Health Improvement, the National Institute for Clinical Excellence, and the National Patient Safety Agency. Critics have suggested that this audit culture has become excessive, and that an unhealthy obsession with performance targets has encouraged service agencies to be cautious and unambitious in setting targets, while also leading to morale problems for those who work in schools, hospitals or local authorities placed at the lower end of league tables.

In relation to government legislation and rule-making an interesting initiative has been the establishment of regulatory appraisal and impact assessment. This began with the de-regulation initiative in the 1980s to reduce the regulatory burdens on small businesses, charities and voluntary organisations. The primary agency is a Better Regulation Taskforce established in 1997 to advise government on regulatory issues with the aim of reducing the costs of government regulation by undertaking regulatory impact assessments of specific legislation. It is supported by the Cabinet Office

Regulatory Impact Unit. The taskforce tests the quality of existing or proposed regulation against five principles of good regulation. The five principles of good regulation are:

- **Proportionality:** the benefits of the regulation should be proportional to the costs or risk it entails
- **Transparency:** should be open, simple and user friendly
- **Consistency:** should be predictable so that people know where they stand
- **Targeting:** focussed on the problem with few side-effects
- **Accountability:** to Ministers, Parliament, users and the public

Task Force reports are made to Ministers who must respond to these reports within 60 days of publication.

The Cabinet Office Regulatory Impact Unit takes the lead role in promoting regulatory impact assessments (RIAs) by departments and agencies, and departments are expected to set up departmental regulatory impact assessment units. In the two years 1999-2000 government departments undertook 283 RIAs, the greatest number being in the areas of trade and industry, environment and transport, and agriculture and food.

SECTION THREE**The Internationalisation of Public Management**

This section involves comparisons of public management reforms across different systems with particular reference to the transfer of the British model outlined above to developing countries. The positive side of these reforms should be stressed but there will be critical evaluation of problematic areas such as

- Cultural difference
- Alternative models of reform

Can the NPM model be transferred?

If we take the case of UK public sector reforms as reasonably representative of the model of New Public Management, it is clear that substantial elements of this model have been copied and applied elsewhere. New Zealand has, if anything, pursued these reforms even more enthusiastically than the UK, and many OECD countries are adopting elements of the reform model, especially privatisation, contracting, executive agency, and efficiency and quality improvement reforms. It is not easy to establish how these processes of transfer take place, though major aid donors have played an important role with the direct sponsorship of NPM type reforms through their aid programmes. It has been suggested that globalisation processes are influencing common responses to problems of governance, producing a 'convergent' model. Meanwhile, political and bureaucratic leaders in developing and transitional economies are searching for solutions to the problems of the overloaded, expensive, inefficient and unresponsive state which produced NPM reforms in the first place, so that it is scarcely surprising if they seize on initiatives already attempted in developed economies.

There are two major problems here. First of all, 'policy transfer' is a tricky and complex process which operates with long lead times. National administrative cultures are unique and distinctive, and in various ways resistant to the application of 'one best model' or blueprint. This is so even in developed countries, as illustrated by resistance in France to modernising reforms of the British type.

These problems of cultural variation mean that there needs to be substantial adaptation of generic reforms. Without such flexible adaptation to local conditions, reforms will not become rooted, and will create empty, facade reforms which will be

ineffectual, and do little more than create new bureaucratic layers. Sometimes this is recognised by the aid donors, as with doubts about the appropriateness for developing countries of such NPM reforms as executive agencies, and performance management systems. At the same time, the leaders of poor countries find it difficult to resist inappropriate policy packages because of their need for the financial support which comes with these packages.

Yet the problems of direct policy transfer across cultural boundaries are beginning to be well documented. How, and under what conditions, does the effective 'transfer' of institutional reforms occur between different administrative and political systems? This can be by a process voluntary transfer, essentially a process of imitation, either through adoption of a 'best practice' model, or through educational and training mechanisms; and coercive transfer, where some form of power is used by one organisation to shape another (for example, through the enforcement of international agreements or aid donor programme conditionality).

Multilateral aid donors have played a key role in facilitating transfers of NPM ideas and reforms because of their understandable wish to assist in the modernisation of the public sectors of developing economies; a wish reflected by national political elites who want to secure the financial and managerial benefits associated from these transfers. In this way, international environments influence national policies and one anxiety here is that the internationalisation of public management reforms may prevent national governments from innovating in ways suited to their own political and institutional contexts.

This directs our attention to what might be called 'reception': that is, what are the characteristic responses of countries on the receiving end of the transfer process? To what extent do they genuinely embrace the NPM reform model, or even properly understand it? What degree of transformation of their institutions occurs? Does adaptation occur in ways that transmute the reform model itself, suggesting the need for revision or reevaluation of the model? Or is there evidence that the reforms may be either impractical or irrelevant? This is, after all, a model for the shaping of a new kind of state, and the problems of attempting such an ambitious transfer have been relatively neglected. The most obvious is that national administrative and political cultures vary widely, and that some process of cultural adaptation is essential. And if the NPM model, in particular, has proved sometimes to be problematic in countries rich in

managerial resources and skills, what makes them likely to work in countries often seriously deficient in such skills and resources?

But we should not make the mistake of thinking that NPM is the only blueprint on offer, or the only one being attempted. A recent set of studies of public management reform in a range of Asian countries (Cheung, A.B.L., and Scott, I eds: (2003): *Governance and Public Sector Reform in Asia: Paradigm Shifts or Business as Usual?* London, Routledge Curzon) gives rise to the significant conclusion that across the eleven countries studied three paradigms or models can be seen operating. One of these is, indeed, new public management, but here the judgement is that 'the substance of NPM has not so far been widely adopted in the Asian context'. The reasons given are that convergence ideas overlook unique traditions of administrative culture and a diversity of national adaptations of the NPM model; and that the three pillars approach (state-market-civil society) 'is wholly novel in many Asian countries'. Cheung and Scott also identify two other paradigms. The first is labelled 'building state capacity' with its concern to strengthen core administrative and public policy institutions and to create a strong and active state with autonomy from special interests. This seems little more than a variant on the traditional state and institution building model of the 1960s and 1970s. Certainly in Asia this paradigm has been dominant with both elites and citizens seeing the state as the natural provider of goods and services, while even international agencies here stress 'public service fundamentals'.

The second alternative paradigm is described as 'civil society governance networks', a central feature being the need to build autonomous communities that also take over some public service functions from the state, but Cheung and Scott note in their studies evidence of a reluctance to allow such autonomy, or the absence of effective social networks for this purpose, or even deeply embedded social and political resistance. The 'definitional looseness of governance values' leaves national regimes room for manoeuvre, resistance or rhetorical acceptance whilst conducting 'business as usual'. It is certainly arguable that most public management reform in developing countries in the last forty years has conformed to the traditional paradigm and rightly so, in the sense that the greatest need in most of these countries is to construct a strong autonomous state and efficient central institutions of administration and policy direction; yet the NPM model is rooted in the very opposite conception of the need to reduce and fragment the central state.

We need to understand better how these political, bureaucratic and cultural factors impede effective public management reform. We also need a better understanding of the role and operation of legal institutions and actors in public management systems that are politically and behaviourally constrained. Political factors may be taken in principle to represent an opportunity for commitment to effective reforms but are just as likely to be a potential source of inhibition. The tension between efficiency objectives and political imperatives is clearly marked, and is itself responsible for the relatively slow progress of institutional reforms.

The contested nature of the ideas discussed earlier in this booklet should warn us of the dangers of attempting to impose or even to search for universal models which neglect national uniqueness. Citizens of every country want, need and aspire to responsive and accountable systems of governance which at the same time demonstrate a capacity to provide these citizens, not only with the economic foundation for sustainable employment and income, but with a minimum range of affordable goods and services such as education, health, water, energy, transportation, and communications. However, these desirable objectives are unlikely to flow from the unthinking application of idealised models which are themselves embedded in other systems of economic, social and political thought and practice.

Institutional reforms not only require institutional capacity, but must also be compatible with the values and preferences of those who must implement them, and those who are intended to benefit from them through improved public policies and services. The challenge is for both donors and national reformers to identify feasible institutional and managerial reform strategies; and to recognise that local political culture will shape and mediate externally derived economic and managerial reforms rather than being transformed by them. In short, best practice models of public management reform have much to offer in principle, but need careful adjustment to specific national realities.

SECTION FOUR**Useful Website sources**

- ***Office of Public Services Reform (OSPR)***

URL: <http://www.number10.gov.uk/output/Page249.asp>

The Office of Public Services Reform is responsible for driving, challenging and facilitating the reform of public services in order to improve customer experience. This is done by developing and disseminating the reform agenda, working with departments to embed reform and identify best practice, and measuring perceptions, attitudes and progress for the next phase. The OPSR has a special focus on customers and encourages organisations to identify their distinct needs and requirements. Publications highlight the government's case and policy for reform, as well as the issues relating to best practices and their implementation.

- ***Prime Minister's Strategy Unit***

URL: <http://www.number10.gov.uk/output/output/Page1.asp>

The strategy unit provides the Prime Minister and government departments with a capacity to analyse major policy issues and design strategic solutions. It aims to improve government's capacity to address strategic, cross-cutting issues and promote innovation in the development of policy and the delivery of government's objectives. Reports by the strategy unit deal with issues such as government's credibility and its capability to handle risk and uncertainty, as well as the need to identify issues which across different sectors and agencies

- ***Office of Government Commerce (OGC)***

URL: <http://www.ogc.gov.uk>

OGC works with the government to improve procurement and project/programme management at central government level, and with suppliers to make the government marketplace more efficient. It also aims to establish project/programme management centres of excellence in departments, on the basis of a 'business excellence model'. Reports relate to procurement and dissemination of efficient practices.

- ***Policy Hub site of the Centre for Management and Policy Studies (CMPS)***

URL: <http://www.policyhub.gov.uk/default.jsp>

The Policy Hub is 'the first port of call for improvements in policy making and delivery'. It aims to improve the way public policy is shaped and delivered. It is a collection of links, projects, tools, databases and publications spanning British government websites as well.

- ***Cabinet office – regulation***

URL: <http://www.cabinet-office.gov.uk/regulation>

Based in the cabinet office, the Regulatory Impact Team works in association with other government departments, agencies and regulators to help ensure fair and effective regulations. Its emphasis is to achieve the right balance by removing the unnecessary burden of regulation that has a negative impact on businesses and stifles growth. Its publications focus on promoting the principles of good regulation, identifying risk and assessing options to deal with it, supporting the better regulation task force, removing unnecessary, outmoded or over-burdensome legislation and improving the assessment, drawing up and enforcement of regulation.

- ***HM Treasury***

URL: <http://www.hm-treasury.gov.uk>

The Treasury (finance ministry) office aims to raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all. The Treasury (finance ministry) websites focuses on issues relating to enterprise and productivity (public service delivery and performance), financial services, public private partnerships, private finance initiative, public spending and services, taxation, and work and welfare.

- ***Civil Service***

URL: <http://www.civilservice.gov.uk>

The UK Home Civil Service website is under the Corporate Development Group of the Cabinet Office. In addition to providing general information and statistics on the UK civil

service, it also sets out the Government's delivery and reform agenda and explains what is happening to implement this.

- **Benchmarking**

URL: <http://www.benchmarking.gov.uk>

The Public Sector Benchmarking Service aims to promote effective benchmarking and the sharing of good practices across the public sector. Benchmarking enables organisations to share knowledge and learn from the best examples. It is an effective tool for bringing about collaborative approaches to resolving common problems. The site hosts a good practice database.

- **IDEA**

URL: <http://www.idea.gov.uk>

The Improvement and Development Agency (IDeA) was established by and for local government. It aims to support self-sustaining improvement from within local government, advocates best practice in local government by disseminating innovative solutions for the improvement of performance and ensures the transfer and sharing of knowledge within local government.

- **Partnerships UK**

URL: <http://www.partnershipsuk.org.uk/>

Partnerships UK brings together the skills and experience required for meeting the challenges of public private partnerships (PPPs). Its mission is to work with the public sector to make PPPs better and stronger. The website provides partnership information in the areas of health, education, transport and the civil service.

- **Audit**

URL: <http://www.nao.gov.uk>

The National Audit Office provides information and advice to Parliament on the ways in which government departments, Executive Agencies and other public bodies account for and use tax payers money. It also undertakes in-depth 'value-for-money' audits, and other reviews of public service performance.