The new public management in developing countries

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ABSTRACT

This paper assesses the extent to which developing countries have taken up new public management (NPM) reforms. While many developing countries have taken up elements of the NPM agenda, they have not adopted anything remotely near the entire package. Moreover, plenty of reform initiatives are going on that are unrelated or even contrary to that agenda. New public management ideas are influential, but more so at the level of rhetoric than practice. In practice NPM is only one of a number of currents of reform in developing countries.

The paper goes on to examine the argument that the new public management is inappropriate to developing countries on account of problems such as corruption and low administrative capacity. There are NPM success stories as well as failures in the developing world. The outcome of individual NPM initiatives depends on localised contingency factors rather than any general national characteristics. Reformers need to

keep an open mind as to what may work and what may not, and to be guided by the needs of the situation.

THE NEW PUBLIC MANAGEMENT IN DEVELOPING COUNTRIES

By Charles Polidano

The new public management has come to dominate thinking about public sector reform by practitioners and academics alike. Some have hailed it as a new paradigm (Osborne and Gaebler 1992; Borins 1994; Hughes 1998). New public management reforms, it is said, are a common response to common pressures—public hostility to government, shrinking budgets, and the imperatives of globalisation.

There are differing interpretations of what that common response consists of. But there is general agreement that key components include deregulation of line management; conversion of civil service departments into free-standing agencies or enterprises; performance-based accountability, particularly through contracts; and competitive mechanisms such as contracting-out and internal markets (Aucoin 1990; Hood 1991). Various authors also include privatisation and downsizing as part of the package (Ingraham 1996; Minogue 1998).

There has been a long-drawn-out, ideologically charged debate about the merits and demerits of the new public management, or NPM as it is commonly known. The debate tends to focus on the desirability or otherwise of NPM reforms in principle. Advocates and critics alike often accept the assumption that the new public management is universal, notwithstanding that this is disputed by a growing body of work.[1] The universality assumption is encouraged by the undoubted fact that NPM catch-phrases feature prominently in the vocabulary of civil service reform all around the world (Thomas 1996). Now as always, the generals of administrative reform prefer to march into action behind a protective advance guard of rhetoric. Now as always, that rhetoric draws on whatever ideas are internationally fashionable. But has the 'new paradigm' gone beyond rhetoric?

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

Researchers investigating the take-up of NPM reforms in developing countries, or indeed anywhere, must watch out for what we might call the 'seek and thou shalt find' pitfall of comparative research whereby the research question predetermines the findings. We are almost bound to conclude that the new public management is a dominant paradigm if all we do is look for evidence of NPM-style reforms. But NPM initiatives may be little more than a minor strand of reform, the froth at the top of the glass. Other reforms, unrelated or even contrary to the tenets of the new public management, may outweigh it in importance. So to be more certain of reaching a balanced conclusion, we must ask four questions in all.

First, are developing countries committing themselves to NPM-style reforms? This question is the obvious starting-point, but it can be no more than a starting-point for the reason just outlined.

Second, are such reforms being undertaken as part of the worldwide quest towards greater efficiency and cost savings which is said to be the driving force of the new public management (see Minogue 1998), or for reasons specific to the country concerned? This question might lead to our qualifying the universality assumption even where ostensibly NPM-style reforms are being undertaken.

Third, are the reforms actually being implemented, or are we being misled by the rhetoric of political leaders (and senior bureaucrats)? As I have already mentioned, the rhetoric of reform tends to outpace the reality in any country. Statements of intent can be misleading—especially those pronounced at international conferences!

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

I shall deal with each of these questions in turn. My conclusion is that while many developing countries have taken up elements of the NPM agenda, they have not adopted anything close to the entire package; and they are simultaneously undertaking reforms that are unrelated or even contrary to that agenda. The new public management is only one among a number of contending strands of reform in the developing world.

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

Many would respond with a flat no. But this conclusion is usually reached through *a priori* reasoning on the basis of what are deemed to be particular characteristics of the developing world (for example, Nunberg 1995; Schick 1998). There is little examination of the outcomes of such NPM reforms as have been tried in developing countries.

Limited though it is, the evidence on reform outcomes is much less clear-cut than might be supposed. It is hard to arrive at a blanket conclusion either for or against the transferability of NPM to developing countries. As we will see, localised contingency factors—ones that vary from sector to sector and situation to situation within the same country—play a predominant role in determining the outcome of individual reform initiatives. Different situations can call for radically different responses. Reformers' watchwords must be open-mindedness and eclecticism.

TAKE-UP OF THE NEW PUBLIC MANAGEMENT

To begin with the first of our five questions, there is no doubt that many developing countries are experimenting with new public management reforms. There are some well-known examples: Malaysia's experiments with total quality management (Common 1999); the results-oriented management initiative in Uganda (Langseth 1995); and the wholesale restructuring of Chilean education along internal market lines, a far more radical change than anything tried in the UK (Parry 1997). But do these cases represent a general trend?

The difficulty in answering this question is that in reality there is no such thing as a standard, unitary new public management model which countries must adopt in its totality or not at all. The take-up rate varies according to which particular element of it we are considering. In so far as we can generalise, two of the more commonly adopted elements of the NPM agenda are privatisation and downsizing (or retrenchment, as it is known in Africa).[2] Such initiatives are part and parcel of the economic structural adjustment programmes which the majority of developing countries throughout the world have undertaken at some point in time; they are often the first stage of public sector reform.

Even here, however, the record is patchier than it appears at first sight. Hitherto, a few countries have made most of the running with privatisation whereas many others have hardly moved. This pattern now appears to be changing. But the volume of privatisations has still been too small to make a substantial dent on the overall share of the public sector in the GDP of developing countries (Cook and Kirkpatrick 1997; Ramamurti 1999).

Likewise, while retrenchment has had a few star performers—Uganda, for example, cut its civil service by more than half in the early 1990s—many other countries have been laggards. The easy part of retrenchment is ridding the payroll of 'ghosts', or names that should not be there (though keeping them out for good may be another matter altogether). Numbers can be brought down substantially in this way. Beyond this, things become more difficult. It is partly a matter of 'political will', partly a question of administrative difficulty: civil services have many entry points and governments can find it difficult to plug them all (McCourt 1998b).

Many developing countries are also experimenting with other items on the new public management menu. The most common initiative apart from privatisation and retrenchment—indeed, perhaps *the* most common, given the patchy implementation of these other two elements—is that of corporatisation (converting civil service departments into free-standing agencies or enterprises, whether within the civil service or outside it altogether). This is perhaps the best known element of civil service reform in the UK and New Zealand, two pioneers of the new public management. In developing countries corporatisation appears to be going on at an increasingly rapid pace, even as an earlier generation of state-owned enterprises is being put on the auctioneer's block.

A number of countries are experimenting with UK-style executive agencies, including Jamaica, Singapore, Ghana and Tanzania (Brown 1999; Common 1999; Dodoo 1997; Mollel 1998). South Africa is also going down the same road. Tanzania's programme appears particularly close to the UK model, with 12 agencies created in 1996 and another 60 candidates waiting in the wings. Likewise Jamaica, though this country is moving at a slower pace.

One particularly noteworthy African trend is the merger of customs and income tax departments into corporatised national revenue authorities. Corporatisation has allowed these bodies to raise wages, shed poor performers while hiring better-qualified staff, offer bonuses in return for meeting revenue targets, and operate on a self-financing basis (Chand and Moene 1999). This is an African variant of NPM which has been adopted in Ghana, Kenya, Malawi, Tanzania, Uganda and Rwanda, and it is also being exported elsewhere—notably to Pakistan.[3]

Some African countries, notably Ghana but also including Kenya, Uganda, Zambia, South Africa, Malawi and Zimbabwe, are also in the process of corporatising their health sectors (Larbi 1998; Mills 1997; Russell et al. 1999; Chimphamba 1999). This generally involves converting hospitals into free-standing bodies run by their own boards of directors, as well as (at least in Ghana's case) hiving off the service delivery arm of the ministry of health into a separate health service on UK lines.

Corporatisation initiatives have had mixed results. In some countries revenue authorities have dramatically increased tax income. Ghana's National Revenue Service, for example, brought revenue intakes up from 4.5 to 17 per cent of GDP between 1983 and 1994 (Chand and Moene 1999: 1137). The Uganda Revenue Authority increased its tax intake by around 17 per cent *per year* in real terms between 1991 and 1995, its first five years in operation (Livingstone and Charlton 1998: 510).

A success story of a different kind is Bolivia's Emergency Social Fund, a body set up to alleviate the social impact of structural adjustment by funding employment-creating projects in local areas. Set up as a civil service department in 1985, the Fund achieved very little in its first year. A new head was subsequently brought in from the private sector. He was allowed to recruit people at private sector pay levels, to promote them quickly according to performance, and to offer them incentives to get out of the capital city and into rural areas where most funds would be disbursed. After two and a half years the Fund had disbursed nearly $200 million through 2,500 projects and created some 20,000 jobs per month, for an administrative cost per dollar of less than four per cent (Klitgaard 1991: 146–52; 1997a: 1967).

On the other hand, attempts to improve the performance of public enterprises through organisational performance targets have produced mixed results at best in India and Pakistan (Islam 1993) and Bolivia itself (Mallon 1994). Similar efforts in Ghana have been very disappointing. Performance incentives have proved too weak to have much impact, and the State Enterprise Commission is highly constrained in applying penalties owing to 'close political and personal ties between … [public enterprise] managers and the government' (Christiansen 1998: 286).

Health reforms in Africa too appear to have produced few visible benefits. In Ghana the new structures have made little difference in practice so far (Larbi 1998). Hospitals have received only a limited degree of management autonomy. Although there is provision for establishing performance targets for hospitals, the government may simply not have the capacity to do so. Information systems are too rudimentary to serve as a reliable basis for effective performance monitoring.

Many African health systems are seriously underfunded, and this is probably a fundamental constraint on what could be achieved through organisational change. Even if the reforms do deliver efficiency gains, these alone would be unlikely to bridge the wide gap between resource need and availability. In other words, government budgetary decisions rather than management reforms will continue to be the primary determinant of the quality of service delivery. Britain's well-known internal market reforms may have yielded disappointing results for similar reasons.

DIVERSE MOTIVES FOR NPM-STYLE REFORM

Thus far we have assumed that corporatisation, wherever it happens, is evidence of NPM-style reform. This is not necessarily the case. We need to distinguish between two varieties of corporatisation, and this brings us to the second of our five questions—the diversity of motives behind ostensibly new public management initiatives.

Corporatisation can take place as a means to achieve greater efficiency, cost savings or service quality improvements, in which case it is accompanied by the setting of performance targets along the lines of executive agencies in the UK or state-owned enterprises in New Zealand. This is the kind we have just reviewed. But it can also take place simply for convenience, a way of freeing a particular public function from the constraints of civil service red tape. The first is a clear example of the new public management in action; the second, much less so.

There is no data to indicate with any certainty which of these two varieties of corporatisation is predominant. There is no doubt, however, that the second variety is very important in its own right in many developing countries. All kinds of bodies are being converted from civil service departments to authorities, institutes, corporations, companies and other kinds of free-standing public bodies, even in countries which have no systematic programme of corporatisation along British or New Zealand lines.

There are two reasons behind this trend. First, most developing countries have been corporatising government functions for decades: there is little new about this, save that the trend may have accelerated in recent years. And secondly, the management constraints which newly corporatised bodies are being set up to escape can be very severe. In many African and Latin American countries, such constraints go beyond the procedural red tape which those familiar with government in industrialised countries would expect to find. They can extend to, among other things, public–private pay gaps that are so wide after years of restraint coupled with galloping inflation that it becomes impossible to recruit and retain qualified staff (Cohen 1995; Colclough 1997a; Klitgaard 1997b).

Governments obviously lack the wherewithal to raise salaries across the board, but rigid service-wide pay structures make it very difficult to grant wage increases selectively to parts of the civil service. The only option for critical functions that depend on highly qualified personnel becomes to hive them off. In this case corporatisation is less a means of improving efficiency than a defensive measure aimed at maintaining basic operational viability.

Even where corporatisation is accompanied by performance targets à la NPM, the driving motive may go beyond straightforward efficiency gains. Controlling corruption is a case in point. Transparency International, a non-government organisation concerned with this issue, has suggested that governments should concentrate their anti-corruption efforts on priority areas such as revenue collection or law enforcement. Such functions would be set up as 'enclaves'—autonomously managed bodies which would be turned into islands of integrity within government. The aim would be to gradually expand the islands into archipelagos (Pope 1995).

The establishment of revenue authorities in Africa is partly a reflection of this strategy. In Ghana, the creation of the National Revenue Service was an opportunity to weed out staff from the old customs and internal revenue services who were thought to be corrupt. One of the reasons why remaining staff had their pay increased was to reduce the temptation to take bribes. Other anti-corruption mechanisms were also put into place, including a public complaints facility (Chand and Moene 1999; de Merode and Thomas 1994: 166). Likewise in Tanzania: customs and tax officials who appeared to be living beyond their legitimate means were not taken on by the new revenue authority.[4]

Reforms that are, on the face of it, similar to those initiated in the 'Old Commonwealth' heartland of the new public management, here reveal themselves to be a response to very different concerns.

This is not to say that corruption is a concern only in developing countries (though I will neither pretend that the problem is equally severe everywhere). What I am saying is that controlling corruption is not normally put forward as a reason why the pioneers of the new public management embarked on their reforms. On the contrary, NPM reforms are at times blamed for *facilitating* ethical misconduct and corruption in industrialised countries such as the UK (Greenaway 1995; Doig 1997). Yet in some developing countries similar initiatives have been introduced in response to precisely this problem.

THE RHETORIC AND REALITY OF REFORM

Our third question concerns the extent to which the rhetoric of reform can outpace the reality. This problem appears to particularly afflict another major strand of NPM reform: the introduction of performance-based accountability.

Many countries have experimented with performance management initiatives. Perhaps the most common is the introduction of modern performance-oriented staff appraisal systems. The introduction of such systems is a fairly straightforward (though labour- and resource-intensive) exercise. The difficulty comes afterwards, in linking appraisals to career rewards and sanctions. Individual performance bonuses are often put forward as a means to achieve this, but governments have shown a marked reluctance to go down this road. Malaysia is one of the few countries that have implemented such a scheme service-wide (Kaul 1996). Other countries appear to have limited themselves to minor experimental schemes (Klitgaard 1997b).[5]

Nunberg (1995) is sceptical of the value of performance-pay schemes, saying it is much more important to link *promotions* to performance. But in many African, Asian and Latin American countries, promotions continue to be tied to seniority or examinations. Having brought in new staff appraisal systems, usually with a lot of fanfare, and having instructed managers to appraise their staff carefully and impartially, governments then balk at relying on the judgement of those managers in promoting and rewarding people. In Zimbabwe, for instance, it is feared that the delegation of staffing powers to senior officials could 'easily be abused to create "personal empires", "regional cliques", and even "ethnic enclaves" which could be used as effective weapons for the self-preservation of the senior public servants' (Makumbe 1997: 10).

Uganda is a good illustration of the inconsistencies in this field. One of the most progressive public service reformers in Africa, Uganda has laid a lot of emphasis on what it calls results-oriented management (catchily abbreviated as ROM) since the early 1990s. ROM was announced as a major plank of reform; yet when an action plan for the implementation of reform was drawn up in 1992, ROM seemed to all but disappear from the agenda (see Langseth 1995: 373). It appears to have yielded little beyond customer surveys and the old fallback of staff training.

It may seem strange that reforms intended to introduce results-oriented management themselves turn out to be long on rhetoric and short on results. But this component of the new public management is perhaps the hardest to implement, involving as it does radical changes to structures of accountability and, ultimately, to the very culture of government. Not many countries besides Uganda have taken up the challenge in a serious way. Those that have, Ghana, Malta and Trinidad and Tobago among others, may have attracted a lot of international attention in the process; but the results have fallen well short of expectations (Dodoo 1997: 120–1; Polidano 1996; Bissessar 1998).

NON-NPM REFORMS

Reforms that run counter to the new public management

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

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

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

Strengthening such functions invariably means centralisation. Zambia and Jamaica are among the many countries trying to get a grip on public spending by building up the capacity of the central budgetary institutions of government (Beschel 1995; Harrigan 1998). Honduras, Panama and the Philippines are among those countries which have sought to put public service recruitment on a more professional footing by setting up strong central personnel bodies and warding off political intervention (Klingner 1996; Varela 1992). This ‘professionalisation’ of staffing, particularly at senior management levels, is given plenty of emphasis throughout Latin America (Reid and Scott 1994; CLAD 1998). We are thus left with the paradox of governments retaining a high degree of centralisation in the civil service while simultaneously corporatising many functions to escape the constraints of that centralisation.

Moreover, there are other major strands of public service reform in developing countries which are entirely unrelated to the new public management. These include capacity-building, controlling corruption, and political decentralisation or devolution. I have already touched on the first two in passing. I deal with them more directly below.

Capacity-building

'Capacity-building' is a term very commonly heard in relation to governments in the developing world. In a sense all administrative reforms the world over are concerned with capacity-building. But the term is given particular emphasis in developing countries because many of them suffer from severe capacity limitations. We have already come across some of the symptoms: 'ghosts' in the payroll; the inability to establish clear control over spending and staffing, and the drive for centrally-imposed standardisation in these areas; and, in the case of countries such as Ghana, the failure of new structures to have a tangible impact on operations.

If we have seen evidence of the symptoms of low capacity, we have also come across a major cause: low pay levels. It is worth saying a little more about this. Under the crushing pressure of economic crisis, real public sector pay levels fell by 30 per cent on average in Latin America during the 1980s. The fall was even higher in Africa (Klitgaard 1997b). Many countries have suffered a steady drain of talent from the public sector—especially the core civil service—to foreign corporations, non-government organisations, and even those very aid agencies that are supposed to be helping governments rebuild their capacity (Wuyts 1996).

It can be very difficult to close the public–private pay gap, even when economic conditions become more favourable, because of the expense involved. Uganda has yet to achieve its proclaimed objective of a minimum living wage—that is, paying civil servants enough to survive on—after nearly a decade of reform, and this in spite of reducing civil service employment by more than half.[6]

Low pay is not the only factor limiting administrative capacity. Administrative structures are weakly institutionalised, making the public sector prone to 'penetration' by party politics and leading to politicisation at all levels in the organisational hierarchy. This applies even to countries in the Westminster tradition of civil service neutrality, though there are exceptions such as Botswana and Mauritius (Goldsmith 1999). Writing in the context of Kenya, Cohen and Wheeler (1997) include politicisation as one of a number of 'push factors' which demoralise public servants and impair their effectiveness, eventually leading many to leave.

Cohen (1995) sets out a framework for capacity-building in developing countries which seeks to address the various constraints in a holistic way. The result is a huge, and hugely impractical, agenda ranging from the improvement of salaries to the upgrading of training institutions. But the very breadth of Cohen's agenda illustrates the scale of the problems which many developing countries face.

In practice, as Cohen notes, most capacity-building interventions are limited to training. Many development practitioners take the two terms as synonymous. Cohen's own framework does have the merit of showing what an inadequate response training is on its own given the scale of the problems. Yet training is convenient to both developing-country governments and the aid donors who finance much of it. To governments, it is politically painless; to donors, it is a conflict-free measure which is easy to deliver (see Schacter 1995: 334). Given this, the emphasis on training should come as no surprise.

Controlling corruption

Low pay contributes to another manifestation of low administrative capacity: poor organisational discipline and an inability to enforce rules. Always a problem in many developing countries, this grew to crisis proportions in those that were hit by sharp economic downturns. Colclough (1997b) shows how a dramatic decline in real pay levels in Zambia during the 1980s recession led public employees to adopt all kinds of survival strategies to make ends meet: 'daylighting' (doing a second job *during* office hours); private trading at work, effectively turning offices into marketplaces; and, of course, corruption. Organisational discipline and cohesion went out of the window in the process.

In many countries all kinds of public transactions, major or minor, are subject to the payment of bribes. Some areas—policing, public works, customs administration—are generally more lucrative to staff than others. Once a problem that used to be pushed under the carpet by scholars and practitioners alike, corruption has become a major item on the agenda of public sector reform in developing countries (Klitgaard 1997b).

We have already looked at one approach to dealing with the problem: that of concentrating anti-corruption efforts on autonomous enclaves. Another very common measure, one completely unrelated to the new public management agenda, is that of setting up an anti-corruption commission empowered to receive and investigate public complaints or allegations about corruption.

In Hong Kong and Singapore, such commissions are claimed to have all but eradicated corruption over the years since their creation (Pope 1995). Elsewhere, however, anti-corruption commissions tend to be under-resourced—with a handful of staff, for example, by comparison to over a thousand in the case of Hong Kong's Independent Commission Against Corruption—and lack investigative powers. A common allegation against such bodies is that they are simply a smokescreen put up by governments with no genuine intention of tackling corruption.

Even where commissions have the necessary powers (and political backing), they must still rely on the normal judicial machinery of the state when bringing cases to trial. The effectiveness of an anti-corruption commission ultimately depends on the integrity and efficiency of the prosecutor's office and the courts. Weaknesses in these areas can eventually destroy the commission's public credibility, even though they are beyond its control (Polidano and Hulme 1997).

Decentralisation

The third major strand of public sector reform that falls outside the new public management is decentralisation. The reader may find this puzzling: is not decentralisation a major component of NPM reform? But the term means different things to different people.

To scholars and practitioners of the new public management, decentralisation means giving line managers in government departments and agencies greater managerial authority and responsibility. We have already discussed the pursuit (or rather, partial non-pursuit) of this aspect of reform. In many developing countries, however, decentralisation is usually taken to mean the devolution of political power to lower levels of government, generally elected local authorities. We can refer to these two types of decentralisation as management decentralisation and political decentralisation respectively.

Political decentralisation is a major field of study in its own right, and there is no need to go into any great detail here. All that needs to be said is that it is currently of major importance in public sector reform efforts, particularly in Africa and Latin America. But for all that, the results have been limited. Local governments suffer from the same or worse capacity constraints as the central government. In general, capacity-building efforts have not been any more successful at the local level than at the national level (Crook and Manor 1998; Smith 1998).

Political decentralisation tends to be considered separately from public management reform in industrialised countries. In Britain, for example, the Conservative government of 1979–97 curtailed the powers of local authorities at the same time as it pushed through a programme of NPM-style reforms that extended to local as well as central government (Weir and Beetham 1997). But the distinction is rarely present in the developing world. Political decentralisation is often seen as an integral part of central government reform because it entails the transfer of large numbers of civil servants to local authorities and the radical restructuring of central departments of health and education among others. Inquiries about NPM-style decentralisation in developing countries risk being shunted onto the wrong set of rails unless the different meanings of the term are appreciated.

It is evident that for all the assumptions of universality, the new public management is only part of the story of current public sector reform in developing countries. There is substantial take-up of NPM reforms, but it is invariably selective. The failure rate of such reforms in the implementation stage is high. The very same countries which have sampled items from the NPM agenda have also taken other measures which run directly counter to NPM tenets. Moreover, there are entire areas of reform which are simply unrelated to the new public management. Whether or not the NPM can be justly described as a dominant paradigm in industrialised countries, it certainly does not deserve the label in the developing world.

IS THE NEW PUBLIC MANAGEMENT APPROPRIATE FOR DEVELOPING COUNTRIES?

Having reviewed the evidence concerning the take-up of the new public management in developing countries, we can now turn our attention to the question of its appropriateness. At first sight the failure rate of NPM reforms might seem enough to lead us to a negative conclusion. But it would be a mistake to look at the new public management in isolation. Our brief survey of non-NPM reforms shows that these have done no better. Administrative reform has always had a high failure rate, in both developed and developing countries (Caiden 1991; Kiggundu 1998). So if one is to argue that NPM reforms are inappropriate for developing countries on the basis of their poor record of implementation, one may as well say the same for any kind of administrative reform.

The real test of the appropriateness of NPM is not at the *output* stage of reform (implementation, where most reforms currently fail), but at that of *outcomes* (end results of successfully implemented changes). In other words, even if some means were found to overcome the implementation hurdle, even if it were possible to ensure that changes are not blocked or kept cosmetic, would NPM-style initiatives yield their expected benefits in a developing-country environment? Or would they not, perhaps even generating perverse outcomes? Broadly speaking, we can identify three interrelated arguments along such lines. Let us look at them in sequence.

The first argument may be labelled the ‘stages of development’ thesis, variant one. The lack of expertise and the unreliability of information systems in developing countries, so this argument goes, means that it is not viable to develop complex structures such as internal markets or sophisticated performance monitoring systems.

Such mechanisms would be unreliable at best, unworkable at worst. On the contrary, developing countries should concentrate on establishing more effective mechanisms of central control over functions such as staffing or finance, because this is the precursor of any eventual delegation (Holmes 1992; Nunberg 1995).

This argument draws on the historical record of developed countries. In the UK, for instance, there was no less than a hundred-year gap between the Northcote–Trevelyan reforms, which led to the gradual creation of a unified, centralised civil service from the mid-19th century on, and the contemporary 'Next Steps' agency movement which has effectively dismantled that legacy. The implicit assumption is that most developing countries are still at the Northcote–Trevelyan stage of development.

Our example of attempted corporatisation in Ghana's Ministry of Health is partly a case of implementation failure, but also (in so far as the inability to set targets and monitor performance is concerned) partly a practical instance of the kind of outcome predicted by this argument. There is also Latin America's widespread preoccupation with the professionalisation of staffing, for much the same reasons as those which led to the Northcote–Trevelyan reforms in Britain over a century ago.

Variant two of the stages of development thesis relates to the deregulation of line management. The management of government in developing countries, runs this argument, is already afflicted by corruption and nepotism. Central controls and procedures are the only safeguard against further proliferation of such practices. If the controls were removed, the floodgates would be opened to even greater abuse of power.

This argument finds plenty of adherents among developing-country officials themselves, as McCourt (1998c: 20, 24) discovers in the case of Nepal and Tanzania.

It also echoes the concerns raised by authors such as Greenaway (1995) and Doig (1997) about the weakening of ethical standards in the UK following NPM reforms.

Schick (1998) takes up this view, supporting it with a third argument relating to the introduction of performance-based mechanisms of accountability. He points to the existence of a sharp dichotomy between formal and informal rules of the game in developing countries, and the predominance of the informal realm. The rules of behaviour that people actually follow can be very different from those that are written down. Contractual mechanisms of accountability would have little practical impact because they would remain trapped within the formal realm. They would simply be disregarded.

As with the other two arguments, this one is to some extent founded in reality. Ghana again provides us with an example: its attempt to improve the performance of state-owned enterprises through contracts which proved ineffectual owing to, among other things, the political connections of managers.

These arguments sound compelling. But there are a number of vital qualifications to be made. First of all, the stages of development thesis is somewhat misleading. The problem in many developing countries is not an *absence* of centralised rules and procedures. Rules and procedures are there aplenty, with all the disadvantages that adherents of the new public management would point to—delays, duplication, bottlenecks, and so on. Selection procedures lasting a year or more are not uncommon.

The problem is, rather, that those who want to get around the rules for the wrong reasons are able to do so somehow, while well-intentioned managers can find themselves bound hand and foot by centralised red tape. Developing countries incur all the disadvantages of central controls, while seemingly gaining few of the advantages (Polidano et al. 1998: 286). This leaves plenty of room for argument over what to do about the shortcomings of central controls. One can argue that they should be strengthened, as do Nunberg and others; or one can argue that they may as well be lifted because they serve little useful purpose.

Interestingly enough, a document put out by the Latin American Centre for Development Administration (CLAD), a body representing Latin American governments, directly addresses the stages of development thesis and rejects it. The document endorses the drive towards professionalisation of staffing, but does not see this as incompatible with a programme of NPM-style reform. It gives three reasons for this: first, there is no single historical path towards a professionalised bureaucracy; second, the traditional Weberian model of bureaucracy has no mechanisms to increase efficiency, a pressing concern to Latin American governments; third, it is too rigid and inward-looking to respond to citizen demands for more participation and better governance (CLAD 1998).

Moreover, though many continue to believe in central controls as a check on abuse of power by government officials, we need to recall that NPM-style reforms have been used not only to make efficiency gains or to escape management constraints, but also precisely to combat corruption—as with the corporatisation of the Ghanaian and Tanzanian revenue services. Pope (1995) argues that it is too simple to equate management decentralisation with corruption. Quite apart from the ease with which central controls can be circumvented in many countries, he says that centralisation could generate its own pressures for corruption as people seek to get round delays and bottlenecks.

This leads to a final point in relation to Schick's formal–informal dichotomy. It is evident that in so far as it exists, this dichotomy affects traditional procedural accountability as much as it does NPM-style performance-based contractual mechanisms. In a comparison of local government administration in Bangladesh and the Indian state of Karnataka, Crook and Manor (1998: 103) found more abuse of power in the Bangladeshi system notwithstanding that it was if anything more regulated than that of Karnataka. 'It is useful to remember this,' they say, 'when considering the frequent assertions … that the solutions to problems that afflict these institutions lie in devising tighter or more elaborate sets of laws and administrative rules.'

Adding new rules might even *contribute* to the proliferation of corruption and abuse of power. Olivier de Sardan (1999: 33) calls this the 'driving licence formula':

> In almost all African countries, a driving licence can be bought from the inspector, during the test. Attempts have been made, from time to time, to take firm measures in order to put an end to these practices: in Niger a policeman is in attendance during the test. The obvious result is that one has to bribe the policeman as well as the examiner.

In other words, Schick's formality–informality thesis can be accused of failing the same test we applied earlier to the question of the implementation record of the new public management. Schick does not show that the problems of NPM reforms are any more serious than those of the non-NPM alternatives.

This might be taken as wishing the problems away, or making them disappear by sleight of hand. It is certainly not offering a solution. But it is only logical that if we are arguing that NPM is inappropriate for developing countries, we have to compare it with the alternatives. There is no point in looking at the new public management in isolation.

Ultimately, all these are *a priori* arguments on the basis of what are considered to be, no doubt with plenty of over-generalisation, key characteristics of developing-country governments. The issue of the applicability of the new public management to developing countries should be settled on the basis of the *outcomes* of such reforms. Evidence on NPM reform outcomes is limited as yet: we have reviewed much of it in this paper. What does it tell us? The concluding section of this paper reflects on this question, also drawing in some important additional material which we have yet to consider.

CONCLUSION: THE NEED FOR ECLECTICISM

The evidence is perplexingly equivocal. On the one hand, there is the relative failure of management reform in the health and state enterprise sectors in Ghana. On the other hand, there are the positive examples of Bolivia's Emergency Social Fund and African revenue authorities. The achievements of revenue authorities in Ghana and Uganda are little short of spectacular. For all the fears about the consequences of NPM-style management deregulation in developing countries, there is little doubt that it played a major role in these cases.

We even have a counterfactual of sorts to prove this in Ghana's case. In 1991, Ghana's National Revenue Service was delivered into the bureaucratic clutches of the Ministry of Finance. The ministry traditionally had direct control over tax collection, but lost it when the revenue service was set up in 1984. The ministry bided its time and eventually regained control. Among other things, the ministry then stripped the service of its self-financing status and killed its staff bonus scheme. The result, say Chand and Moene, has been a decline in performance coupled with some resurgence in corruption. The government of Ghana is now planning to revert to the autonomous model.

In an unrelated study, Grindle (1997) looks at a sample of successful public organisations in developing countries and concludes that autonomy from civil service controls is a significant contributing factor to good performance. The example of Ghana's revenue service offers powerful support to this argument.

And yet it seems that the effect of managerial autonomy on the performance of public organisations is highly contingent. It works in some situations but not in others. There is after all the case of health and state enterprise reform in Ghana itself. Grindle rightly focuses on developing-country success stories, in contrast to the normal dismal pattern of studying failures; but this prevents her from picking up instances where her ingredients of success were tried but did not work.

The notion of contingency is reinforced by another success story of Third World public sector management—that of Ceará, a northeastern Brazilian state, as reported by Tendler (1997). Ceará used to be better known for inefficiency and clientelism than good government. Yet a drought in the mid-1980s sparked off a series of innovative poverty alleviation initiatives which brought about a turnaround and gained the state international acclaim. What appears to have made the difference, among other things, was a judicious blend of old-fashioned centralisation and NPM-style decentralisation.

The best example is that of preventive health. Starting from 1987, the government of Ceará embarked on an ambitious programme to improve the health of the rural population—a programme that involved, among other things, the recruitment of 7,300 health assistants to serve in localities throughout the state. Given the clientelism that existed in local authorities, says Tendler, this should have been a 'rent-seeking nightmare'. But the state government averted the danger by keeping tight central control over recruitment notwithstanding that mayors were nominally to be responsible for their local health teams.

Yet once the health teams were up and running, the government gave them plenty of leeway to shape their work. This was crucial: it gave the teams a sense of empowerment and allowed them to respond flexibly to local requirements, thereby gaining the trust of the local communities. The government also set and publicised basic performance standards—staff had to live in the locality they served, they had to visit each household once a month, and they had to refrain from canvassing in local elections—and invited ordinary members of the public to report those who broke these rules. The public thus had a yardstick by which to judge their local health team, and the means to hold them accountable.

So successful was this programme that in the space of five years it brought about a dramatic turnaround in public health. Among other things, infant mortality fell by over a third. Vaccination coverage for measles and polio went from 25 to 90 per cent of the population (Tendler 1997: 21–2).

Tendler herself is rather dismissive of the new public management. Yet she explains the success of Ceará's preventive health programme partly in terms of what she calls the 'industrial performance and workplace transformation' literature, which deals with delegation and employee empowerment. As she recognises, NPM writers such as

Osborne and Gaebler (1992) draw on this literature. Indeed it is usually seen as part of the new public management agenda.

For all that, there is a crucial difference between this case and those we have reviewed earlier. Our other success stories enjoyed a considerable measure of management autonomy, and this undoubtedly helped them perform well. But in Ceará the state government maintained a firm grip on crucial matters of management such as the recruitment of the 7,300 health assistants. And this was equally a factor in the success of the preventive health programme. This points very clearly towards the mediating influence of contingent factors. What sort of factors might have made the difference?

Answering this question comprehensively would require new field research. And there is the added complication that different countries are involved. But one factor stands out from the evidence we have reviewed: the character of the various public bodies involved in each reform initiative. Which organisations are dynamically reformist, and which are passive and moribund? In particular, what is the respective orientation of centre and line?

In many countries, for instance, centralised recruitment is the province of public service commissions which tend to take a rather passive and procedure-oriented approach to their work.[7] Larbi (1998) indicates that such is the case also in Ghana. On the other hand the National Revenue Service was a reforming body under vigorous leadership; likewise Bolivia's Emergency Social Fund (de Merode and Thomas 1994: 166; Klitgaard 1997a: 1967). We need no grand theory of management decentralisation to tell us that it made sense to delegate staffing powers to these bodies under such circumstances.

In Ceará the pattern was reversed. Line organisations (local authorities) were patronage-ridden mayoral fiefs, whereas the centre (the state government) was playing the part of dynamic reformer. The state government's vigour could be seen in the way it handled the recruitment of health assistants. This did not follow the usual passive, procedure-bound pattern, even though it was a centralised exercise. A health department team travelled the length and breadth of the state to recruit staff on the spot in each locality, ensuring that suitable, genuinely local people were chosen, and impressing on recruits the importance attached to the programme by the government.

Centralisation thus made a great deal of sense given the respective orientations of centre and line in Ceará. Yet had the situation been reversed, had there been reformist mayors contending with a moribund central health department, centralised staffing would have been a recipe for failure. The respective level of competence and commitment to task of centre and line is a major factor in determining whether centralisation or decentralisation is appropriate.

A further contingency factor emerging from the evidence is that of political backing for reform. Direct political support can be vital in ensuring that an initiative is successfully implemented. De Merode and Thomas tell us that the head of Ghana's revenue service during its early years was a highly capable individual who was close to the president and had his support. A remarkably similar pattern applied to the Emergency Social Fund in Bolivia. By contrast, it does not appear from Larbi's account of health sector reforms in Ghana that they had any such close attention from the top. Even in the case of the revenue service, it would seem that presidential support did not prove long-lasting.

In Ceará, as we have seen, the preventive health care initiative was introduced by a strongly reformist government which was determined to make a break with the past. This political conjunction of the planets was crucial to the success of the programme. Unfortunately, Tendler does not go into the circumstances which brought about the election of such a government.

There are at least two lessons in contingency here. First, political and indeed administrative leadership makes a big difference in ensuring that reforms overcome the implementation hurdle (the output stage). Second, to secure the desired outcome—in our particular case, better organisational performance as a result of improved staffing—reform initiatives have to be adapted to prevailing local circumstances.

These conclusions, one might object, are not exactly striking in their originality. True. But this is precisely the point. The success or failure of new public management initiatives depends on the same fundamental determinants identified by researchers in relation to previous generations of reforms. We have lost sight of this in the great debate over whether the new public management is 'good' or 'bad'. In a sense we are coming full circle.

It is also important to note that our contingency factors are both as capable of variation *within the same country* (sectorally and over time) as they are across different countries. Yet those preoccupied with the transferability of NPM to developing countries tend to focus on what they often present as immutable national characteristics. Factors such as corruption or poor administrative capacity obviously do affect the performance of government; but localised contingencies are much more important as determinants of the success or failure of individual reform initiatives. The tendency to draw generalised, once-and-for-all conclusions about the workability of NPM reforms in developing countries on the basis of nationwide traits is simply misplaced.

There is no room for dogmatism, either for or against the new public management. We have seen how different situations can call forth responses that are diametrically opposed to one another. Reformers in the new public management mould make much of the 'three Es' (economy, efficiency and effectiveness). Two more are needed: experimentation and eclecticism. The search for solutions to the problems of government in developing countries requires open-mindedness and adaptiveness above all else.

ENDNOTES

This paper draws and elaborates on parts of Polidano and Hulme (1999). An earlier version was presented at the Third International Research Symposium on Public Management, Aston Business School, Birmingham, 25–6 March 1999.

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[1]See, among others, Hood (1995, 1996); Pollitt and Summa (1997); Cheung (1997); and Kickert (1997). However, most of this literature concentrates on the industrialised world. The take-up of NPM reforms in developing countries has yet to be examined in a systematic way.

[2] Not all authors accept these as components of the new public management. McCourt (1998a) sees them as parts of what he calls the 'Washington model' of public sector reform, which is distinct from the new public management model in that it is almost exclusively geared towards redressing fiscal and economic imbalances.

The same author notes that successful retrenchment in developing countries has almost always involved centralising control over recruitment and issuing detailed headcount reduction directives to departments on the basis of centrally-determined staff complements. This is hardly in keeping with NPM tenets. It is very different from the decentralised, budget-driven approach to downsizing used in the heartland of the new public management, whereby the government controls budgetary totals and lets managers decide for themselves how best to make the necessary savings (McCourt 1998b).

[3] Chand and Moene (1999); also personal communication with University of Manchester study fellows from East Africa and Pakistan.

[4] Information provided by a staff member of the Tanzanian revenue authority, May 1998.

[5] Even the bonus system introduced by Ghana's National Revenue Service was collective rather than individual: all employees got the same bonus according to the revenue performance of the organisation as a whole.

[6] Personal communication by a Ugandan senior official, July 1998.

[7] See Polidano and Manning (1996) and McCourt (1998c).

Source: http://idpm.man.ac.uk/ 11/1999