

THE APPLICABILITY OF NEW PUBLIC MANAGEMENT TO DEVELOPING COUNTRIES: A CASE FROM NEPAL

By



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This thesis is presented in fulfilment of the requirements of the
degree of Doctor of Philosophy

School of Management
Faculty of Business and Law
Victoria University of Technology
Melbourne, Australia

2002

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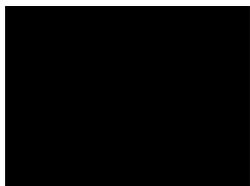
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DECLARATION

This thesis contains no material which has been accepted for the award of any other degree in any university or other institution. To the best of my knowledge, this thesis contains no material previously published or written by another person, except where due reference is made in the text.



Binod Atreya

Date: 28th April 2003

ACKNOWLEDGEMENTS

The completion of this research would not have been possible without the support from many individuals and organizations. I would like to acknowledge the enormous support and guidance offered to me by my supervisor, Associate Professor Anona Armstrong. She remained to be a source of inspiration at difficult times and her encouragement throughout the duration of this study helped me to complete this research. I acknowledge the support received from Professors, Dr. Nick Billington and Dr. David Worland during the course of my study. I am also thankful to lecturer Patrick Foley for his guidance in data analysis and interpretations.

My sincere appreciation is extended to those individuals who have contributed their valuable opinion and participated in this research to make it a successful.

I am indebted to Nepal Rastra Bank, my employer, who released me on an education leave to pursue this research.

Finally, my thanks are due to my family members, without whose support, the completion of this research would have not been possible.

Binod Atreya

DEDICATION

*This research is dedicated to the memory of
my late father Chet Narayan Sharma.*

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Abstract

The main purpose of this study was to analyze the new public management reforms practiced by some of the developed countries and determine their applicability to Nepal. New Public Management (NPM) was defined as cost cutting and downsizing, introducing agencies, separation of purchaser and provider, decentralization of management authority, performance management, introduction of market mechanisms, changes in personnel systems and quality and customer responsiveness. The term 'applicability' was determined by the perceived usefulness of NPM to stakeholders. The main focus of this research was to find an answer to the pertinent question - Is NPM applicable to Nepal? This research explored the political and bureaucratic environment inherent in Nepal, examined the influence of political and bureaucratic factors to the applicability of NPM and suggested recommendations for future reform in Nepal.

Data, through a questionnaire, was collected from 238 government and non-government employees from Nepal and analyzed using descriptive and other quantitative (t-test, chi-square test, factor analysis, correlation, multiple regression and structural equation modeling) statistical techniques.

The study found the following results:

- (a) NPM components of cost cutting and downsizing, introducing market mechanisms, decentralization of management authority, and quality and customer responsiveness were found to be mostly applicable to Nepal; the results on introducing agencies and new personnel system were moderately applicable; and performance management and separation of policy from operations was found to be less applicable to Nepal.
- (b) The bureaucratic and political systems were found to be weak in Nepal.
- (c) There exist significant relationships among the elements of NPM and also between the political and bureaucratic factors in the theoretical model guiding this research.

(d) There exists a significant two-way relationship between the NPM elements and bureaucratic and political factors. This confirmed that these factors influence each other significantly.

The findings of this research helped to draw the important conclusion that NPM is applicable to developing countries irrespective of political and bureaucratic weaknesses inherent in these countries. As a result of this study, this research proposed a reform model that focussed on strengthening the bureaucratic and political systems so that the NPM reforms could be implemented successfully. The proposed model, which illustrated relationships between the NPM reforms and a country's bureaucratic and political systems and implementation strategies, is a new contribution to the theory of public management reforms for developing countries. In particular, the results of this research identified the problems inherited in the public service of Nepal and addressed the applicability of NPM policy interventions for public management reforms in Nepal. The results of this study could be a solid foundation for introducing future public management reforms in Nepal.

CHAPTER I

INTRODUCTION TO STUDY

1.1. Introduction

Public management reform has become an important subject in the last two decades in many developed and developing countries. It became important because it tried to improve the effectiveness of government in response to the changing demands of society. Peters and Savoie (1998, p.4) noted "historians may well look back fifty years from now and declare that the 1980s and early 1990s constituted a watershed in public sector reforms, at least in several countries. It seems that governments introduced every conceivable measure possible to fix their operations". Problems, such as the deteriorating financial situations of governments and increased demand for better services made the subject relevant and important. And, now, it is claimed that the way governments operate has changed.

Taking the case of Australia, Considine and Painter (1997, p.1) argued that

in the past fifteen years the organization of the Australian public sector has undergone a revolutionary transformation. Federal, state and local government, and their varied dependencies, have felt the full force of internal structural change and a major shift in external expectations. Everything from conditions of employment to methods of budgeting have been altered and reordered according to new principles and ideologies. Relationships between organizations have also changed, with central agencies, in particular the finance ministries, taking a tight grip of the new throughput-and output-based performance systems. These transformations have taken place at the same time as significant levels of deregulation and privatization of public services have occurred. Policy makers have also moved to reduce public spending, restrain public investment and limit taxation.

The reform model that led to such a major change in Australia and some other OECD countries is termed 'New Public Management' (NPM).

Many developing countries, low-income and middle-income countries (World Bank, 1997), started reform programs in an organized way in the 1980s under the Structural Adjustment Program (SAP) with support from donor agencies, particularly from the World Bank and International Monetary Fund. For example, Tanzania started their economic recovery program with support from The World Bank and IMF in mid 1980s (Bigsten, A.; Matalamwa, D.; Tsikata, Y. and Wangwe, S., 1999). These countries first concentrated on macro-economic stabilization, and then concentrated their efforts on ensuring good governance. Management gurus, consultants and the factors associated with globalization helped in the transfer of knowledge across the boundaries, and as such, the reform principles and practices applied by developed countries, have become a subject of interest to many developing countries, including Nepal. There are also arguments that NPM may not be applicable to developing countries based on the a priori assumption that the bureaucratic, social and political systems of developing countries are not supportive to NPM style reforms (Nunberg, 1995; Schick, 1998). Can the principles and philosophies of NPM work in developing countries in spite of variants in socio-economic and administrative systems?

This research is an attempt at least to begin to answer this question. Many developing countries are bound to take reforms to improve their economic situations, and, therefore, this study would be timely and important, as it will provide some solid recommendations as to the applicability of NPM reforms to some developing countries, including Nepal.

No doubt, the subject of this research is complex when one considers the fact that the determination of what policy does and does not work in a particular country is an issue of multiple interpretations, individual perception, beliefs and culture. However, efforts have been geared towards meeting this challenge by adopting the case study method, in which data from Nepal has been collected and analyzed to learn the perceptions and beliefs as to the applicability of NPM in Nepal and to draw some conclusions about its relevance to developing countries. Complementing this research, the literature on public management reforms in the OECD countries, has been reviewed. Major elements of NPM that have produced change in the ways governments manage their business have been identified

and discussed. The research also reviewed the literature on public management issues of developing countries and analyzed the applicability of the popular model known as New Public Management (NPM) to developing countries.

Although Nepal shares some distinct characteristics such as the monarchy and never being colonized by western imperialists compared with some other developing countries, the country appears similar to some other developing countries because it faces similar problems to those found in other developing countries. An unclear definition of the role of the state, weak planning capacity, poor distribution of government functions, a lack of synergy, weak public administration, weak technical and managerial capacity, etc. are some weaknesses in Nepal (World Bank, 1999) that are typical to some other developing countries. It is therefore, expected that the results of this research may be generalized to some other developing countries. The discussions and results derived from this research are also expected to be useful to other developing countries.

1.2. General aim of research

The general aim of the research is to identify, analyze and evaluate the public management reform programs, popularly known as 'New Public Management (NPM)' implemented by some developed countries, analyze the applicability of the model of NPM to a developing country, and generate empirical recommendations for future reforms in developing countries, including Nepal.

1.3. Specific aims of research

The specific aims of the research are to:

- (a) analyze and evaluate the models of NPM practiced by some of the OECD member countries.

- (b) analyze the public management reforms in some developing countries and compare how these reforms conform to the models of NPM practiced by some of the OECD countries;
- (c) evaluate the applicability of implementing these models of NPM in developing countries;
- (d) analyse the bureaucratic and political systems of developing countries and examine the influence of these characteristics on the applicability of new public management in developing countries; and
- (e) generate empirical recommendations for future courses of action in developing countries, including Nepal.

1.4. Significance of the study

The motivations that led to this research are:

- (a) Many developing countries, including Nepal are at the threshold of change and involved in a dilemma of searching for an appropriate model of reform that is suitable to their own countries. The concepts of New Public Management started appearing in government reports and in consultants' recommendations. Do these concepts of developed countries work in developing countries in spite of differences in socio-cultural, political and administrative systems? An exploration to find the answer to this broad question was perceived necessary for a better understanding of planning and implementing reform programs in developing countries.
- (b) Much of the literature that currently exists on public management reforms in developing countries appears to be narrowly focused on specific programs and thus far a comprehensive study has been lacking as to whether the NPM is appropriate for developing countries. This study aims at filling this knowledge gap in the field of public management literature.

- (c) The government of Nepal is embarking upon introducing reform programs. Many of the NPM reform agenda had been mentioned by consultants' reports but they lacked the comprehensive empirical findings. It is imperative that politicians and policy planners have some researched findings on the measures of reform that are suitable for Nepal. This type of comprehensive research assessing the applicability of NPM reforms thus far is not available in Nepal. Therefore, this study is expected to fill this gap in knowledge in the field of public management reforms and provide a clear direction with recommendations for future reforms in Nepal.

1.5. Contribution to the knowledge

Research of this type will have significant contributions to knowledge, particularly by the addition of knowledge to the academic literature, in respect to the operational guidelines for the implementation of reform programs for Nepal and perhaps other developing countries. The following are the contributions to knowledge from this study:

- (a) Broadening our knowledge and fostering academic thinking about public management reforms, its infrastructure, growth, measures and techniques used for reforming governments, theories behind these measures and techniques, strategies for successful implementation of reforms, and the weaknesses of its measurement in the academic literature;
- (b) Summarizing the international experience on reforms, particularly the experience of OECD countries and low-income developing countries;
- (c) Broadening and fostering academic thinking as to the applicability of models of reform practiced by some OECD countries to developing countries by analyzing the characteristics, political and other administrative culture inherited in developing countries;

- (d) Informing future research into NPM through generation of a conceptual model which illustrates relationships between the components of NPM, a country's political and administrative systems and the application of NPM to developing countries;
- (e) Understanding the perceptions, opinions and beliefs of key stakeholders, such as government employees, professors, bank employees and officials from the private sector about the public management situations of a low-income country, i.e., Nepal, within the existing theoretical frameworks and fostering academic thinking as to public management reforms in developing countries; and
- (f) Integrating the results of all findings from the case study research work to develop sound conceptual and operational recommendations for the public management reforms in developing countries from the researcher's view and adding some new empirical findings to the academic literature.

1.6. Scope of the study

Unlike many other research studies, this study has its own boundaries and assumptions. First, the research subject in itself is broad. It tries to summarize the reform experience of developed and developing countries and compares them to assess whether the reform measures practiced by developed countries are applicable in developing countries. The question of 'applicability' is determined by an evaluation of the usefulness or relevance of reform measures based on the opinions, beliefs and views of the stakeholders in Nepal. The logic behind choosing this approach was the view that reform practices are different in many countries, and some that have worked well on one country have not in others. It was also assumed that there is no one best model that can be applied to all countries. And, therefore, it was thought that summarizing the reform experience of various countries would add to knowledge and benefit the users of this research work. The benefits and weaknesses of reform measures will be discussed to provide an opportunity for users to interpret their applicability in their own country's context.

Second, public management reforms cover wide areas. It may well cover the subjects of legislative, judicial and executive branches of government. In addition, it may cover the subjects of state-owned enterprise (SOE) reforms and other areas such as strengthening the private sector and civil society from the government's point of view. It was not possible to cover all these areas. Therefore, the study has restricted its analysis to civil/public service reforms, though some passing explanations have been made to other areas where it was thought useful for our understanding.

Third, the research has tried to test the applicability of NPM to some developing countries, and the ways NPM has been defined and used in countries differ significantly. This researcher has drawn upon the Pollitt (1995) model of NPM for the theoretical framework upon which this research is based. The logic for selecting Pollitt's (1995) theoretical framework of NPM was that it covers most of the subjects discussed by other practitioners in academic literature.

Fourth, Nepal has been chosen as a model country for a case study to generate empirical data for this research work. The reasons for choosing Nepal as a case study country were: (a) it is the home country of the researcher and would be more convenient to do a case study there compared to any other third country; and (b) the timing and environment for such a study was seen relevant as the government of Nepal is embarking upon implementation of reforms that are consistent with the models of NPM.

1.7. Organization of this study

This research is organized into nine chapters. Chapter 2 explores the concept, objectives and factors influencing public management reforms in some developed countries. It summarizes the traditional theories of public administration and discusses why they are no longer considered relevant to the present society. The demand for new knowledge to satisfy the emerging needs of society and the deteriorating economic conditions of countries around the world led to an emergence of a new model of public administration, popularly known as NPM. It then presents the definition of NPM, its elements, and

theories. Since NPM is considered a reform model, it is important to explore issues of reform implementation. Finally, this chapter includes the emerging criticisms of NPM. The broad objective of this chapter is to satisfy the first specific aim of this research.

After the discussion of public management challenges, policy measures and strategy used to strengthen the operations of the government in some developed countries in Chapter 2, Chapter 3 discusses the public management reforms in some developing countries. This chapter presents the characteristics of the developing countries, explores the challenges in public management and discusses reform initiatives by comparing them with the model of NPM. This chapter particularly aims at satisfying the specific aim established in (b) of section 1.3 of this chapter.

Chapter 4 presents background information on the Nepalese economy and administrative systems. Since the data for this research is collected from Nepal, it is important to review the public management challenges facing the country. It is also important to reveal that most of the public management challenges faced by Nepal are similar to some other developing countries, and consequently any solution identified in this research probably would be relevant to some other developing countries.

Chapter 5 establishes the theoretical framework for this research. The theoretical framework concentrates on addressing the main objective of this research, i.e., the applicability of NPM to Nepal and some other developing countries. The term 'applicability' is defined to describe the usefulness of NPM to Nepal, and the term 'usefulness' is determined based on the perceptions, feelings and beliefs of the stakeholders. Pollitt's (1995) model of NPM is used to test the applicability of NPM to Nepal and developing countries. While the applicability of NPM model may be influenced by many factors, including cultural, economic, bureaucratic and political factors, this research explored the influence of bureaucratic and political factors on the applicability of NPM to developing countries.

Chapter 6 is devoted to the discussion of the research design and methodology used in this research. It discusses the overall research approach used in this study, data collection methods, population and sampling procedures, research questionnaire and the procedures adopted for data analysis. This research is primarily a quantitative study. Descriptive statistics, t-test and chi-square analyses are conducted to answer the applicability of NPM to developing countries. Correlation and multiple regression are used to explore the relationship of bureaucratic and political factors to the applicability of NPM to developing countries. Structural equation modeling is used to confirm that the factors generated by an exploratory factor analysis best fit the data and to confirm that the construction of a factor is valid. The qualitative methods are only used to support the argument and help the interpretation of the research findings.

Chapter 7 explores the results of the research. It first calculates the respondents' score on each item of the questionnaire using descriptive statistics. Since the data were collected from two main groups of people, i.e., government and non-government employees, the t-test analysis is used to find any significant difference between the two groups on items measuring the applicability of NPM. Chi-square tests of significance are conducted to explore any significant differences based on demographic variables. The results of the exploratory factor analysis, correlation, multiple regression and structural equation modeling are then presented. This chapter is to satisfy the three specific aims (c, d and e) of this research explained in section 1.3.

Chapter 8 discusses the results of data analysis explored in Chapter 7. While leading the discussions, two important points are taken into consideration: (a) theoretical contribution, and (b) practical implications. The findings are compared with the existing theoretical knowledge in the academic literature and the discussion either supported or refuted the arguments based on the findings of this research. Secondly, it explores the significance of research findings in a Nepalese context and provides practical recommendations for future reforms in Nepal.

Chapter 9 presents the conclusions from this research, its implications for the academic literature, limitations and areas for future research in the field of this study. It presents recommendations for future reforms in Nepal.

1.8. Conclusions

This chapter presented the research background, general and specific aims of the study, significance of the study, the contribution expected from this study, the scope of the study and the general outline (organization) of this thesis. The next chapter presents the literature review for this study.

CHAPTER II

LITERATURE REVIEW

2.1. Introduction

Chapter II presents a review of literature in the areas of public management reforms. It discusses the concept of public management reforms, its objectives, reasons for reforms, theories of public administration, emergence of New Public Management (NPM), philosophies and elements of NPM, implementation of reforms, evaluation of public management reforms and emerging criticisms of NPM.

The literature review is organized into twelve (12) sections. Section 2.2 defines what public management and public management reforms mean. Section 2.3 presents the objectives of public management reforms. It argues that the main objective of public management reform is to improve efficiency and effectiveness in the government; however, the objective could be different depending upon each country's specific situation. Section 2.4 discusses the reasons for public management reforms and concludes that among the many factors, financial pressure was the dominant one in most of the OECD countries. Section 2.5 presents the traditional theories of public administration and the problems inherited in these theories. Section 2.6 discusses the emergence of New Public Management (NPM) and defines what NPM means. It argues that there is no complete agreement as to what NPM is, though there are some common points as to the make-up of NPM. Section 2.7 describes the principles of NPM, particularly the theories of managerialism, public choice theory, agency theory and the theory of institutional economics and its contribution to NPM. It argues that NPM does not have its own theory of origin. The theoretical basis was derived from the above theories, which are not new. It is the 'mix' of these theories in a new global context that is certainly new, and which has been the basis of NPM. Section 2.8 elaborates the elements of NPM. It describes these elements and the international experiences of how they have been used in reforming the

governments. It argues that countries differ in the use of these elements, and there is no convergence as to the best use of the elements. Section 2.9 presents the strategic issues to be considered while implementing reform programs. Section 2.10 discusses the problems of evaluation of public management reform programs. Section 2.11 presents the emerging criticisms of NPM. It groups the critical arguments into three important points: (a) internationalization of NPM (b) the philosophical base and the body of knowledge, and (c) the results and affects of NPM in reforming the public sector. Some arguments forwarded by researchers were compiled and discussed. Section 2.12 presents the concluding remarks of this chapter.

2.2. The meaning of public management

The study of 'public management' has received wide attention in the last two decades, both in developed and developing countries. The subject has recently been known by various acronyms, including, public management, new public management (NPM), managerialism, market-based management, and entrepreneur government, to note just a few. Kettl (2000a, p.1-2) in the book *The global public management revolution* argued that the reform movement has “spread around the world” and was “sweeping in scope”. Not only has the subject become popular, it has also become more controversial than any other subject within the broader field of public administration (Hughes, 2000). The subject is popular because it has suggested ideas and principles for making government effective and efficient. Many countries around the world, including the less developed countries like Nepal are embarking upon making governments 'works better and cost less', follow the broader framework of the new public management model. In such cases reform initiatives that originated in western countries crossed the international boundaries (Aucoin, 1990; Boston et. al, 1996; Hughes, 1998, Kettl, 2000a). Nevertheless, NPM is controversial because the ideas and principles forwarded by the proponents of New Public Management are contested by many authors (Alford, 1997; Considine, 1997; Hood, 1995; Maor, 1999; Minogue, 2000; Painter, 1997). Lynn (1998) argues it will fade away soon.

Public management sought a revolutionary change, which is different from the traditional language of public administration that emphasized rules, procedures, and stability. The new public management language placed more emphasis on change, decentralization, responsiveness to customers, performance, transparency, accountability, de-bureaucratization, de-politicization, etc. Words, such as 'public administration' and 'administrator' have started being replaced by words such as 'public management' and 'manager' respectively in the process of change (Hughes, 1998). As Boston, et al. (1996, p.2) argued

although the rhetoric might have varied around the world, most of the recent efforts at governmental reinvention, restructuring, and renewal have shared similar goals - to improve the effectiveness and efficiency of the public sector, enhance the responsive of public agencies to their clients and customers, reduce public expenditure, and improve managerial accountability. The choice of policy instruments has also been remarkably similar: commercialization, corporatisation, and privatization; the devolution of management responsibilities; a shift from inputs controls to output and outcome measures; tighter performance specification; and more extensive contracting out.

Meaning of public management

Boston et al. (1996, p.viii) further noted that the term public management “refers to both the location and the nature of management activity”. It refers to maximum utilization of resources towards desired results, both at the macro and micro-levels of the public sector. In other words, public management refers to the capacity of the government to make and implement policies, the effectiveness of the government’s programs, and the effectiveness of the government institutions that provide services to the people. The United Nations Development Programme (UNDP, 1995) regarded the term public management as synonymous with governance, which meant the exercise of political power to manage a nation’s affairs. Public management is not only the management of the public sector, but covers “broader issues of governance, including the effectiveness of the policy-making machinery, the provision of information, the relations between levels of governments, and the consequent implications for the interaction between the government and the rest of the community” (OECD, 1998, p.5). Pollitt and Bouckaert

(2000) argued that public management may be used in explaining the activity of public servants and politicians, structures and processes of executive government and it may mean the systematic study of either activities or structures and processes. Taking all these into account, it can be argued that, public management covers what the government does for the private sector as well as for the civil society. It covers the executive, legislative and judicial branches of the government.

Meaning of public management reform

Reform means changing established bureaucratic structures, behavior and practices. As Caiden (1991, p.41) noted administrative reform means “the artificial inducement of administrative transformation against resistance”. Pollitt and Bouckaert (2000, p.3) argued that “public management reform consists of deliberate changes to the structures and processes of public sector organizations with the objective of getting them (in some sense) to run better”. The key word for reform is ‘change’; a change for improvement compared with before. Public management reforms mean questioning everything that government does. It is asking about why governments do this work, whether there is a need to do this work, can somebody else do this work better, can it be done in a different way, and can it be done more efficiently and less expensively. The underlying philosophy of reforms is to improve the level and quality of services to the people of the country in a cost-effective manner. It is to do more with less, and to improve the effectiveness of the government machinery. It is bringing about ‘change’ to achieve better results.

Armstrong (1997) noted that reform could be viewed at three different levels: (a) instrument settings, *adaptation and fine-tuning of accepted practices*, such as introducing or improving a performance measurement process; (b) instruments themselves, *adoption of reform instruments or techniques*, such as providing services electronically; and (c) comprehensive or fundamental reform, *the hierarchy of goals behind policy and ideas which comprise the framework and guide action*, such as devolution of employment services to another jurisdiction or autonomous agency. Brunsson and Olsen (1993) suggested that reform could be: rationalization (streamlining, downsizing); power shift

(change in leaders, political parties, ideologies); and democratization (empowerment, decentralization, deregulation). Reform could be at macro and micro levels. Macro reform may include major restructuring, whereas micro reform includes improvement and fine-tuning of existing systems and procedures. It could be concluded that public management reform covers all aspects of government functions, including its roles towards the private sector and civil society.

2.3. Objectives of public management reforms

The objective of public management reform program is to make government more effective and efficient. The OECD survey revealed that the goals of reform in most countries were to increase economy and effectiveness (OECD, 1999b). It may include improving organizational performance, improving job satisfaction, clarifying personal and organizational responsibility, improving accountability and transparency, making government more responsive to the need of the public, and improving the quality of service of the government. The goals could be to raise the quality of the public services delivered to the people and enhance the capacity of the government machinery to carry out the core functions of the government in a cost-effective manner. The objective of reform may differ from one country to another. For some it could be reducing the role of state whereas for others it could be to improve financial management. It all depends upon each country's needs, priorities, opportunities and capabilities. It is imperative to have a clear vision of objectives, plans and programs as the success of a reform program is normally measured against established objectives.

2.4. Reasons for public management reforms

Why has public management reform become so important for governments in the last two decades? What were the pressures that forced governments to implement reforms? Probably, the best answers to these questions are found in the OECD literature. A survey in nine OECD countries (OECD, 1999b) revealed that the mounting pressures for reforms

were: over extended and unaffordable government; the mounting fiscal pressures on governments; the new shift in the role of government; questions raised by citizens and stakeholders about the optimum size of government; the global influences and the international environment; the increasing levels of citizen's expectation; international and internal pressures and the research and learning from research institutes, academicians and researchers. There is a need for the governments to keep up with a changing society. Trust in government is declining. Barnes & Gill (2000, p.1) noted that "in 1964, 75% of the American Public believed they could trust their government to do the right thing most of the time - by 1995 only 15% did so. New Zealand studies reflect a similar trend. In 1985, 8.5 % of New Zealanders has a great deal of confidence in their government. By 1998 this had fallen to 2.5 %".

Furthermore, the new pressures generated by social, political, economic changes in the international markets demanded a new role of government (OECD, 2000a). The global factors, such as privatization, development of information technology, urbanization, a rapidly growing culture of self-interest, individualism, socio-economic inequalities, deteriorating environmental situations and most importantly the threats and opportunities brought by globalization warrant governments to make changes in their traditional administration. As to the opportunities and challenges brought by globalization, the Secretary-General of United Nations (Annan, 2000, p.9-10) noted

we know how profoundly things have changed. World exports have increased tenfold since 1950, even after adjusting for inflation, consistently growing faster than world GDP. Foreign investment has risen more rapidly; sales by multinational firms exceed world exports by a growing margin, and transactions among corporate affiliates are a rapidly expanding segment of world trade. Foreign exchange flows have soared to more than \$1.5 trillion daily, up from \$ 15 million in 1973 when the regime of fixed exchange rate collapsed.... This is the world of globalization-a new context for and a new connectivity among economic actors and activities throughout the world. Globalization has been made possible by the progressive dismantling of barriers to trade and capital mobility, together with fundamental technological advances and steadily declining costs of transportation, communication and computing. Its integrative logic seems inexorable, its momentum irresistible. The benefits of globalization are plain to see: faster economic growth, higher living standards, accelerated innovation and diffusion of technology and

management skills, new economic opportunities for individuals and countries alike. Few people, groups or governments oppose globalization as such. They protest against its disparities. First, the benefits and opportunities of globalization remain highly concentrated among a relatively small number of countries and are spread unevenly within them. Secondly, in recent decades an imbalance has emerged between successful efforts to craft strong and well-enforced rules facilitating the expansion of global markets, while support for equally valid social objectives be they labor standards, the environment, human rights or poverty reduction, has legged behind.... Globalization has come to mean greater vulnerability to unfamiliar and unpredictable forces that can bring on economic instability and social dislocation, sometimes at lightening speed.... There is a mounting anxiety that the integrity of cultures and the sovereignty of states may be at stake. Even in the powerful countries, people wonder who is in charge, worry for their jobs and fear that their voices are drowned out in globalization's sweep...If we are to capture the promises of globalization while managing its adverse effects, we must learn to govern better, and we must learn how better to govern together.

According to OECD (1998, p.9), the most important drivers of the public management reforms over the last 10-15 years have been a set of concerns that:

- The level of taxation, the budget deficit and/or public debt was too high, and could become even worse if no action were taken;
- Government programs too often failed to achieve their objectives and/ or were not cost effective so that they did not represent value for money;
- The administrative machinery was not sufficiently responsive to the needs of clients including ministers themselves; and
- Government itself was part of the problem, having become too big and too intrusive.

As noted earlier, the reasons for reforms may vary from country to country. In Australia, Sedgwick (1996), the then Secretary of the Commonwealth Department of Finance, noted that the following factors have been the drivers for public management reforms in Australia:

- Fiscal constraints imposed by the state of the economy;
- Pressures on all sectors of the economy to perform at their best so as to support rising living standards;

- Increasing and changing demands from citizens and government for new and improved services and high quality policy decisions;
- Demands for high ethical standards and accountability; and
- Increasing contestability of public services and opportunities from advances in technology (also see O'Neill and Hughes, 1998).

In Australia, “it (reform) began in the 1970s, when the long undisturbed Australian Public Service (APS) was confronted with a major review process and a set of administrative law reforms. Soon after gaining office, the Hawke Labor Government (1983-1991) introduced radical administrative reforms, under the influence of economic rationalists, who were the dominant professional group in APS management and who advocated ‘managerialism’, ‘commercialization’, ‘deregulation’, ‘corporatization’ and ‘privatization’ as their key reform strategies” (Dixon, 1996, p.62). A series of actions were undertaken since the government tabled a White Paper named, *Reforming the Australian Public Service* in late 1983, which shifted the policy direction away from bureaucracy towards generic management for improved performance in the public service. The Public Service Reform Act of 1984, restructuring of government departments in 1987, Financial Management Improvement Program (FMIP) in 1988, an evaluation of public management reform program by a Task Force on Management Improvement in 1992 and the adoption of the Public Service Act 1999 are some of the developments in the public management reform program in Australia (refer Laffin, 1996; Meek, 2001; OECD, 2001; Task Force on Management Improvement, 1992)

In the UK, Ackroyd (1995) claimed that the ‘centralized welfare state’ (1950-1980), which worked so remarkably well had to detach itself from the provision of welfare services, and to move to ‘decentralized managed provision’ (1980-1995) because of the growing cost of the increasingly centralized Welfare State. It was the Thatcher administration that initiated macro-economic reform and restructured the public service with the objectives of increasing productivity and encouraging economic growth (Ray, 1999).

In New Zealand, the Labor Government that came into power in 1984 started revitalizing its economy by introducing a series of public management reform measures. The fiscal problems were the most dominant factor for the sweeping public management reforms. "By 1984 the annual budget deficit was \$3 billion and public overseas debt was above the \$8 billion mark. The government elected that year faced a number of crises. Most seriously, the country was bordering on bankruptcy and it appeared that the only solution was swift and radical reform of both the economy and the State" (State Services Commission, 1996, p.4).

In the United States, it was more to improve the services. Halachmi (1997, p.237) reported that "in the United States reforms have evolved many times not from a hasty action but from careful studies and deliberations by the best minds a government can assemble. These reforms have come from the voluminous reports and proposals that have been produced by the Hoover Commissions (1947-1955), the Ash Commission in 1971, and The Gore Report on Reinventing Government in 1993". Along with the Clinton and Gore National Performance Review program launched in 1993, the Government Performance and Results Act (GPRA) can be considered as an important dimension of reform in the United States in the 1990s. The Government Performance and Results Act (GPRA) requires agencies to measure performance and results, which would require agencies to develop specific goals, plan resources and assess the progress of programs. Customer satisfaction, employee satisfaction and getting results have been the driving force for public management reforms in the United States (Newland, 2001; OECD, 2001a). The Bush administration is also trying to make the government citizen-centered, results-oriented and market based (Breul, 2001).

In developing countries, the budget deficit and increasing public debt are two most important catalysts of reform. For example, in Nepal, the budget for the year 1999/2000 estimated that about 57 percent of the total expenditure is to be met by domestic revenue and 43 percent by foreign grants, loans and domestic borrowings (Acharya, 1999). The ratio of outstanding loans to GDP has been 62 percent as of 1995/96 and the debt service to regular expenditure was about 31 percent (MoF, 1998).

In addition to the above identified forces that have influenced public management reforms in the developing countries, the international aid agencies such as the International Monetary Fund (IMF) and the World Bank, induced some reform programs by withholding aid funds, setting 'conditions' to aid and loan programs or by providing finance to support reform related projects (Harrigan, 1998; United Nations, 1998a).

2.5. Public management: Theoretical perspectives

A brief analysis of traditional model of public administration is important in this study because many developing countries still follow it. It also builds an understanding how public administration has changed over the period of time. Therefore, the following section describes in brief the traditional model of public administration and identifies some problems associated with it.

Though the history of public administration can be traced back to the rise of civilization, or ever since there was some form of government (for example there were philosophers such as Aristotle in ancient Greece, Confucius in ancient China, and Machiavelli in mediaeval Italy who commented on government), the modern conception of a bureaucratic state and the theories of public administration is a phenomenon of mid-nineteenth century. Among the popular proponents of public administration theories are the Northcote-Trevelyan Report (1854), Woodrow Wilson (1887), Frederick Taylor (1911), Luther Gulick and Lyndall Urwick (1937), and Elton Mayo (1930). The theory of bureaucracy by Max Weber (1947) is among the important theories in practice until now.

The early systems of administration were 'personal' based on loyalty to individual person (Hughes, 1998). Corruption and misuse of office for personal gains were among the main features of early administration. In the United States, there existed the *spoils* system of administration, in which the winning party determined the administration.

Beginning of the traditional public administration

Hughes (1998) noted that perhaps the beginning of the 'traditional' model of public administration could be attached to the coming of the Northcote-Trevelyan Report submitted in 1854 in Britain. Major recommendations of the Report were as follows:

- The public service should be carried out by the admission into its lower rank of a carefully selected body of young men through the establishment of a proper system of examination before appointment;
- The abolition of patronage and the substitution of recruitment by open competitive examinations under the supervision of a central examining board;
- The reorganization of office staff of central departments in broad classes to deal with intellectual and mechanical work respectively; and
- Filling higher posts by promotion from inside based on merit.

The recommendations of this report were adopted slowly and these ideas influenced in the United States as well (Hughes, 1998). Woodrow Wilson observed that Americans had "just begun purifying a civil service which was rotten full fifty years ago" (Wilson, 1887, p.16). He argued that there should be a strict separation of politics and administration, and separation of policy from administrative tasks. The Progressives pressed for a more interventionist state, a neutral public service, with competent members in the public service, and with sound financial management systems in place. This theory was generated to control the evils of the *spoils* system of administration that prevailed in the United States at that time.

Max Weber's theory of bureaucracy

Max Weber's (quoted in Hughes, 1998), 'theory of bureaucracy' was most influential in shaping the administrative structure of government's administration, and remained very sound and popular until the third quarter of the twentieth century. His six principles of bureaucracy were summarized as follows (Hughes, 1998).

- The principles of rules and regulations governing the bureaucracy;

- The principles of hierarchy of office: i.e., there exists a firmly ordered system of super-and subordination in which there is a supervision of the lower offices by the higher ones;
- The principles of office management: i.e., the management of the modern office is based upon written documents, which are preserved. In general, bureaucracy segregates official activity as something distinct from the sphere of private life;
- The principle of specialization: i.e., office management is a specialized function and need thorough and expert training to run it; it cannot be done without specialization at work;
- The principle of permanency: i.e., official activity demands the full working capacity of the official. It cannot not be treated as a secondary activity; and
- The principle of continuity: i.e., management of the office follows general rules, which are more or less stable, more or less exhaustive and can be learned. It would be applied in the same way, whoever occupied the particular office.

Weber stressed the need for a systematized bureaucracy, as society was getting more complex than before. He stressed the shift from personal and informal organization to a bureaucracy that was distinguished from a hierarchical organization, staffed by trained employees who had official duties to carry out, applying the specified rules and regulations over a specific function to be performed within the given authority. Max Weber's theory of bureaucracy, reforms in Britain after the Northcote-Trevelyan Report, and Woodrow Wilson's theory of separation of administration from politics were combined together to form a strong and acceptable public administration system in America, Britain and Europe, and in other countries for the most part of the twentieth century.

Taylor's Scientific Management

In addition to the work of these authors, Frederick Taylor (1911) advocated the Principles of Scientific Management in which he emphasized, "in each element of each trade there

is always one method and one implement which is quicker and better than any of the rest" (Taylor, 1911, p.25). Taylor's Scientific Management emphasized standardizing the workplace by establishing systematic management principles to manage work. Taylor emphasized that managers must perform key duties, i.e., develop a scientific basis for each element of men's work rather than applying the 'rules-of-thumb' and 'traditional knowledge' methods; train, teach and develop each employee rather than leaving them to learn themselves; classify the managerial and subordinate's work based on the principle of division of work and responsibility; and make sure that all the work has been performed in accordance with the principle of science which has been developed. It was a shift from an unplanned to a planned system, in which managers have to systematically and scientifically plan the work the way it should be carried out effectively. Work is classified in terms of tasks, which Taylor (Taylor, 1911, p.39) called "perhaps the most prominent single element in modern scientific management"; and the task must specify not only what is to be done but also how it is to be done and the exact time allowed for doing it. Defining such tasks is the responsibility of management. The scientific management paradigm suggested the establishment of many rules, laws and formulas, which replaced the judgment of the individual worker. It was believed that the adoption of scientific management would increase the productivity of each individual industrial worker and the 'principles' were equally applicable in other areas, including government departments.

Fayol's contribution to management theory

Fayol (1841-1925) made a significant contribution to the theory of management. He addressed the elements necessary for organizing and managing an organization. While his work, *Administration Industrielle et Generale* was published in France in 1916, its popularity gained when the work was translated into English in 1949. While Fayol's theoretical contribution was guided by six major principles – technical, commercial, financial, security, accounting and managerial – the major emphasis was on the managerial principle (Shafritz and Russell, 2000). The managerial principle addressed the importance of variables, i.e., division of work, authority and responsibility, discipline in

organization, unity of command, remuneration of personnel, centralization, scalar chain of command, equity, order, stability of personnel tenure, initiative, and *esprit de corps* in the organization (Fayol, 1916).

Human Relations Theory

In the 1930s, Elton Mayo, among others contributed a 'Human Relations' approach to management that emphasized the social aspects of human being. After the 'Hawthorne experiments', a group of psychologists including Mayo argued that productivity increases when adequate attention is paid to the workers, and their feelings, values and social backgrounds.

The Theory of Organization

Gulick and Urwick (1937) came with a theory of organization in which they suggested the following principles for running an organization.

- The principle of division of work and specialization (dividing tasks based on skills and capacity);
- The principle of homogeneity (combining related tasks logically);
- The principle of unity of command (subordinate should receive instruction from one supervisor);
- The principle of accountability (accountability remains at the top);
- The principle of delegation of authority (task should be assigned to subordinates);
- The principle of span of control (number of staff reporting to a manager); and
- The staff principle (line and staff relationships).

They further advocated the concepts of POSDCORB, which stood for Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting, and these became the backbone for managing an organization at that time.

All these philosophies, theories and principles contributed to formation of a strong traditional public administration that was successful and effective for the most part of the twentieth century (Hughes, 1998). These theories were successful because of their superiority over the earlier model of administration that was based on personal patronage.

Problems with the traditional theories of public administration

Although the traditional model of public administration was a great improvement over the personal and patronage system of administration that was dominant prior to that, this type of government administration was inadequate to deal with the new demands of society. Hughes (1998, p.22) described the traditional model of public administration as "an administration under the formal control of the political leadership, based on a strictly hierarchical model of bureaucracy, staffed by permanent, neutral and anonymous officials, motivated only by the public interest, serving any governing party equally, and not contributing to policy but merely administering those policies decided by the politicians". So this type of administration was found to be inadequate to cope with the expectations of the modern society for the reasons discussed below. A clear-cut distinction between the political leadership and bureaucrats was not realistic and possible (Behn, 1998; Hughes, 1998). The modern public service needs to perform a role of policy-making as well as implementing the policies designed in cooperation with the political leadership. Traditional public administration ignored this phenomenon and supported the view that a public servant's role is to implement given policies. This obstructed the innovative behavior of the employees. The Weberian model of bureaucracy is obsolete as it breeds timeservers not innovators, it encourages administrators to be risk-averse rather than risk-taking, and to waste scarce resources instead of using them efficiently (Hughes, 1998). Behn (1998) argued the specialization of task created a problem of coordination in the organizations. Hierarchical rules and regulations and its formal behavior produced bureaucratic pathologies, such as unresponsiveness, delay, red tape, and inflexibility. It is now increasingly realized that bureaucracy is not only the means for providing direct services. Governments can forge partnership with other providers, such as the private sector and the civil society for

improving services. The notion of a career-based full time staff pronounced by the Weberian model seemed to be replaced by a flexible and contractual employment because that was no longer appropriate for the delivery of services in many countries.

Historically, governments have been the sole authority for managing the social, economic, and political affairs of their respective countries. In the late eighteenth century, Adam Smith's model of Laissez Faire government focused on small government and emphasized retaining core functions, such as education and defense. The World Development Report (1997) observed that the dramatic events of World War I, the Russian Revolution of 1917, the Great Depression of the 1930s and World War II resulted in expanding the role of the state in industrial countries, and most developing countries in Asia, the Middle East, and Africa came out of the colonial period with a strong belief in state-dominated economic development. By the 1960s states had become involved in virtually every aspect of the economy, administering prices and increasingly regulating labor, foreign exchange, and financial markets (World Bank, 1997).

Many socialist countries pursued a path of state-dominated industrialization for their economic development in the belief that the surplus generated by the industrial sector would 'trickle down' to other sectors of the economy. The concept of a Welfare State was dominant in the 1960s and '70s (World Bank, 1997).

The failure of the 'trickle down theory', increased costs of the Welfare State regime, the rapid proliferation of new technologies, globalization, and the failure of centrally planned economies, etc., could be argued to be important points that led to a shift in the role of the government in the early 1980s. Governments started realizing their failure to provide the services expected by people and started to adopt market-friendly strategies for strengthening the economy. It was a return to free markets- a belief that private ownership and competition would promote efficiency and national development. State dominated development failed (World Bank, 1997) because many countries were not able to meet the demands of a changing globalized world economy.

The OECD (1995) argued that the traditional model has become inadequate because: unchanged governance structures and classic responses of 'more of the same' are inadequate for maximizing economic performance and ensuring social cohesion; highly centralized, rule-bound and inflexible organizations emphasize process rather than results impeding good performance; extensive and unwieldy government regulations restrict the flexibility needed in an increasingly competitive international market-place; large government debts and fiscal imbalances of the welfare regime warrant governments to be more cost-effective in the allocation and uses of resources; and the demographic changes, economic and social developments enabled citizens to ask for a greater say in what governments do and how they do it.

Hughes (1998) noted three important problems with traditional public administration: the model of political control was inadequate and illogical; unlike Weber, the theory of bureaucracy was no longer universally seen as providing the technical efficiency required; and there was criticism from the Right as part of the argument advanced against bureaucracy as an idea, it being something that took away freedom and was inefficient compared to the market. Basically, it was an attack on the politics, the structure, functions and the methods used by the government to provide services.

Behn (1998, p.1) commenting on the failure of the old system noted that "the traditional method for organizing the executive branch of government is too cumbersome, too bureaucratic, too inefficient, too unresponsive, and too unproductive. It does not give us the results we want from government. And today, citizens expect government to produce results. They are no longer tolerant of inefficiency or ineffectiveness. Thus, we need a new way of doing business, a new paradigm for the management of government". To deal with these problems, a reinvention is needed - a shift from rigid, hierarchical, bureaucratic form of public administration to a flexible and market-based public management; a transformation from a centralized government to a decentralized government that encourages private sector participation in national development; a reappraisal of what governments have done so far and re-examination of their institutions, functions, programs, policies and regulations (refer Atreya, 2001a).

With this, it could be concluded that the traditional public administration in an era of the welfare state was justified because it allowed greater intervention in all sectors of the national economy to correct market failure and to provide the necessary services to people. The last two decades witnessed its failure due to its unresponsive nature, over-extension of its scope and the methods that employed were defective to serving the people. The pendulum had swung from the old administration to new public management, which is also a shift from state-dominated government to a market-led government.

2.6. Emergence of New Public Management (NPM)

As the traditional model of public administration came under question, politicians, bureaucrats, researchers and academicians searched for that which would make government more effective and efficient. The period of 1960s and 70s was noted as the age of 'eclecticism', a period characterized by many studies by academicians as a time of strengthening the government through policy initiatives (Gray and Jenkins, 1995). In this process, two major streams of thought emerged. One was led by the economists, characterized as 'new institutional economics'; and, another by the managerialists known as 'managerialism' (Aucoin, 1990; Hood, 1991). Economists argued for the introduction of economic rationale in the operations of government, whereas the managerialists argued for introducing the professional management techniques of the private sector into the public sector. Many reform doctrines emerged based on these theories. Economic rationalists argued that "the government was the economic problem restricting economic growth and freedom" (Hughes, 1998, p.10) and advocated the doctrine that less intervention by government and the use of markets would improve economic efficiency. They argued that the traditional bureaucratic model did not provide an equivalent structure of incentives and rewards to those of the market and advocated that individuals should have maximum choice for both individual freedom and efficiency reasons.

The managerialists advocated that the private sector management principles and practices would solve many of the bureaucratic problems of the public sector. It was believed that commercialization would lead to a change in culture, values and skills of managers, and that this would improve the performance of the agencies. Probably, managerialists' philosophies gained strength from the work of Peters and Waterman's (1982) publication *In Search of Excellence* which showed that the best-managed American companies had organic structures, humanistic management styles and a supportive cultural environment. In this process of finding the government model that works best, scholars have come up with a new model, known as NPM (Hood, 1991), which has been regarded as a set of doctrines for public management reforms in many countries.

What is NPM? Many authors (Borins, 1995; Dunleavy, 1997; Flynn, 1995; Gore, 1993; Gruening, 1998; Hood, 1991; OECD, 1995; Osborne and Gaebler, 1992; Pollitt, 1995) have forwarded different arguments as to the make-up of NPM. For example, Hood (1991) has forwarded seven interrelated points for the make-up of NPM. These included: hands-on professional management; explicit standards and measure of performance; greater emphasis on output controls; a shift to disaggregation; a shift to greater competition; a stress on private sector styles of management practice; and discipline and parsimony in resource use. Hood proposed NPM as an administrative philosophy for governments that would be results-oriented and productive. Borins (1995) argued that NPM is a normative reconceptualization of public administration consisting of several inter-related components: providing high quality services that citizens value; increasing the autonomy of public managers, particularly from central agency controls; measuring and rewarding organization and individuals on the basis of whether they meet performance targets; making available the human and technological resources that managers need to perform well; and, appreciation of the virtues of competition, maintaining an open-minded attitude about which public purposes should be performed by the private sector, rather than the public sector. According to Dunleavy (1997, p.17) "new public management is the domesticated, de-politicalized version of 'new right' or 'market liberal' policy analysis, made somewhat technical, consensual and generic..."

NPM has become a generic label for a group of policy and administrative solutions emphasizing competition, disaggregation and incentivization".

The OECD (1995) claimed that a new paradigm has emerged in the field of public management and identified the following characteristics as a shift to new public management:

- A closer focus on results in terms of efficiency, effectiveness and quality of service;
- The replacement of highly centralized, hierarchical organizational structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope of feedback from clients and other interest groups;
- The flexibility to explore alternatives to direct public provisions and regulation that might yield more cost effective policy outcomes;
- A greater focus on efficiency in the services provided by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations; and
- Strengthening of strategic capacities at the center to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically, flexible, and at least cost.

In the same way, Pollitt (1995) noted the following make-up of NPM.

- Cost cutting, capping budgets and seeking greater transparency in resource allocation (including activity or formula-based funding and, most recently, a shift to accruals accounting).
- Disaggregating traditional bureaucratic organizations into separate agencies ('executive agencies'; 'government business enterprises'; 'responsibility centers'; 'state owned enterprise' etc.) often related to the parent by contract or quasi-contract ('performance agreement'; 'framework document', etc.).

- Decentralization of the management authority within public agencies (flatter hierarchies).
- Separating the function of providing public services from that of purchasing team.
- Introducing market and quasi-market type mechanisms (MTMs).
- Requiring staffs to work to performance targets, indicators and output objectives (performance management).
- Shifting the basis of public employment from permanency and standard national pay and conditions towards team contracts, management related pay (PRP) and local determination to pay and conditions.
- Increasing emphasis on service 'quality', standard setting and 'customer responsiveness'.

Osborne and Gaebler (1992), in their popular work *Reinventing Government* proposed ten strong principles for making government entrepreneurial. They include the following:

- Steering rather than rowing;
- Empowering rather than serving;
- Injecting competition into service delivery;
- Transforming rule-driven organizations;
- Funding outcomes, not inputs;
- Meeting the needs of the customers, not the bureaucracy;
- Earning rather than spending;
- Prevention rather than cure;
- From hierarchy to participation and team work; and
- Leveraging change through the markets.

The Gore report entitled *From Red Tape to Results: Creating a Government that Works Better and Costs Less* (1993) proposed four key principles for reshaping the government.

They included:

- Cutting Red Tape;
- Putting Customers First;

- Empowering Employees to Get Results; and
- Cutting Back to Basics: Producing Better Government for Less.

Gruening (1998) summarized the elements discussed under the heading of NPM in the various literature and included the following as the unequivocal characteristics of the NPM. They are: budget cuts, privatization, separation of provision and production, contracting out, user charges, vouchers, customer concept, competition, flexibility, separation of politics and administration, accountability for performance, decentralization, performance measurement, improved accounting, improved financial management, performance auditing, strategic management, changed management style, personnel management (incentives), more use of information technology. Gruening (1998) also listed the following characteristics of NPM, which are often but not unequivocally mentioned in the literature. They are: legal budget/spending constraints, improved regulation rationalization of jurisdiction, streamlining of administrative structures, policy analysis and evaluation, democratization and citizens participation. This shows that the NPM reform has covered a wide range of subjects.

The above discussions showed that there is neither complete agreement as to what NPM is nor to the make-up of NPM, though there are many common points. However, a common agenda for all authors has been to make government effective and responsive to citizens' demands. Basically, a new paradigm that emphasized mission, disaggregation of large bureaucratic organizations into smaller compact organizations, focus on outputs rather than inputs, value for taxpayers' money, authority devolved at the point of service delivery, flexibility, customer responsiveness, introduction of competition in the public service, and strengthened accountability and transparency, was the instrument used by many countries for reinventing governments (Atreya, 2001c).

2.7. Principles of New Public Management

The 're-invention' of governments in the developed countries and 'invention' of governments in most of the developing countries in the last two decades appeared to be guided by a set of common principles. These common principles came from at least two main strands. One was the managerial practice of the private sector, popularly known as 'managerialism'. Another from the field of economics, notably public choice theory, agency theory and transactional costs theory, was more influential in shaping the new public management (Hughes, 1998; Boston et al., 1996). The concepts of these theories are discussed in the following section.

Managerialism

It has been increasingly believed that the private sector management principles and practices (such as performance management, customer service, contract management, quasi markets, pay determination flexibility) are applicable to public agencies (Dixon and Kouzmin, 1996; Dixon, 1996) and that application of these principles and practices will provide answers to many of the problems of the institutional effectiveness of the public agencies. It was also believed that the shift from bureaucratic organizations to commercial ones would lead to a change in the structure, values, culture and skills of managers in the public agencies that would support innovation, quality service, transparency, creativity, initiative, adaptability, and teamwork in the public service (Dixon et. al., 1998). Arguably, it was viewed that governments can work like a business enterprise using the principles and practices of private enterprises.

The ideology of managerialism "rests upon the assumption that better management (rather than better policies, new technologies, or different kinds of constitutional arrangements) offers our societies the best chance of material progress. It also assumes that 'management' is a distinct and separate activity, and one that plays the crucial integrative role in bringing together plans, people, and technology to achieve desired results" (Pollitt, 1998, p.47). Pollitt (1998) argued that managerialism must be evaluated

from three distinct aspects: first as an ideology, second as a rhetoric and third as a set of practices. Since it is a complex ideology expressed in different rhetorical ways "any overarching judgment as to whether managerialist practices 'work' is likely to conceal as much as or more than it reveals" (Pollitt, 1998, p.59). Boston et al. (1996, p.25) referred to "the essence of managerialism (that) lies in the assumption that there is 'something' called 'management' which is a generic, purely instrumental activity, embodying a set of principles that can be applied to the public business, as well as in private business".

The idea of managerialism gained currency when the economic agenda was linked to the political bureaucracy in the context of a weakening economy, and the need was felt for efficiency, marketisation, business culture, and 'value for money' in the public sector. It was assumed that the private sector 'values' and business practices support governments in the strategies of making them cost-effective. "Managerialism expects public managers to improve efficiency, reduce burdensome costs and enhance organizational performance in a competitive stake-holding situation" (Dixon, et al., 1998, p.164).

Uhr (1990, p.22) defined managerialism as "the pursuit of result-oriented systems of government management through streamlined processes of decision making designed to allow greater autonomy but also greater responsibility for the field or program manager".

Dixon et al. (1998, p.166) argue that managerialism:

- places emphasis on policy management and implementation rather than on policy development and design in public administration;
- stresses efficiency, effectiveness, as against process and equity, in the management of public resources (involving goal setting, performance benchmarking, performance measurement, performance feedback);
- advocates the use of private-sector management practices in the public sector;
- seeks to diffuse responsibility and to devolve authority, with the establishment of corresponding management responsibility and public accountability structures;
- shifts the public accountability focus from inputs and process to outputs and outcomes; and
- prefers to create a competitive public administration.

Countries, such as Australia, New Zealand, and United Kingdom have used the principle of managerialism as an instrument for public management reforms. These countries are using performance management, contracting-out government services, competitive tendering, customer services, and other business-like tools in the public agencies with a view to improving services to the people (Dixon et al., 1998; Dixon, 1996; Halligan, 1997b).

Public Choice Theory

Known by various names, social choice theory, rational choice theory, the economics of politics and public choice theory meant that “all human behavior is dominated by self-interest and would like to maximize benefits” (Boston et al., 1996, p.17). Public choice theory advocated that an individual acts as a 'rational actor' and should have more choices for individual satisfaction and efficiency reasons (Buchanan and Tullock, 1962). Hughes (1998, p.47) described the application of the concept of public choice to bureaucracy as “bureaucrats attempt to maximise their own utility, that is they aim to increase their own power, prestige, and security and income by using the hierarchical structure for their own ends instead of advancing the goals of the organisation.” Politicians are perceived to aim for more power and votes with their actions. Each individual is motivated by self-interest, and as a result bureaucrats, politicians and individuals may not work for the benefits of organization, constituents and for general people (Boston, et al., 1996; Hughes, 1998).

Several conclusions were drawn from the public choice theory. The role of the government should be as minimal as possible and is assumed to be as a facilitator, enabler, promoter and regulator. The role of the bureaucratic organizations should be minimum so that market mechanisms can flourish. Uncoupling the steering function of government from its operational role was another conclusion drawn on the basis that if policy and operational functions are combined together, it may lead to 'bureaucratic capture'. Politicians should be concerned with the management of strategic policy making, setting objectives and evaluating the implementation of those policies as

prescribed (Armstrong, 1998a; Aucoin, 1990; Dunleavy, 1997; Lane, 1997; Minogue, 1998; Osborne and Plastrik, 1997).

In the last decade, while the public choice theorists were opposing the ways governments were managed and resources were being used, western countries faced the problem of financial resource constraints in running their respective governments. This situation warranted these countries to change the way that government functioned and public choice theory seemed to become central to their administration (Aucoin, 1990; Boston et al., 1996; Hughes, 1998).

Agency Theory

Agency theory is based on an economic theory from the Chicago School (Trosa, 1997) that principals should be distinguished from agents. This theory (also known as principal-agent theory) mainly concerns the questions of incentives and accountability in public sector organizations. In the private sector, according to agency theory, the principals (shareholders in a firm, for instance) will be able to control their agents (managers of a firm) by providing sufficient incentives according to the contract made between principal and agent to motivate agents to work in the principals' interests. As Boston et al. (1996, p.18) insist "the agent undertakes to perform various tasks on behalf of the principal and in exchange the principal agrees to reward the agent in a mutually acceptable way". In the public sector, the principals cannot directly control their agents (bureaucrats for example) as in the private sector. In this situation, the principal-agent relationship in the public sector is indirect and complex, and consequently accountability in public organisations may not be effective.

Based on this theory, internationally, one of the experiments has been the separation of policy from implementation. Governments in this process have created agencies to deliver services, and have devolved more autonomy to agencies (OECD, 1995). Agencies are quasi-autonomous bodies within an organization. They normally have their own outcomes, defined targets and services, and arguably a separate legal status. They are

different from a department as each has a single purpose compared to the multi purposes of departments, are normally small in size, and focused on customers' satisfaction. The other development, based on this theory has been the 'contractual arrangement' in the public sector. As Boston et al., (1996, p.19) noted "a good deal of agency theory, therefore, is concerned with determining- given various assumptions about the information available to the respective parties and the nature of the task undertaken- the optimal form of contracting, including the best way of motivating agents (i.e. via rewards and sanctions)".

New Institutional Economics

Popularly known as transaction-cost economics or transaction-cost theory, this theory concerns with the transactional costs in the rule-bound hierarchical public organisations. Transaction costs refer to the costs of transaction in providing each service. Although it is also closely related to agency theory in many respects, the major imperative, as a separate theory concerns with the exchange of physical goods (Boston et al., 1996). Quoting Williamson (1985) they further explained (p.21) that transaction cost theory entails "an examination of the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures, e.g. government and market". This theory is more concerned with the mode of transactions such as contracting or market testing, or by in-house provisions. This theory focused on the reduction of transaction costs by applying contractual systems in the public service provision in contrast with the traditional hierarchical co-ordination mechanism and decision-making process. This reduces the cost of co-ordination between different public organisation and focuses on the results of the programs in a real sense.

Like agency theory, the idea behind the new institutional economics is that "people act in their self interest", i.e., taxpayers normally desire to get best services from the machinery of the government, but employees act on their self-interest rather than on the interest of the organization. Dixon, et al. (1998) argued that the institutional economist's concern is 'opportunism' in public administration- that is, self-serving (rent seeking), and even

deceitful and dishonest behaviors by bureaucrats, their clients and politicians. People are opportunist because the environmental uncertainty makes contracts incomplete, 'principals' cannot effectively monitor the behavior of their 'agents', who do not have identical interests and who have information that is not accessible to them.

Schick (1996) explained that the new institutional economics takes self-interest to its logical conclusion: all economic relations are implied, or are, explicit contracts between parties that have different interests but cooperate for their own purposes. But the very self-interest that motivates parties to contract means that contracts rarely are self-enforcing: one or both parties may seek to implement the bargain in ways that disadvantages the other. That is, they may behave opportunistically. Opportunistic agents may disregard obligations to principals and take self-serving actions at the expense of those they are obligated to serve.

Gruening (1998) who made a detailed analysis of the theoretical origin of each component of NPM concluded that if NPM is assumed to mean the public choice plus managerialism, it is an incomplete conclusion. He argued that NPM can be traced back to influences of public choice theory, management theory, classical public administration, neoclassical public administration, policy analysis, principal agent theory, property rights theory, the neo-Austrian school, transaction cost economics and the new public administration (NPA) and its succeeding approaches. Gruening (1998) noted that many of the components of NPM are not new, nor has it its own theory of origin; but the 'mix' of components that make-up the NPM, is certainly new.

The foregoing discussions suggested that the theoretical basis of NPM was derived from various sources, notably from the managerial principles followed by the private sector and from the economic rationales of public choice theory, agency theory and transactional costs theory. A compilation of these thoughts and philosophies construed the theoretical basis of NPM. Many of the components of NPM were present even in the traditional public administration system or could even be traced back to Adam Smith's work (for example the reduced role of the government). The re-birth of these

philosophies in a collective form, in a context of new economic pressures in most of the OECD countries, created new aspirations and hopes of reviving their deteriorating economic situations.

2.8. Elements of New Public Management (NPM)

It was found in section 2.5 that the make-up of NPM included several elements and that there is no complete agreement among the authors as to the components of NPM. This study chose the Pollitt (1995) model of NPM as a framework because it contained most of the elements described by other practitioners. The following section, therefore, discusses the elements of NPM as suggested by Pollitt (1995) and how some countries have used these elements.

Pollitt (1995) noted that there is a common core to modernization of the public sector. By the mid-1980s there appeared a remarkable degree of consensus among the political leadership of the OECD countries about what was wrong with the civil service. Pollitt identified the following elements of New Public Management (NPM), which are now proclaimed and practiced by the Western European and North American countries. An explanation of each element is as follows.

2.8.1. Cost cutting, capping budgets and seeking greater transparency in resource allocation

Cost cutting and downsizing was one of the elements of NPM. Its main objective was to make governments leaner, more effective, responsive and cost-effective (Armstrong, 1998a; Atreya, 2000a; Hood, 1991). Slower economic growth and higher inflation in the 1970s and its negative impacts on general people led countries to debate the *role and 'core' functions of the government; cutting costs and downsizing-* either by reducing employees and/or merging or cutting programs; *improving and controlling resource management* and bringing *transparency* in operations.

Reform experience from many countries showed that cutting costs had been the most dominant driver for reform. For example, with a view to reducing the governments' expenditure, Canada introduced Financial Management Initiatives in 1979 followed by a Program Review later on; Britain launched the Financial Management Initiative in 1982; Australia had Financial Management Improvement Program (FMIP); Big Efficiency Operations emerged in the Netherlands in 1986. New Zealand took several measures to control expenditure, such as application of user-pay, across-the-board cuts to most government departments, and cuts in welfare benefits (Boston et al., 1996). Reforms were aimed at capping expenditures in many OECD countries (Caiden, 1998). Departments were not allowed to exceed their limits. In Australia, efficiency dividends or annual savings on running costs was introduced. As reducing the deficits and balancing the budgets were the pressing needs for many countries, cost cutting was the key in all reform programs. Many of the cost cutting reform programs were related to savings, such as restructuring, downsizing, and privatization.

Reduction in staffing was another major activity geared towards saving costs. In the United Kingdom, staffing of the Civil Service has been reduced from around 750,000 in the 1970s to around 460,000 (May 1999), a reduction of around 40 percent (Wilson, 1999). In the United States, the Administration has cut the civilian Federal workforce by over 316,000 employees as of September 1997, creating the smallest work force in 35 years (National Performance Review, 1999). Various tools were used to reduce the work force. Jones (1998) noted that normal attrition, hiring freezes, transfer to other in-house position or other agencies, buyouts programs, outplacement programs and involuntary redundancies were the tools used by agencies to downsize the federal government employees in the United States, and with these tools more than the targeted size of civil service was reduced in the United States. In New Zealand, "staff numbers in the core Public Service have reduced by more than 60% over the past ten years - a reduction from 89,000 staff in 1987 to 33,000 staff in 1997. The major reduction (42,000, or 47%) took place in the five years from 1987 to 1992, when the major public sector reform occurred and many functions were downsized, or transferred to other sectors. There has been a further reduction of 14,000 staff in the past five years" (State Services Commission,

1998, p.6). Streamlining the organization was another activity taken to reduce the cost of the public service. Amalgamation of related departments, review of programs - such as prior options and program review in UK and Canada, commercialization, privatization, and contracting of services were among the instruments popularly used to downsize the public service. For example, in Australia, the number of departments was reduced by means of merging and/or abolishing some departments; 28 portfolio departments became 18 which covered all areas of government (Halligan, 1997b). Kemp (1998a, p.5) noted that

in the last seven years, from August 1990 to August 1997, the total workforce has expanded by 342,000, while public employment in Australia has declined by 257,000. This has occurred across all levels of government, with the Commonwealth leading the way with a reduction of 29%. State government employment, by far the largest sector, has dropped by 11% and local government by 7%. Some of this has occurred as governments have increasingly commercialized, completely or partly privatized, or outsourced functions that are either commercial by nature, or not the core business of government. In 1990 public employment in the Australian Public Service (APS) comprised about 2.4% of the total workforce. In 1997 that had reduced to 1.9%. The underlying size of the APS - after the impact of transferring functions out of the APS - has reduced from 156,654 in 1987 to 126,390 at the end of 1997. Under our Government the APS has reduced in size by almost 12% between June 1996 and December 1997.

These reforms accounted for the recovery in budgetary situations. While the fiscal deficits of the welfare state were undeniable and required to be resolved, Lindquist (1997, p. 47 & 60) argued that “it is essential that we venture assessment about the impact of reform on civil society and on the quality of public discourse about governance” and noted that “ the vision offered by most governments (Canadian case), to date consists of meeting deficit targets and debt-to-GDP ratios; images of what a 'just society' might look like in the information age are in terribly short supply”.

Reforms in financial management

The traditional financial management system concentrated on the principle of command and control norms. A budget specified the line items for expenditure purposes and management focused on monitoring expenditure in compliance with established rules and regulations. The budget offices, the power center for government organizations were almost always centralized. According to Caiden (1998, p.254-256) the major criticisms of budgeting systems were:

- broadening and persistent deficits were blamed in large part for the economic malaise and as symptomatic of an over-ambitious role for government;
- budgets were becoming increasingly difficult to control or predict, as a greater proportion of expenditures was taken up by legislated entitlements;
- traditional budget making was often incremental in nature;
- despite efforts to implement program and performance budgeting, emphasis in decision-making was still on inputs rather than outputs or outcomes;
- budget making was essentially annual;
- line item annual budgets, constructed for purposes of accountability, were often responsible for rigidity and waste;
- financial management and accounting practices were weak and unable to show the true picture of costs of services; and
- flow of information was inadequate for budgetary decision making at all levels.

In response to these criticisms, many countries embarked upon reforming the financial management system. As a result, countries introduced a financial management based on a *development planning (budget) system*, in which development and recurrent budgets were separated; then shifted to a *fiscal balance model* in the belief that fiscal imbalances were the main cause of economic instability, and balancing the budget was needed for economic growth (Allan, 1997). At present many countries (notably, New Zealand, Australia, United Kingdom) have moved on to a *performance budgeting system* (Allan, 1997). The new shift has seen (a) the introduction of a medium-term budgetary and public expenditure management framework; (b) greater delegation of responsibility for

expenditure management to line departments and the cascading of responsibility for financial management within departments; (c) adoption of an accrual accounting system; and (d) emphasis on greater transparency and accountability (Allan, 1997). This new emphasis has been towards maintaining fiscal discipline, allocating resources in accordance with government priorities, and promoting efficiency in the use of budgetary resources to delivery programs and services (OECD, 1997f; OECD, 1999a).

Developing a medium term budgetary and expenditure management system meant replacing the existing annual budgetary system with a 3-5 years (normally) budgetary framework on a rolling basis. The importance of this model of budgeting came from the belief that governments must be more strategic in their operations; and it also helps governments to maintain aggregate fiscal discipline. It required a government to have a macro-economic framework, entailing comprehensive expenditure details along with the resource envelope for the budget period; a hard-line approach to budget ceilings and a balanced budget framework; formal sanctions and accountability mechanisms; and a fully transparent process of budgeting and reporting (Allan, 1997; Campos and Pradhan, 1996; Parry, 1997).

Another shift of reform has been towards *delegating the responsibility for expenditure management to line agencies* with a view to improving the service delivery and involving agencies in all budgetary operations. This seeks to achieve allocative efficiency in the budgetary system, i.e., an ability to shift funds from old priorities to new ones, and from less-productive projects to more productive ones. It is believed that decentralization of budget spending will help agencies to run their projects more efficiently than before, provide flexibility in planning and spending resources, allow them to trade-off any project with more productive ones within the budget limit, and plan expenditure on medium-term basis (Campos and Pradhan, 1996).

Accrual accounting systems intend to assess and report on the full costs used for all services provided by the government. Expenses are recognized when they are incurred rather than when they are paid. All assets are valued and reported in the balance sheets,

such as highways and other infrastructures. All liabilities are included in the balance sheet. New Zealand has successfully converted its accounting system to accrual accounting, whereas Australia and the UK have made significant progress in this direction. Accrual accounting and budgeting focuses on measuring the productivity of the resources. This requires establishing clear-cut objectives on programs, reliable means to measure the cost of outputs, strong information systems, and facilitates applicability of other market-based mechanisms, such as tendering and contractual arrangements, that make it easier to measure the efficiency, economy and effectiveness of a program. While there are some advantages of accrual accounting system, such as more accurate measurement of costs and revenues, a greater focus on outputs rather than inputs, a more efficient and effective use of scarce resources, a better indication of the sustainability of government policy, improved accountability by governments to their constituents and better financial management by public service managers, there are also concerns that it defeats the purpose by adding unproductive complexities and significant costs and that there are problems with valuation of government asset and depreciation procedures (Conn, 1996). Clerk-Lewis (1996) argued that accrual reports are likely to be less appropriate as an overall summary measure of government performance, compared to the private enterprise, because of multiple roles of government.

Performance-based budgeting has received wide recognition so far in the OECD countries. Among the countries that have used this budgeting practice are New Zealand, Australia, United Kingdom and some Scandinavian countries (Allan, 1997; Campos and Pradhan, 1996; Parry, 1997). New Zealand has been a leader in applying the norms of performance based budgeting that normally included: clear specification of intended outputs; substantial relaxation of input controls; full costs of activities attributed to departments; development of accrual-based budgeting and accounting; and improved reporting by providing information (Allan, 1997; Boston et al., 1996). Under the umbrella of Financial Management Initiative Program (FMIP), which was initiated in 1983, Australia introduced financial instruments such as, forward estimates, portfolio budgeting, consolidation of running costs, program management and budgeting, output

based budgeting, accrual accounting, and performance reporting to support the financial management systems (Auditor General of Canada, 1997).

Ensuring transparency and accountability

Transparency and accountability have been the hallmarks of the effective management of resources. It refers to free flow of information. Transparency means letting the public know what government is doing, what has been achieved and seeking their participation on matters that relate to community needs and priorities. Transparency makes information available to all the public. Governments are pursuing a path of 'let the manager manage' approach to seek transparency and flexibility in resource management. The free flow of information through press, media, and publication enables the general public to know about the government plans, programs, achievements and weaknesses as well. Transparency is also a mechanism to make government accountable.

Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in the light of agreed expectations (Office of the Auditor General of Canada and the Treasury Board Secretariat, 1998). It refers to "institutionalized mechanisms, which ensure that the state can be called upon to satisfactorily justify its actions to an appropriate constituency, usually to those whom it is meant to serve" (Reddy and Pereira, 1998, p.5). It is a mechanism to make one responsible for the action. Clarifying mandates or objectives, adapting laws and rights for all concerned, application of performance measures and indicators, and diffusion of information on objectives, services, resources and results as widely as possible, and proper reporting systems help in clarifying accountability (OECD, 1997a). Performance contracting, agencies, accrual accounting, statements of service standards are other measures adopted by countries to clarify accountability.

The concept of accountability has changed over the years. Initially, it was thought to be compliance with rules and regulations, whereas now it is more concerned with results. Traditionally, governments concentrated on controlling the human and financial

resources at the central level (centralized governments) and delegated the operational responsibility to the sub-national or lower levels in the organization while retaining the decisions-making power at the central level. Government's interest was in ensuring compliance with rules and regulations rather than achieving results. The central ministries issued rules for compliance and monitored whether the financial expenditure was made in concurrence with the set norms and regulations. Now, the new wave of reforms suggests changing the framework of accountability. It entails the principle of flexibility, i.e., entrusting sub-national levels or lower levels in the organization with flexibility in using resources, freedom to manage their work independently and in turn holding them responsible for results. The purposes of ensuring accountability are many. It seeks to make someone responsible for the work, establish a democratically controlled working environment, open room for consultation and dialogue, and affirm basic norms and ethical values for performing the work and improving the performance. Offices of the Auditor General of Canada and the Treasury Board Secretariat (1998) working with its agencies have identified five indicators of effective accountability. They are: clarity of roles and responsibilities, clarity of performance expectations, balance of expectations and capacities, credibility of reporting, and reasonableness of review and adjustment.

There are many actors, such as, government organizations, Ministers, political leadership, parliament, the public, independent organizations, and the non-governmental organizations in a democratic government structure. Each one of these must be accountable for the work they are supposed to be doing. The devices for enforcing managerial accountability includes strategic and operational plans, performance measures and targets, contracts for personal and organizational performance, decoupling service delivery from policy making, new accountability rules and annual reports, more active use of evaluation and auditing, and financial inducements and sanctions (Boyle, 1998a; OECD, 1995).

There are arguments that downsizing has created negative consequences, such as the loss of morale, prestige and respect of employees, job insecurity (Savoie, 1998) and that it has weaken the position of individual employees and unions in their dealings with

management in the public service (Gramberg & Teicher, 1998). Halligan (1997b), referred to a case in Australia and New Zealand and argued that social costs and economic inequality have increased because of downsizing and reforms implemented in these countries.

2.8.2. Formation of service agencies

The big organizations with multiple missions and objectives may no longer be viable to respond to the challenges of modern societies because it restricts the quick decision-making and flexibility in response. Duques and Gaske (1997) suggested that big organizations have to act like a small company, and organize structure by service or product, not size. The principle behind this is to enhance efficiency, accountability and deliver prompt services. According to Osborne and Gaebler (1992) the service agencies were to make the organization mission driven, decentralized and entrepreneurial.

With the objective of strengthening the policy-making capacity at the central level of the government as well as to improve efficiency, accountability and deliver responsive services to the people, the structural shift in many OECD countries has been towards disaggregating traditional bureaucratic organizations into separate agencies. They could be called by various names, such as executive agencies, state-owned enterprises, statutory commissions, special operating agencies and so on. Agencies are quasi-autonomous bodies within an organization. They normally have their own outcomes, defined targets and services, and arguably a separate legal status. They are different from a department as each has a single purpose compared to the multi purposes of department, are small in size and business, and focused on customers' satisfaction. An agency, normally includes the following components:

- Identification of coherent and specific set of activities, which serves the basis for the establishment of an autonomous agency.
- Appointment of a Chief Executive to manage the agency, selected on a competitive basis, from within or outside of the government.

- Establishment of a detailed Agreement for a defined period of time, setting out in a Strategic Plan, objectives and responsibilities.
- Establishment of an annual Business Plan, which includes key financial, service, and quality targets.
- Establishment of performance measurement and reward system to support the Business Plan.

The logic for such an autonomization of an administrative framework came from the fundamental economic belief that individuals act on self-interest and would behave opportunistically to their benefits, and that the public service therefore should be viewed as a relation of a principal-agent with the relationship enforced by contractual agreements (Kettl, 2000b; Laffin, 1997; White, 1985). A concern for many OECD countries in establishing separate agencies was that policy functions could be retained within the core public service and agencies which could be made more responsible for the tasks assigned to them. It was also a measure towards making them cost effective and competitive. In the case of poor performance, they may disappear.

Countries such as the United Kingdom, New Zealand and Australia have established separate agencies to deliver well-defined services (Armstrong, 1998a; OECD, 1998). Different countries have applied this principle for different purposes. Schick (1996) noted that in the United Kingdom, the establishment of the Next Steps Agency was to free service providers from the stranglehold of Whitehall. In Sweden, the policy/operation split is to promote professionalism and political neutrality in the Public Service, and in New Zealand, agencies are distinguished by the divide of responsibilities between the principal and the agent. Halligan (1997a) explained that the arguments for establishing agencies are avoiding bureaucratic capture and domination, improving the efficiency and quality of service delivery, institutionalizing reforms (reform function) and separating functions from the department which continued to concentrate on policy and political support for the minister (management function). Trosa (1997) argued that even though there are some benefits from an agency, it has produced too many organizational splits. It has resulted in increasing the overhead and transactional costs. Trosa (1997) found that

agencies are useful in organizations, which are meant to remain part of the public sector; have a strong focus and single purpose; benefit from a commercial type discipline; and need to have a stable work-plan and be at arms lengths from Ministers and central bureaucracies. In contrast, Schick (1996, p.31) suggested that “in the future the government should de-couple departments only after it has considered the feasibility of clarifying objectives and improving performance through internal reorganization”.

2.8.3. Separating purchaser and provider

The principle of separating policy and operation functions was originally noted by Drucker (1969) in his book *The Age of Discontinuity* and subsequently reemphasized by Osborne and Gaebler's (1992) *Reinventing Government*, in which the emphasis was on 'steering' rather than 'rowing' role of the government. Drucker (1969, p.224) opined that government should separate and confine its role to 'decision and direction' and emphasized the need for a 'government that governs and not government that does' (p, 226). The benefits derived from such a separation were: improved capacity for policy planning and control, inability to capture the policy decisions by service providers, flexibility in responding to changes, and an opportunity to introduce competition in the operational services (Boston et al., 1996; Osborne & Gaebler, 1992). Contractual agreement, outsourcing and contracting services were identified best means for managing government under this model.

Some countries (for example Australia, New Zealand, UK and Sweden) have separated the function of providing services with that of purchasing with a view to strengthening the policy-making capacity at the central level, introducing market-based mechanisms in delivering services, providing more power and less interference to the operational managers, and making them accountable for results. Armstrong (1998a) noted that separating providers and purchasers would reduce the size of the public sector, reduce conflict of interest, and prevent 'bureaucratic capture' of government resources by specialist interest groups.

New Zealand and the United Kingdom were the first to decouple policy from operation when the need was felt to separate organizational responsibilities for policy and operational works (Aucoin, 1998; Boston et al., 1996). This structural re-structuring assumed that public management is best when the ministers explicitly express the desired outputs they would like to purchase from a 'contractual' agreement entered into with the operational public service authorities, and this helps to secure performance in accordance with the ministerial outputs and targets making ministers and public authorities clear as to their roles, responsibilities and accountability. Known as a 'functional model' of restructuring, with a purpose of freeing policy makers from bureaucratic capture and allowing them to search for broader policy advice on this has been one of the main reforms in New Zealand (Boston et al., 1996).

It has been argued that the split of purchaser and provider may not necessarily strengthen policy-making capacity at the central level. For example, the Canadian model of reform does not accept that the policy and operational functions should be separated as a universal principle and suggested its application is appropriate if it can be demonstrated that it will bring about substantive gains in the quality of service to citizens. It is argued that policy may suffer in the absence of operational information, the purchaser may lose flexibility in policy-making, the quality of policy may suffer and its success depends on strong feedback mechanisms. Aucoin (1998, p.328) noted that critics to policy-operations divide observed that

management of operations constitute policy implementation and that much policy emerges in the ongoing processes of implementation; that such a separation increases the tendency of political leaders to turn to partisan political advisors and away from professional public servants who are now removed from directly managing operations; that this leads those in "autonomous" operational agencies to make policy through their operational decisions and invariably give short shrift to traditional democratic values in favor of managerial values; and that the result of increased operational autonomy combined with a greater fragmentation through agency differentiation is an inexorable diminution in the capacity of government to steer the ship of state by way of strategic policy coordination across government.

Stewart (1999) discussed the problem of defining contractual relationship between parties. Ewart and Boston (1993) have provided a general guideline that split of purchaser and provider may not work if the policy outcomes required coordination among planners and implementers; policy outcomes is depended on operational details; it is difficult to specify the outputs and outcomes in a measure terms; and if the culture of a country poses a conflict between the formulators and implementers.

There is no easy resolution to this debate. The integration of service delivery, such as in the form of 'single windows', 'service clusters' and 'one-stop shops' is also required to overcome the fragmentation brought by organizational specialization and improve service quality. And concerns of advisors being too removed from operations and being less able to advise ministers in the case of New Zealand and United Kingdom have been raised as well (Aucoin, 1998). Thus, Aucoin (1998) argued that managing the policy and operation nexus has always been subject to the need to separate responsibilities and it is never complete.

2.8.4. Decentralization of management authority within public agencies (flatter hierarchies)

Decentralization of management authority is one way of introducing professional management in the public service. It aims at letting the manager manage so that they could be made accountable for the responsibilities entrusted to them. It is argued that performance improves when managers are given flexibility in using resources and operational authority to carry out assigned responsibilities (OECD, 1995). While this could be argued, such as that in developing countries the decentralization of management authority may increase corruption (McCourt, 1998b), and that the OECD member countries are different in its use (Halligan, 2001), the overall importance of decentralization to public management reform is generally accepted (Pollitt, et al., 1998). The bottom line is that decision-making power should be given to people at the level where a service is delivered so that organizations can respond quickly to the changing needs of society. Flatter organizations encourage innovations at work, clarify

accountability for the work and save time, cost and resources compared to tall hierarchical organizations. These principles have emerged from the vast management literature of Total Quality Management (TQM), Quality Circles, and Learning Organizations (Armstrong, 1998a).

Structural change through diminution of the authority of central management agencies to regulate and direct line agencies has been the most common practice in countries (Aucoin, 1998). Central powerful agencies have been transformed into policy advisory and administrative support agencies (Aucoin, 1998). Voluminous rules and regulations, procedures, guidelines and policies have been thinned out or replaced with 'best practice' guidelines (Aucoin, 1998). For example, the new Public Service Act passed in 1999 in Australia, to quote Kemp (1999, p.2) "is significantly shorter-some 47 pages-less than one-fifth the size of the 1922 Act. It is more accessible and understandable. It is written in plain English and within a clear legal framework, making it simple and easy to follow".

In the public sector, among the issues for research are how functions are distributed between the central and sub-national levels - the issues of decentralization, i.e., the transfer of responsibility to lower levels of government; and de-concentration, i.e., transfer of responsibilities from central to regional offices. OECD (1997b) suggested that there has been a significant shift in the structure of the government among the member countries in the past in terms of territorial re-organization and rationalization, and concluded that the general trend has been one of decentralization with some exceptions.

2.8.5. Introducing market and quasi-market type mechanisms (MTMs)

Introducing market mechanisms is one of the important elements of NPM. This is based on the philosophy of neo-classicism that argued that individuals should be given maximum freedom to develop their own strategies and choices, and that markets are both efficient and self regulating and therefore the role of the government has to be minimum (Belli, 1997; Hughes, 1998; Stiglitz, 1998; UNDP, 1995; United Nations, 1997; World

Bank, 1997). It was basically a shift in the role of government from being the 'sole' provider of services to 'provider of core functions'. According to Annan (1997), the state is not the creator of wealth, but facilitator and catalyst to development. An essential function of the state is to provide an enabling environment in which investment can take place, wealth can be created and individuals can prosper and grow. Richardson (1997) suggested that the role of the government is upholding a legal framework within which a strong civic culture and private sector can flourish. This conception is towards making a market friendly government.

However, there is another argument that markets cannot be perfect in all aspects of resource allocation; therefore, government should play a significant role in these aspects (market failure argument). The welfare economists argued that because of the imperfection of information, incomplete markets, inability to produce all public goods, market-led-development is not the best approach for national development. It is also argued that markets do not normally yield an optimal societal or generational distribution of income in societies, hence government's intervention is necessary to enforce the social equity in the country (Stiglitz, 1998).

Indeed this debate will continue in future as well. Defining the role of government is a complex task, which is also influenced by each country's social and economic conditions. Stiglitz (1998) argued that for ensuring a better government, it is important to forge a partnership between government and private sector and work together, as partners or in a complementary fashion. His five general propositions for making better government included restricting government interventions in areas in which there is evidence of a systematic and significant influence of special interests, strong support for actions that promote competition, openness in government, encourage the private provision for public goods, and balance between expertise and democratic representatives and accountability. Indeed the collapse of communism in Eastern Europe showed that the role of the State is shifting towards working together with the private sector.

In the process of defining the role of government, governments in many countries have transformed in shape, size, service, quality and philosophy. In this process, introducing market and quasi-market type mechanisms such as privatization, commercialization, contracting-out services, compulsory competitive tendering (CCT), user pays and user choice, has been popular in many countries (OECD, 1995). The basic idea behind introducing market-based mechanisms in the public sector is to make the service competitive or develop contestability so that the prices of goods and services will tend towards marginal cost, thus allocating resources to their highest value. It is believed that in the absence of competitive producers, prices are raised and production is lowered relative to competitive equilibrium.

Privatization refers to any measure, which results in the transfer of ownership and/or control over assets or activities from the public to the private sector (Pennell and Robertshaw, 1999). It means the sale of state-owned enterprises or assets to the private sector. The main rationale for privatization is that consumer will benefit from the extension of market, as it will lead to more choice, competition, innovation and greater efficiency (Hartley and Parker, 1991).

Privatization has been an important aspect of the structural reform program to promote economic efficiency and growth in developed and developing countries. Privatization is also intended as a mechanism for governments to withdraw from handling commercial activities and concentrate on core functions. A study report (World Bank, 1995, p.1) concluded that “state-owned enterprises hinder growth, impede market liberalization, and thus both directly or indirectly limit efforts to reduce poverty”. The main reason for privatization has been the growing consensus that governments perform less well than the private sector in a number of activities (World Bank, 1995). Especially in the developing countries, government enterprises tend to be overstaffed, serve as ground for politicians to capture their voters, have low productivity, fail to deliver expected services, survive with heavy state subsidies, and pose a great threat to national economy as they lead to budget deficits every year (Acharya, 1999; Christensen, 1998; Gupta et al. 1999; Khabusi, 1997).

Taking a case of Nepal, the above statement seems to be true. The government of Nepal agreed that the performance of public enterprises were not satisfactory because of

lack of managerial autonomy, inefficient use of means and resources, shortsightedness and weakness on the part of political leadership, production of low quality goods and services, uncontrolled administrative expenses, lack of competitive ability, lack of motivation in incumbent human resources, adoption of traditional technology and minimum use of professionalism, which brought about a progressive decline in their output and made the vast amount of government investment unproductive (NPC,1998, p.177).

Therefore, privatization has been a major thrust of reform in many developing countries. Liquidation and sales of assets, management contracts, leasing, and employee buyouts are some of the methods followed for privatizing public services.

Commercialization is a process of defining prices and costs for public sector goods and services (Auditor General of Canada, 1997). It seeks to create contestability or competitive markets for goods and services. It required decoupling policy functions from its service delivery functions in order to allow markets to compete in providing goods and services. The commercialization of public services made government agencies face pressure from external markets, and this meant the need for re-engineering the commercial process and procedures within the government agencies. Reform-oriented countries used market disciplines, such as user pays, user choice, agencies, market-testing and other market mechanisms, to improve services. The extent of commercialization in countries would depend upon government policies permitting market competition, recovery of cost of services, retention of revenue earned by agencies and their simultaneously performing the non-commercial goals of the public service (Dixon et al., 1996).

The principle behind contracting out public services is to gain efficiency and effectiveness through using private sector skills and resources for the delivery of public goods and services. Its main ideology is that through competition, the costs will go down and help to contain public expenditure, measurable and enforceable standards of performances and the quality of service will be established and a clear picture drawn as to

the roles and responsibilities of policymakers and managers. It includes designing service agreements including standards of performance, performance measures, reporting arrangements, and monitoring and supervision of tasks. OECD (1997c) suggested that issues relating to staffing, service requirements in terms of outputs and outcomes, the monitoring of performance, in-house evaluation or market testing, fostering competitive markets and the developing the skills of employees, must be considered to achieve the benefit from contracting services. Though contract management is a standard practice in many countries for managing big projects, the recent shift is that contracts have been used in multiple areas. Governments entering into service agreements with departments and agencies as well as with the private sector now have an option of either 'buying' or 'providing' goods and services on competitive price, such as the Centrelink in Australia that is providing services on behalf of the government under a service agreement.

2.8.6. Introducing performance management

Performance management, in strategic terms, is a planning process whereby mission, goals, performance measures, standards and benchmarks, and targets are established and evaluation and reporting is made against set goals and targets. It is a process of establishing a government's priorities and transforming them in terms of expected outputs and outcomes cascading down through organization to individual level (Blalock, 1999; OECD, 1999a). Armstrong (1998b) noted that "strategic management is primarily concerned with the definition of the major goals and objectives of an organization, and the design of the functional policies and plans and the organizational structure and systems to achieve those goals and objectives, all in response to changing environmental conditions, institutional resources and individual values".

The concept of performance management started in the late 1980s and blossomed in the 1990s (Blalock, 1999). Its aim was to "change the culture of public administration from one that is rules focused to a culture focusing instead on the results that matter to citizens" (Mayne, 1999, p.1). In relation to the rationale of performance management in the public sector, authors have referred to: global economic change and public demands

for evidence of accountability (Blalock, 1999); global innovation and change, competition, and the needs for cutting costs and improving service quality (Cherry, 1998); and the realization that governments need to make high quality decisions in a decentralized management environment (Matheson, et al., 1997).

In New Zealand, government priorities are expressed in Strategic Results Areas (SRAs), and a department's contributions as a Key Results Area (KRAs). KRAs form the core responsibilities of the Senior Executives in departments (Schick, 1996; Matheson et al., 1997; State Services Commission, 1996). In Canada, the government implemented results-based management in 1995 to improve the delivery of services and policies to citizens. The President of the Treasury Board of Canada (1999) claimed that progress has been made and Canadians now have easy access to information on departments' priorities and programs and performance results. In Norway, Lassen (1997) noted that the new regulations for financial management implemented in 1997 required ministries to specify goals and performance requirements within their areas of responsibility and make reports on the results achieved. In Australia, the Financial Management Improvement Program and Corporate Planning were introduced to create a public service culture focusing on 'managing for results'. In fact, Australia is argued to be quite ahead than United States in the application of performance management in the public service. "OECD studies reported that Australia was some five to ten years ahead of the United States' experience of performance measures, and that their centrality to the entire process of reform has greatly accelerated their moves towards achieving a real environment for 'managing for results'" (Breul, 1994, p.2). The Irish government is trying to adopt the principles of 'balanced scorecard' developed by Kalpan and Norton (1992), which aims at providing answers to four basic questions as follows:

- How do customers see us? (Customer perspective)
- What must we excel at? (Internal perspective)
- Can we continue to improve and create value? (Innovation and learning perspective)
- How do we look to shareholders? (Financial perspective).

The aim of such a scorecard is to provide measures of performance in other than financial areas because other areas such as the above can determine financial performance. The scorecard helps to clarify the vision of an organization by posing questions such as 'what is our vision of the future?'. It leads to developing the mission statement and vision statement and then draws an analysis considering the four different perspectives. It sets the success targets and the measuring indicators (Boyle, 1998b).

The introduction of performance management in the public sector was also not free from criticisms. First, it required a total cultural shift in the public service. Second, there existed problems with establishing quantifiable performance indicators and measurement. Third, it posed problems of measuring quality related issues. Minogue (2000) referred to Waine and Cutler, (1994) and Stewart and Walsh (1994), and noted the following problems of performance management in the public sector:

- 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 organization to overall outcomes.

All of these areas are complex, information-hungry, and frequently disputed, not least by staff, so that establishing a workable performance management system is a long-term project.

2.8.7. Changes in personnel policies

The traditional public service may be argued to a certain extent structured on the principles of Weber's bureaucracy. It was a unified public service; employees were hired on permanent basis; employees were hired base on merit principles up to a certain level of career; the senior levels positions were filled by means of promotion and from within

the cadre of eligible employees; the public service was called to be independent from politics; and public servants were regulated by established rules and regulations. Public servants were protected from any arbitrary decisions by established rules and regulations. Positions were classified in terms of hierarchical orders, and a salary and remunerations were attached to each level. Promotion was based on merit and seniority. It included a pension system and other retirement benefits (Hughes, 2000). The pension entitlements, to a certain proportion, were also applicable to an immediate family member after the death of an employee.

The introduction of managerialism has changed the public service environment. Public servants are required to produce expected results and are more accountable to citizens than before. The challenges are much more severe because the public is more educated and has greater access to information than before. Resources are limited and responsibilities have been increased due to devolution of authority to the lower level. The management approach has changed from compliance with rules and regulations to result-based management. Some of the outputs of modern public service are the establishment of a senior executive service and appointment of executives on performance contracts, a shift from a standard pay to a performance pay system, a shift from a career service to a contract service, a shift in the role of the central powerful personnel agency to that of policy maker or advisory agency, appointment based on merit at all levels from within and outside of the organization; and a fragmented public service (Davis, 1998; O'Neill and Hughes, 1998; Proust, 1998; Salway, 1998). In the context of changed roles and function of the public servants in Australia, Cain (1998, p.100) argued "we have an army of consultants and contractors who are doing the work, with public servants choosing the contractors, negotiating the terms, monitoring and evaluating the performance". This indicated that in general the public service functions in Australia have moved to the new model of human resource management system as envisaged by the NPM.

Human resource management (HRM) reform was used to support public managers to achieve government goals of meeting demands of the informed citizens (OECD, 1997a). It aimed at increasing efficiency and productivity and also to manage growth of public

service employment. A strategic approach to HRM was applied, which included the devolution of HRM tools from central ministries to line agencies, integrating HRM into core activities such as strategic planning, budgeting and performance management to achieve greater productivity and efficiency, and managing any structural change in line with its strategy to retain the most-talented and motivated employees (OECD, 1997a).

In Australia, Hughes (2000, p.5) argued that

there is now no unified Australian Public Service. An independent personnel agency, the Public Service Board - the equivalent of the Office of Personnel Management in the US was abolished in 1987. There is no effective protection against arbitrary dismissal; recruitment is now no longer exclusively at the base grade; position classification no longer exists in general, having been replaced by broad-banded 'levels' of employment; appeals against promotion and grievance procedures have been considerably watered down. Even the distinctive retirement and pension system has largely disappeared and has been replaced by arrangements more like the private sector.

Hughes has argued the absence of effective protection against arbitrary dismissal in spite of the existence of a Public Service and Merit Protection Commission (PSMPC) one of whose responsibilities is "reviewing actions and investigating whistleblower complaints" (OECD, 2001, p.10). Probably, it meant to be that the human resource management is more decentralized and employment and termination are more a discretionary power to agencies.

In New Zealand, the State Sector Act 1988 devolved the human resource management functions to agencies, including the management of the Senior Executive Service (in consultation with State Services Commission). The Public Finance Act 1989 introduced new financial management system and enforced accountability in the public service making employees to achieve on specified outputs (Boston, et al., 1996; State Services Commission, 1998).

The impact of the new revolution in the management of human resources is still debated in OECD member countries. Its long-term benefits are yet to be fully evaluated and

recognized. Indeed, the devolution of human resource policies and practices has shaken the 'unity' of the public service because there are more players, with multiple policies and practices controlling over the public service (OECD, 1997a). The devolution of human resource management has also generated increasing concerns over the accountability issues (OECD, 1997a). Issues are also raised that continuing reductions in the number of civil service has generated widespread perception that the jobs of employees are at risk, and this in turn has produced negative impacts on the morale, productivity and the responsiveness to reform initiatives (Appelbaum et al.,1999; Appelbaum and Donia, 2000; OECD, 1997a). A debate is continuing among the OECD member States as to whether retaining the unified values across the public service or being the government as a single employer (Germany, Hungary, Italy, Spain) is best over a decentralized and fragmented public service (New Zealand, Australia, United Kingdom, Sweden, United States) (OECD, 1997a). The shortage of skilled employees due to losing competitiveness in recruiting and retaining competent employees compared to the private sector and the problem of retaining the best talents because of lower wages, the loss of prestige and mundane job duties were among the common problems faced in OECD member countries (OECD, 2000).

2.8.8. Increasing emphasis on service 'quality' standard setting and 'customer responsiveness'

Improving customer service had been one of the important agenda items of the reforms in many OECD countries (OECD, 1995). Citizens expect responsive and accessible services at their convenient place. "Customers are the most important people for an organization; those who serve customers directly are next; and management is there to serve those who serve customers (Osborne and Gaebler, 1992, p.172).

OECD (1996b) noted that key components for a responsive service delivery system should include the following:

- Provision for client participation or consultation about decisions on the types and quality of services to be provided;

- Information on the type and quality of services to be provided to the citizens;
- Provision for a customer complaint and redressing mechanism, if the service is not provided;
- Establishment of service quality standards;
- Openness;
- Accountability on the part of the service providers; and
- Mechanisms to report performance against the targets.

To ensure quality service to customers in Ireland, attention has been given to the timeliness of the service; accessibility or convenience; availability; accuracy of service; safety, simplicity, and pleasantness (Humphreys, 1998).

In the United States, four major steps were taken in the process of putting customers first. It included: giving customers a voice-and a choice; making service organizations compete; dismantling bureaucratic government monopolies into businesslike enterprise; and using market mechanisms to solve problems. "By creating competition between public organization, contracting services out to private organizations, listening to our customers and embracing market incentives wherever appropriate, we can transform the quality of services delivered to the American people" (Gore, 1993, p.64).

With a view to providing 'quality and responsive' services to the citizens, Canada adopted four principles for developing quality strategy: (a) client involvement, (b) leadership, (c) employee involvement, and (d) innovation. Consultation with the customers, setting service standards, measuring client satisfaction, establishing a quality development strategy as a part of the national corporate strategy, accountability and monitoring, training for employees, streamlining, process improvements and alternative service delivery are all means in Canada for improving quality and responsive services (President of the Treasury Board of Canada, 1996).

In a paper *Modernizing Government*, Blair (1999), the Prime Minister of the United Kingdom emphasized the need for setting services closer to the citizens rather than

arranging the services for the provider's convenience. The government in UK wants a Public Service that 'listens to people's concerns', 'reflects people's real lives' and 'makes it easy to complain and get a result when things go wrong' (Blair, 1999; Cowper & Samuels, 1997). To this end innovation have included: *The Citizen's Charter*; *Service Standards* - that define the standards for handling correspondence, telephone calls, appointments, information, complaints, openness and correctness, etc; *one-stop shops* and 24 hours public services for those needed; *Employment Service Direct* - to provide assistance to the job seekers by providing information of job vacancies and arranging interviews; *People's Panel* - to receive feedback on what public think about the services provided; and the use of *benchmarking* techniques in public service to improving quality and responsive services in the United Kingdom (Blair, 1999).

The Citizen's Charter program was launched in the United Kingdom in 1991, aimed at raising the standard of public services. The Charter is based on six main principles. They are: *standards* - setting standards of the services; *openness and information* - information on how the public service is run, what they do, what process they adopt, what is the cost for service, who is responsible; *choice and consultation* - providing alternative choices to customers, consulting and taking users' view about the service provided; *courtesy and helpfulness* - showing good manners, wearing badges, pleasantness; *putting things right* - clear complaint procedures when things go wrong and to make them right; and, *value for money* - efficient and economical ways to provide services (Cowper and Samuels, 1997; Humphreys, 1998). Similar examples of customer service initiatives have been found in Australia as well. The introduction of 'customer service charters' and the establishment of Centrelink, as a 'first stop shop', which provides integrated services on behalf of government agencies, and the application of the 'balanced scorecard' by Centrelink to measure the agency's success against what its customers, client departments, the community, agency staff and the Government expect Centrelink to deliver are some of the notable customer service initiatives practiced in Australia (Kemp, 1997, 1998a and 1998b)

Benchmarking is another technique used to improve the performance and enhance the quality of services. It is an important management tool of total quality management developed first by Xerox Corporation in 1979 (Kouzmin, et al., 1999). 'Benchmarking' is an efficiency tool, used to measure the performance of one organization against best practice in another organization. Mostly, organizations choose the high performing private organization and assess performance objectively. Organizations try to find areas for improvement. Three types of benchmarking are normally in practice. *Standards benchmarking* - is used to measure performance against the established standards of another organization. *Process benchmarking* - is used to learn the processes applied to produce product or services. *Results benchmarking* is used to evaluate the outputs of another organization that is similar in terms of nature of service. Process benchmarking and results benchmarking should go together as one finds the discrepancies on results and another explain why the discrepancies are there (Cowper and Samuels, 1997; Trosa, 1997a). While there are some examples of benchmarking within the public sector (for example DIN ISO 9000-9004; citizens charters, quality awards, etc) its introduction into the public sector is still in its early stages because of "skepticism about usefulness and the appropriateness of transferring putative private sector competencies into public administration and the resistance in accepting organizational change as a necessary consequences of benchmarking exercises in the public sector, prevent the widespread acceptance and use of benchmarking in public sectors, arguably 'punch-drunk' with systematic change"(Kouzmin et al., 1999, p.121).

The above elements of NPM have been used by some developed countries to pursue their reform strategies since the 1990s. The influence of these elements in a reform process differs from country to country. For example, in New Zealand, United Kingdom and United States the elements of contractualization and separation of policy from operations have played a greater role than the other elements whereas in the Scandinavian countries the emphasis is on performance management (Halligan, 1997a; Pollitt, 1995). Like-wise, in France it is the movement of decentralization (Pollitt, 1995). In Canada, it was a Program Review in 1994 and more recently the actions towards 'Getting Government Right' (OECD, 1997d). In Germany, it is reviewing roles and responsibilities and

capping costs, privatization and regulatory reform (OECD, 1997e). In Australia, it is the movement of introducing 'managerialism' in the public sector (Halligan, 1997b).

The use of instruments differed to suit their socio-economic and political needs of each country. It is also because of the differences in their 'starting point' of reforms. For example, in New Zealand and Scandinavian countries, performance and contractual management have proved successful. In the UK, New Zealand, Canada and Australia, leveraging markets and introducing 'managerialism' in the public sector have helped in modernizing governments (Halligan, 1997b; Lindquist, 1997; Peters and Savoie, 1998). Some have moved faster in the process of reinventing governments, where others moved cautiously. It is, therefore, unlikely to find a 'best practice' NPM model applicable to all countries.

2.9. Strategy for implementing public management reforms

It has been noted earlier that some countries in the task of reinventing governments have moved faster while the others moved cautiously. Some have achieved success from their efforts of reforming governments while others have not. Why some countries have managed to implement reforms successfully while others have failed? This section attempts to provide some explanation of this difficult task of implementation of reforms.

The task of implementing reforms is difficult because of the obstacles created by the losers from the reforms. Reforms create winner or losers. It may be quite difficult if the losers are politicians or any powerful group in the bureaucracy, as they are among the key decision makers. They may derail the whole process of reform to retain the status quo. Schick (2000, p.1) argued, "every successful public management reform is an amalgam of opportunity, strategy and tactics. Opportunities are country-specific conditions that facilitate some reforms and retard others; strategies are policies and actions that set goals for government and for the tasks to be undertaken in implementing wanted change,

tactics are the methods used to mobilize support for and overcome obstacles to reform". Schick (2000) noted that for successful implementation of the reform programs, governments must utilize these factors in an integrated manner.

The World Bank (1997, p.144) also provided three important pieces of advice:

- The first is that windows of reform opportunity do open; they tend to be those times when the normal rules of the game are in flux for some reason, however temporary. Thus, radical reforms have often been undertaken in response to an external threat or economic crisis, or during the 'honeymoon' period of a new administration or regime, when incumbents with a strong vested interest in the old system have been displaced.
- The second lesson is that, given such an opportunity, reformers can make the best use of the time available by adopting a strategy that understands the likely obstacles and seeks to mitigate them. Tactically designing and sequencing the reforms can help, as can measures to make institutions less susceptible to capture by special interests and gridlock, and, perhaps most important, building a consensus in favor of reform.
- Third, reforms only succeed if they are directed by leaders with a clear vision of the way things could be, and a contagious determination to turn that vision into reality.

Reform opportunity may be seen when there is a change in the political ideology or change in the government, increased awareness of the public for improved services from the government, fiscal and budgetary pressures, pressure from the international donor agencies, and the spillover of new management innovations across boundaries. It does not mean that reform is ripe when these conditions are visible, but it meant that reform must be exploited and initiated when these conditions are visible. It may be easier to initiate reforms during these situations. The World Bank also noted that there should be a

'political desirability', 'political feasibility' and 'political credibility' to introduce reforms successfully (World Bank, 1995).

The past experience of reform in many countries has proved this phenomenon to be true. In the United Kingdom, when Margaret Thatcher came into power in 1979, British reforms started. It was given continuity by Major and Blair's governments. In New Zealand, reforms started when a new Labour government came into power in 1984. It was the financial crisis that forced the new government into initiating reforms (States Services Commission, 1996). Reforms were successful in many countries because the successive governments continued it. For example, Clinton administration focussed on creating a government that works better and costs less, in which Vice President Al Gore was in-charge of leading the NPM movement. Major reform elements, such as downsizing, cost savings, customer service, decentralized or devolution of management were parts of the NPR movement. Similarly, the Bush administration's reform agenda included three major principles: government should be citizen-centered, results-oriented and market based. The President's Management Agenda has five important elements: strategic use of human capital, competitive sourcing, improving financial performance, expand electronic government and budget and performance integration (Breul, 2001). Continuation of reform programs is important if the reforms are to achieve its intended objectives.

OECD (2000a) drawing on the lessons learned from public management reforms of OECD member countries presented some important guidelines for successfully implementing the reform programs. They include: establishing the condition of reform, determining a reform agenda that meets citizens needs, developing structural and analytical capacity in the government's machinery to implement reform, establishing coherence of reform initiatives across the government, building support for reform, communicating and ensuring ownership of reform at all levels, building incentives to reform and ensuring accountability for the implementation of reform in the public service.

Public management reform is more a political than a managerial exercise. It cannot succeed unless the top level of the government is involved and committed. A workshop for Ministers and their Secretaries conducted by the World Bank and the University of the South Pacific (1993) concluded that numerous factors should prevail to make a reform successful. They include: clear vision of reform objectives, a well-planned reform program, political support, civil service support, support from central agencies, strong leadership, clear roles, responsibility and accountability for all players of the game, resource arrangements for implementing reform, adequate provision for effective communication and transparency, contingency plan for dealing with resistance, flexibility to accommodate the new changes, and adherence to the cultural and social values of a country (USP,1993).

When an opportunity exists, reformers try to make best use of it by adopting strategies that lead to desired changes. The wave of present reform is more comprehensive than the piecemeal efforts of the past. Although many countries around the world have tried various strategies of reforms that suit their local conditions, Schick (2000) noted that the following four reform strategies are practiced by many countries.

Market-driven reforms

Market-driven reforms mean the application of competition in the public service, contracting out the service, privatization, application of users' charges, and other market mechanisms by the government. The main philosophy is that of introducing market mechanisms into the government sector in the belief that consumer choice and competition will make the service providers more efficient and responsive. Among the success stories with this model are the New Zealand reform model, which specifically believes in contract arrangements, the Compulsory Competition Tendering (CCT) arrangement in the United Kingdom, the separation of policy from operational functions in UK and New Zealand (Schick, 2000).

Managerial reforms

Managerial reforms rely on the professionalism, skills and ethics of the public service employees. Schick (2000, p.137) noted that "this strategy is predicated on the presumptions that 'letting the manager manage', by liberating them from ex ante controls on inputs and operating procedures maintained by central controllers (especially with regard to human and financial resources), boosts organizational performance". It is about the introduction of managerialism in the government and giving more discretionary power and authority to managers. This model supports the contention that strategic planning, setting objectives and making people accountable for decisions at the lowest level possible reduces red tape and increases efficiency. It is based on the assumptions that the institutional rules and regulations, controls from the higher levels in terms of authority and resources, and strict command and control prevent public servants from achieving their optimum levels of efficiency at work. The managerial reforms aimed at breaking these obstacles.

Program model of reform

The philosophy of this model is that the "most urgent task in reforming the modern State is ensuring that public resources are effectively allocated to achieve the fundamental objectives of government" (Schick, 2000, p.139). This leads to analysis of each program of government-its needs, objectives, priorities and effectiveness. This model aims at optimum utilization of the available resources for the prioritized services of the government.

Many OECD countries have used this tool as a part of their overall public management reform programs and have made significant progresses in managing their programs and expenditures. Canada introduced a comprehensive Program Review in 1994 that focused on longer-term departmental strategic planning across government and emphasized measures taken to stabilize the fiscal environment. The Program Review was carefully

structured around six important tests (President of the Treasury Board of Canada, 1997, p.5). (a) Is the program still in the public interest? (b) Is its delivery a legitimate and necessary role for government? (c) Is the current federal role appropriate or should the program be realigned with the provinces? (d) Should it be delivered in partnership with the private or voluntary sector? (e) How can it be redesigned for efficiency? (f) Is it affordable, given fiscal constraints?

The Program Review process is an opportunity to rethink the priorities of the government, programs, structures and relationships and help to make far-reaching changes in the government. It identifies activities that should cease, be devolved, delivered or financed differently. It suggests cost-effective ways of delivering services. It makes programs more focused to the needs of the society, more efficient and more affordable, and adaptable to the changing priorities of the government. The Program Review process also helps to initiate an orderly decline in public expenditure (Atreya, 2000b; Boyle, 1997).

The United Kingdom, also reviewed its programs on the basis of questions, which reflected 'prior options' (OECD, 1997a). The questions are (a) Does the work need to be done at all? (b) If the work is necessary, does the government need to be responsible for it? (c) If the government does need to be responsible, does the work have to be performed by the civil servants, or could it be delivered more efficiently and effectively by the private sector? (d) Where the job must be carried out within the government, is the organization properly structured and focused on the task?

With the help of these series of 'prior options' questions, the government makes appropriate decisions as to whether the work should be abolished or whether the work is for the private sector to perform. This logical analysis helps to determine where the work should be carried out, at central level or sub-national levels. It also helps to provide the best value for the taxpayers' money by making the work competitive in the market. A

range of policy measures, such as an expenditure ceiling, utilization of resources on core activities, introduction of competition in the delivery of services, strategic contracting, introducing performance indicators and targets, closer linkage of performance to reward, operational flexibility to managers, are being used as a part of the reform measures.

Many other OECD countries have used different tools to reform their programs as well. Australia had an Efficiency Scrutiny Unit in 1987 to review the structural reform issues. In France, efforts have been made to achieve (a) a simpler government aimed at serving citizens; (b) a more efficient government; and (c) a more transparent government (Turc, 1997). In Ireland, the government introduced a comprehensive expenditure review program in March 1997. New Zealand claims to be the first country in the world to prepare a consolidated balance sheet for the whole of the state sector (Richardson, 1997).

Incremental model of reform

This is a cautious approach to reform. Instead of initiating a comprehensive reform process, the objective here is to take the reform incrementally, pursuing changes when the government feels that it is working. It is like pilot testing and then moving ahead, or observing the situation and moving forward when there exists an opportunity. This is not a 'big bang' approach or a comprehensive reform effort; but a piecemeal type of reform program based on the urgent needs of the situation, and selection of what is likely to succeed. This is like the strategy of the Bush administration that emphasized government to be 'active but limited', focussed on priorities and the most glaring problems and solving them well (Breul, 2001). Schick (2000) argued that the German reform program is an example of incremental reform.

With all these discussions, it could be concluded that the implementation of reform programs is a complex task. As Peters (1998) has argued, the reformer has a wide range of options to choose from while initiating changes, but there are no administrative 'keys' that easily fit into the locks presented by the problems of governing, although the advocates of various reforms may make it appear so. Administrative reforms are more a

matter of personal judgment than scientific certainties. The windows of reform do open at certain times and reformers must capitalize when such opportunities do exist. Reformers should work hard to create opportunities for reform.

The past reform experience do suggest that countries have used a combination of reform strategies. The reform strategies adopted by Australia, New Zealand, and the United Kingdom could be argued as an integration of 'market' and 'maganerialism' models. Similarly, Canada streamlined the budgets and programs first and followed this with managerial reforms. Hood (1996) noted that there are four distinct reform models in OECD countries: the 'Japanese way' (low in motive though high in opportunity); the 'German way' (high in motive but low in opportunity); the 'American way' (low in both motive and opportunity); and the 'Swedish way' (high in both motive and opportunity). It is the country's specific conditions that determine which strategy would likely be successful.

The sequencing and methods used by government considerably affect the task of reform implementation. It is therefore important to gain the 'ownership' of local people in reform efforts. It is also important to work on avoiding reform fatigue. If the public servants become tired of reform activity, this condition may plague the successful reform efforts. Therefore, securing ownership by public servants by involving them in reform efforts, reinforcing reform values with consistent actions, rewarding and recognizing successful employees involved in reform efforts, drawing attentions of success stories and creating momentum for sustainable reform are some important tactics to be used for making a reform successful.

2.10. Evaluation of public management reforms

The evaluation of reform programs has become important as it provides feedback on the effectiveness of a program and gives an opportunity to governments to review policies and take necessary actions. It is important to know how well programs and services are

doing in today's public management, as governments have resource constraints and people want good service from governments. Reliable and correct information are needed to make the best use of available resources, to make better decisions, and ensure accountability in the government. Evaluation is one way of providing correct information to help governments to make policy decisions. Evaluation is necessary to find out the answers to questions such as: were the reform measures good for the country? Did they work well? Did the reforms prove to be successful? What would be the impacts of a reform program in the longer term? Are the reform models practiced by developed nations, such as managerialism in Australia, contractual management in New Zealand and the agency concept of the United Kingdom workable in developing countries? The following section discusses the problems associated with evaluating the public management reform programs.

Before discussing the problems associated with evaluating public management reforms, it may be useful to present in brief what evaluation means and its objectives. Evaluation has been defined in many ways. Evaluation is a structured analytical effort undertaken selectively to answer specific management questions regarding program or activities (Binnendijk, 1999). It may be characterized in general "as an activity which is devoted to the production and analysis of rigorous and relevant information about relationships between on one side public acts or non-acts, and outcomes and impacts on the other side" (Thoenig, 2000 p.192). It is "a systematic and analytical assessment addressing important aspects of a program and its value and seeking reliability and usability of findings" (OECD, 1999, p.9).

The objective of conducting an evaluation could be many and organizations may view the objective of evaluation in different ways. The Department of Finance (1994) suggested that benefits from undertaking evaluation includes, better program management, better accountability, better and more informed decision-making, better resource allocation, and a better information base for the Australian Public Service (APS), better program objectives and performance information, help individual portfolio managers to assess the need and scope for change, and manage resources based on priority. Basically, an

evaluation serves to achieve three main objectives: improving decision-making, assisting in resource allocation, and enhancing accountability. Evaluation helps in planning, decision-making and prioritizing the programs. It can assist government by revealing the performance of on-going activities, thus serving as a management tool for learning and improving. Evaluation could serve as an input to accountability mechanisms - making managers accountable for the performance or non-performance of activities that they manage. And evaluation findings are important to ensure how far the development activities have been successful (OECD, 1999). All these purposes suggest that evaluation seeks to address the established objective(s) set forth for an evaluation task. For example, in Finland, the main reasons for evaluation of reform programs were to (a) provide a basis for the government to decide on the points of emphasis in its programs during the rest of its term; (b) get an overall view of how the public sector has changed during the past decade, i.e., does it operate differently, does it cost less, is it more efficient, how do the various interested parties view the changes; and (c) compare the Finnish reform policies with other countries to establish a benchmark on where Finland stands internationally in the quality of its public sector (Holkeri and Summa, 1997, p.58). The evaluation of public management reform programs in Australia in 1992 was inspired by two major questions: (1) 'What has been the result?', and (2) 'What should be done next?' (Task Force on Management Improvement, 1992, p.2).

Having briefly explained the significance and the objective of evaluation, the following discusses some of the problems of evaluating public management reform programs. The task of evaluating government reform programs seemed to be complex because of the problems associated with defining the objectives of reforms, methodological constraints for measuring the results of reform, and the problems with data collection and interpretations.

The objectives of reform programs are often expressed in qualitative terms, which makes it difficult to measure results. In the private sector, the objectives are expressed in terms of profit, return on investment and in other financial and measurable terms, and for this reason, evaluation of any program could be easier; whereas in the public sector the

objectives are often stated in a non-financial terms. For example, the Task Force on Management Improvement (1992) noted that problems associated with the evaluation of reforms were: the wide scope of the work, resource and time constraints, dependence on agencies and others for contributions and information, difficulties in measuring policy objectives that are not readily quantifiable, absence of benchmarks for comparison of progress, and difficulties of establishing cause-effective relationships.

As has been discussed, reforms may create winners and losers, and because of this fact, the success of reforms can be interpreted differently by different stakeholders. A reform (downsizing) successful for government could be viewed as a failure from the view of employees.

It is hard to establish a cause-effect relationship in public management reform because various variables are involved together at a time in reforms (Boston, 2000; OECD, 1999; Pollitt, 1995, 1998; Savoie, 1998). It is hard to pinpoint which reform element produced the results. Furthermore, reform measures are scattered across several policy documents, legislations, project documents, research proposals and carried out simultaneously. For example, downsizing may be accompanied by decentralization of authority; and budgetary reform may be linked to reforms in taxation, expenditure control, training and so on. All these make it hard to measure what specific factor caused an effect from a reform.

Pollitt (1995) argued that, because most of the reform initiatives are multifaceted in nature, controlling all relevant variables is seldom possible. He identified the following difficulties related to the evaluation of public management reforms: (1) the multifaceted nature of the NPM and the presence of 'other factors'; (2) absence of clear benchmarks and counterfactuals; (3) the 'contextual' issues- reform intervention may be successful in one country while a failure in another country; (4) the problem of defining the costs and benefits of public management reforms, and (5) the problem with selecting the criteria for measuring public management reforms. Boston et al. (1996) also argued that a dearth of empirical data and evidence, absence of clear benchmarks against which a policy could

be measured, difficulties in determining the long term cost of a previous system to compare with the changed system, difficulties in isolating the effect of a particular reform as changes formed part of the broader package of reform, and the methodological issues associated with the evaluation of public management reforms, makes it hard to evaluate reform programs.

Boston (2000) presented a detailed explanations of the problems associated with the evaluation of public management change and identified the following four main areas of problems associated with evaluating public management change. These are presented as follows:

(a) **Choosing the appropriate criteria for assessment and defining what constitutes ‘success’**

- The objectives set by policy makers are usually multiple and often conflicting.
- The objectives set by policy makers are often poorly specified, and are usually partial and incomplete.
- Evaluators often differ over the selection of the appropriate objectives.
- Evaluators often differ over what would constitute a successful policy, or even over what would constitute an improvement on the previous arrangement.

(b) **Determining what to measure and securing the relevant evidence**

- The relevant data are often unavailable or inadequate; in particular there is typically a lack of readily quantifiable data.
- Appropriate benchmarks are often lacking, so that it is difficult to compare ‘like with like’ or to make ‘before and after’ comparisons.
- Some of the relevant data are very expensive and time-consuming to obtain.
- The time period is too short for all the significant impacts to have become apparent.

(c) **Interpreting the Evidence**

- The evidence is often conflicting.
- The appropriate counterfactuals are uncertain.
- It can be difficult to determine what weight to place on particular pieces of evidence, especially 'hard' versus 'soft' data.
- It can be difficult to isolate the specific impact of different elements of a reform package and determine whether specific outcomes are the product of the reforms or external factors.

(d) **Arriving at an overall assessment**

- Lack of agreement on the policy goals and the criteria for assessment will generate different verdicts depending on the values and weighting methods adopted by different evaluators.
- Measurement difficulties and the problem of incommensurability render it impossible to develop a composite index or express the varied data in a common currency.
- Different goals are typically achieved to different degrees and it is difficult to determine what weight to give to the realization, partial realization or non-realization of particular objectives.
- There is likely to be significant scope for disagreement about the policy implications of the analysis, as well as the applicability of the findings to other jurisdictions or contexts.

The above criticisms by Boston (2000) showed that there are significant problems with measuring the change brought by public management reforms at the macro level. Probably, because of these problems, the concentration has been on micro-evaluation, i.e., evaluation of specific programs at the program level. It is impossible to evaluate all aspects of the potential effect of the reform programs and this suggests being selective in the task of evaluation (Reider & Lehmann, 2000). Perhaps, because of all these difficulties, Peters and Savoie (1998) argued that the literature on public management

reforms thus far has largely been preoccupied with explaining the new measures and comparing measures from various countries, but little has been mentioned about how successful the measures have been.

While there are difficulties in evaluating a reform program, considerable efforts have been made towards institutionalizing evaluation as an important part of the reform program in developed countries. Some attempts have been made to review the macro impacts of reforms in Australia (such as the study by Task Force on Management Improvement in 1991) and New Zealand (Schick's report in 1996). In the case of Australia the conclusions were that (a) the direction of reform has been correct; (b) reforms have well been accepted and have had many positive effects, as well as some costs (especially in implementation); and more needs to be done, especially to extend them across the Australian Public Service (APS) and to incorporate them into the culture of the entire administration (Task Force on Management Improvement, 1992, p.1). Similarly, Schick (1996, p.1) argued that

it has become evident that the reforms have lived up to most of the lofty expectations held for them....The State sector is more efficient, productive, and responsive, and there generally has been significant improvement in the quality of services provided to New Zealanders. However, as with any leading edge technology, it may now be time to 'debug' elements which have not worked as well as anticipated.

Academic literature indicates that many countries have undergone change in their public sectors. As Savoie (1998, p.394) argued

we have witnessed a great deal of change in the public sector during the last fifteen years, particularly in Anglo-American countries. It seems that political leaders in these countries are forever reinventing government. We can easily identify the measures and the various stages of their implementation. We are also confident that a series of lessons can be drawn for the various reform measures and that the lessons should be very useful for both practitioners and scholars of public administration. But beyond that, it is difficult to be certain about anything. The reform measures are essentially political and social experiments and, unlike scientific experiments, explanations of success or lack of success are subject to multiple and often conflicting interpretations.

All the foregoing discussions suggested that evaluation is a mechanism whose purpose is to learn whether the government programs are achieving their intended objectives. It tries to understand the facts of a program and generate information that could be valuable for organizations for improving policy making and decision-making. Reaching an evaluative conclusion is a difficult task considering the various forces involved with evaluation of reforms, such as the party-politics, perceptions, values, beliefs of employees, stakeholders and citizens and the methodological constraints involved in measuring reform programs. Nevertheless, a wealth of literature reports on the results of the reforms.

2.11. Emerging criticisms about NPM reforms

With more than a decade of reform experience in place, it is now imperative to look at the results of reforms or the changes in countries. For many countries, the theories and philosophies of NPM were new a decade ago, although untested were received with great interest and enthusiasm. These theories and philosophies are now more than a decade old. Countries that applied the NPM philosophies, partly or fully, have started realizing its impacts on societies in general. Researchers and academicians have played an indispensable role by producing literature on the strengths and weaknesses of NPM doctrines based on the realities they observed from their points of view. As Savoie (1998, p.394) noted “we have witnessed a great deal of change in the public sector during the last fifteen years” and argued that whether those changes were successful or not, they are subject to multiple and often conflicting explanations. It could be a success story for some, or failure for others depending upon the perceptions and contexts in which one analyses the reforms. There are considerable arguments generated in the academic literature on issues such as globalization or internationalization of NPM (Aucoin, 1990; Cheung, 1997; Common, 1998a, 1998b; Fan, 1998; Hood, 1995; Hughes, 1998) the philosophical base and body of knowledge (Alford, 1997; Lynn, 1998; Maor, 1999; Minogue, 2000) and the results achieved so far from the application of NPM philosophies (Considine, 1997; Lindquist, 1997). This section aims at compiling some of the emerging issues of NPM on these three important points.

(a) **Internationalization of NPM**

First of all, there is a considerable debate as to whether NPM is an international phenomenon or a phenomenon at all. Is it a new paradigm? Though Aucoin, (1990), Hughes (1998), OECD (1995), and Osborne and Gaebler (1992) have argued for the internationalization of the public management; there are others to argue against this as an international phenomenon. For example, Cheung (1997) questioned the 'globalist' interpretation of public sector reforms on the ground that there is no single model of reform and ready-made solutions applicable to all countries, and countries have taken different reform initiatives at different times for different reasons. While there may appear to be some kind of convergence in terms of reform rhetoric and the generalized ends of reform, Cheung (1997) argued that the means employed to pursue the ends are of considerable variety in both locus and focus depending on the history, politics and institutional features of the countries involved. Cheung (1996) also argued that public management reforms in Hong Kong in the 1990s had little to do with globalization pressures but was more a political one. Its internationalization and application to developing countries was also questioned. For example, Fan (1998) concluded that China cannot be depended on West for the solution of its problems, but must develop its own indigenous reform model, which could be a blend of both West and East.

Hood (1995, p.104) advanced three objections against the claim of an emerging new global paradigm of public management. He argued that

contemporary reforms ideas, particularly those advanced by Osborne and Gaebler are culturally plural rather than homogeneous; there are substantial biases toward exaggerating international similarity in public management reforms, but that the similarity weakens when we go beyond semantic packaging to examine the specific content of reform initiatives; and there are also built-in biases for overstressing the continuity of contemporary public management reforms, but that in fact there are major obstacles to the emergence of a stable new paradigm in public management. One is the underlying mutual repulsion of the multiple reform paradigms today, and the other is the frequency of self-disequilibrating processes in public management reform associated with the production of unintended side-effects and reverse effects.

Looking at 15 years of change in Finland, New Zealand, Sweden, and the UK, Pollitt and Summa (1997) also argued that a uniform 'one-track' picture of public management reforms sweeping over these countries is not at all true, and reached the conclusion that in the 'Westminster system' countries, the aim appears to have been to minimize the extent and distinctiveness of the state sector, whereas in the Nordic countries much greater emphasis has been placed on modernizing the state apparatus so that it can deal better with a changing environment.

Gruening (1998, p.25-26) quoting Kuhn's (1976,194ff) work *The Structure of Scientific Revolutions* defined the term 'paradigm' as "concrete examples for the solution of scientific problems" and, adding more, it "is the disciplinary system of a science and consists of laws, definitions, metaphysical orientation hypotheses, values and concrete examples" and reached a conclusion that "the new public management is not a new paradigm for the political administrative sciences. The scientists of the political administrative sciences are far away from agreement about a disciplinary system".

Common (1998b) argued that the new global paradigm of NPM remains largely unsubstantiated and noted that possibly in the name of policy transfer, which is in progress across countries in a piece-meal fashion, we opt for claiming the internationalization of NPM. Common concluded by declaring globalization or internationalization of NPM a misnomer for the scattering of management techniques around the world. Common analyzed internationalization or globalization of NPM in term of 'universal application of public policy'.

Reform experience in Central and Eastern Europe also did not confirm the notion of a global convergence of the NPM reforms. According to Hesse (1998, p.143)

looking at public sector reforms in a comparative perspective 'global convergence' is indeed not a characteristic to be detected within the environments of Western and Eastern Europe. What has become more than clear over the last decade is that state traditions, administrative cultures and specific historic legacies (that embrace in the case of Central and Eastern Europe much more than the communist period) have to be taken into account, and that the fashionable way of introducing public

management formulae into the routines of handling public affairs carries only limited and much too timely weight.

While some authors contested the internationalization of NPM, there are many actors that have contributed evidence for its internationalization. Governments have made contributions to the globalization of this subject by producing official documents and reports. The international organizations such as the International Monetary Fund (IMF) and the World Bank have played a major role in the process of NPM policy transfer to its member countries through its aids package (Common, 1998a; Dolowitz and Marsh, 1998). The Organization for Economic Co-operation and Development (OECD) has been actively involved in evaluating the progress of public management development in the OECD member countries. Guthrie (1997, p. 3) commented that “the subject clearly would not be as popular if it had been labeled simply as “public management” – the promise of something ‘new’ is attractive, especially to those labeled inadequate and old-fashioned”. Academic and professional journals in fields as diverse as medicine, education, social science, politics, management, administration, finance, and government regularly contain articles on NPM (Guthrie, 1997). Reports and notes from management consultants and professional managers have also aided its popularization.

Boston (1994) in his work *Origins and Destinations: New Zealand's Model of Public Management and the International Transfer of Ideas* summarized some of the key mechanisms for the transfer of ideas. Some of the mechanisms responsible for the internationalization of NPM ideas were: international organizations such as OECD, World Bank, Commonwealth Secretariat, international consultancy firms with expertise in public management; international conferences on the subject, intergovernmental contacts, i.e., multilateral and bi-lateral consultations, meetings, departmental secondments, exchanges and delegations; educational and research programs, i.e.,- university based education, training and management development programs; and academic literature, and other publications, i.e., journals specializing in public administration, governmental reports, and conference proceedings.

The foregoing comments from various authors suggested the need for further research on what exactly a 'new paradigm' means? What is meant by the international phenomenon? In simple terms, if it meant the transfer of ideology (such as the concepts of transparency, accountability, downsizing, decentralization, privatization and so on) to other countries, though in piece-meal fashion, these concepts have been embodied in all reform programs in developed and developing countries. The 'first generation' and 'second generation' reforms underway in many developing countries, including Nepal, are trying to streamline government machinery through using the elements incorporated in NPM (ARC, 1992). But, if the issue of globalization or internationalization of NPM is to be used in more specific ways, such as the way in which Common (1998, p.441) has used "globalization to mean the universal application of public policy", in that sense researchers are possibly right in arguing that there is no reform formula that fits all countries.

(b) Philosophical base and body of knowledge

Secondly, there are quite a sizable number of researchers who questioned the theoretical basis of NPM and the extent to which NPM has produced a body of knowledge. Common (1998a, p.60) asked "Does the new management orthodoxy amount to little more than a collection of techniques applied here and there"? He argued that NPM lacked a precise definition of its own.

Hood (1991, p.8-10) noted four main counter-claims of NPM: first, "NPM is like the Emperor's New Clothes in the well-known Hans Anderson story-all hype and no substance, and in that sense a true product of the style-conscious 1980s"; secondly, "NPM has damaged the public service while being ineffective in its ability to deliver on its central claim to lower costs per (constant) unit of service; thirdly, "in spite of its professed claims to promote the 'public goods' (of cheaper and better public services for all), is actually a vehicle for *particularistic* advantage"; and fourthly, is about the "NPM's claim of *universality*".

Another paradox has been put forward by Maor (1999) about the ideology of managerialism. On the basis of a comparative analysis of changes in senior officials' tenure, security and protection from external competition in Australia, New Zealand, Canada, the United Kingdom, Austria and Malta between 1980 and 1996, Maor (1999) claimed that politicians have lost their control over the implementation of their policies following managerial reforms put in place under NPM and argued that this makes them hunger for more control over the bureaucracy and as a result, the public service has become more, not less, politicized following the managerial reforms, and the senior servants find their positions becoming more insecure due to the political executives' desire for more control.

The NPM philosophies are also based on the public choice theory. However, the basic philosophy of public choice theory was also questioned. For example, Boston et al. (1996) noted that the assumption adopted by public choice theorists, that all human behavior is dominated by self-interest is questionable. The same argument neither applies for politicians or bureaucrats in that they are not always governed by personal interest nor do they try to gain benefits in all contextual situations.

As to managerialism, (Boston et al., 1996, p. 36) argued, "NPM has been challenged on the grounds that it enjoys neither a secure philosophical base nor a solid empirical foundation". A similar view was put forward by Painter (1997). It was also argued that the principles of private sector (managerialism) may not be equally applicable to the public sector, nor are they superior to, neither serve as a benchmark for those in the public sector. For example, Boston et al. (1996, p.39) argued that "private sector management practices are not equally applicable in all public organizations. Nor should it be assumed *a priori* that private sector organizations are better managed than public sector ones. Against this, it is equally wrong to assume that private sector practices should have no role in the public sector or that managerialist doctrines have no relevance to public sector organization".

It was argued that the public sector is different from the private sector. For example, Painter (1997, p. 42) argued that "most areas of public service and administration have distinct political, ethical, constitutional and social dimensions" that render different from the private sector. Alford (1997) arguing on the issue of difference between the public and private sector noted that public sector managers produce non-market values in addition to market ones, the market for which these values are produced is different from that of the private sector managers, the public sector managers use more diverse resources than just the economic resources in the private sector and utilize a more sophisticated range of productive capabilities than in the private sector. Thus the notion that the public and private sector operates in more or less the same way seems to be questionable.

Lynn (1998) has been more critical about the NPM. He argued that NPM will fade away and researchers would soon write the post-mortem of NPM. His reasons are that

the initial shape of the Westminster reforms that inspired the term will eventually be disfigured in the course of political succession, and partisans and scholars alike will see new opportunity in proclaiming the metamorphosis or death of the NPM; as comparative work across countries and sectors accumulates, fundamental differences among reforms will begin to eclipse superficial similarities; the term 'new' will be viewed as an inconvenient adjective for emerging themes or objects of inquiry; and political debate will require a fresh theme to attract attention to and support for the next wave of ideas for administrative reform (Lynn, 1998, p.232).

The above discussions showed that NPM has been debated for not having a precise definition of its own, nor having sound philosophical base. The body of knowledge, which was mostly imported from the private sector, known as managerialism, was contested on the solid principle that the public and private sectors are not the same, and theories of private sectors are not relevant in the public sector. One of the fundamental functions, which is a distinct role of the public sector is to regulate the private sector. The fundamental difference is in their objectives - the private sector is profit oriented whereas the public sector has to be service-oriented to ensure societal equity. Moreover, the public sector has the power of 'regulation' to control, restrict and punish when things go wrong

in the market economy. While the reform efforts along with the forces of globalization demand governments to be more like private sector organizations, at the same time to meet the increasing challenges of the globalization and achieve the developmental objectives, there is a need to strengthen the role of the State. The World Bank (1997, p.3) endorsed a strategy to “raise state capability by reinvigorating public institutions”, which indicated that the State will have dominant role in the national economy.

(c) **Results of NPM reforms**

OECD (2000a) noted that the purpose of reform is to make government more responsive to society's need. Were NPM reforms successful in making government more responsive to society's need? Indeed this is a complex issue and a positive response is hard to justify. A detailed analysis of the results of reforms is constrained because of the lack of comparable data and the complication of the methodological requirements that Boston (2000) and Pollitt (1995) identified. However, more than a decade of reform experiences have generated some learning lessons for us to move ahead. Many authors (Considine, 1997; Common, 1998b; Halligan, 1997b; Lindquist, 1997) have argued that the results of NPM movement showed the weaknesses inherent in it.

Taking the case of Australian reform, Considine (1997) argued that the managerial revolution in reality has produced small achievements; the costs for the achievements have been high; and the means employed have been controversial. The reform strategy of the Australian government failed in two important respects: one, the reform techniques were expensive and have actually increased costs in the short term; and two, an attempt to save costs in reality has damaged the organizational capacity to maintain quality services and innovation. The reforms focused on the short-term benefits and missed the main reform needed. The corporate management framework does not deliver lasting improvement to solve the turbulent situation created by persistent economic crisis, ideological attacks on the public sector and the new demand created by an emerging post-industrial society. He reached the conclusion that

corporate management has failed in its attempt to deal with this turbulence problem because it is essentially a framework designed to 'circle the wagons' and ration supplies. Its overwhelming concern is to spend effort on systems to limit goals, focus effort on programs, cut slack and tie all activities to narrowly prescribed outputs. This produces increased central control and greater homogeneity (Considine 1997, p.109).

Evaluating the reforms in Australia and New Zealand, Halligan (1997b) argued the unintended outcomes included high social costs, high unemployment, economic inequality, growing distrust towards political responsibility and integrity, and changes in income security, quality of life, the natural environment and inter-personal and inter-generational distributions. Referring to the Australian case, Halligan (1997b, p.43) concluded "15 years of reform have not produced relief from change, but merely laid the foundation for more". This showed that 15 years of reforms have not produced good results for the society.

With respect to the Canadian reforms of the last fifteen years, Lindquist (1997) argued that the reform impacts on civil society and on the quality of public discourse about governance is not satisfactory on the grounds that social disparity has increased; governments have not been able to show a vision for change; civil service employees though are providing services to the ministers and citizens at the same level of services with limited resources, but the incidence of burnout and low morale are legion, and many are leaving the public service to join the private sector.

Minogue (2000), in *Should Flawed Models of Public Management be Exported? Issues and Practices* questioned the appropriateness of NPM even in originating countries based on the results achieved so far in those countries. Minogue (2000) went on to argue that the literature on privatization and market-based mechanisms, such as contracting, makes it clear that there is no hard evidence of real efficiency gains; the literature on civil service reform and executive agency restructuring suggests that the only clear result so far, other than a substantial reduction in numbers employed in the public sector, has been a serious loss of public accountability; and the literature on the application of NPM reforms to local government has been fiercely critical of increased 'democratic deficit',

and the emasculation of local authority autonomy. It is virtually impossible to find rigorous evidence or evaluation of the impact (for better or worse) on public services, despite this being a major emphasis of the reform model.

While there are some criticisms about the NPM reform model, in general, the NPM movement has also shown some distinct advantages. It has highlighted the need for reducing the administrative costs of the government; pushed the need for decentralization and devolution of power against the central control; reaffirmed the right of citizens against the bureaucratic States; and offered avenues for individual initiatives and experimentation.

It is therefore quite early to reach to a conclusion that NPM reform models are flawed and not working to make governments more effective. So far, no detailed evaluations have been made on this subject, except for Schick's report on the New Zealand Reform in 1996 and the Task Force on Management Improvement in Australia in 1992. Both reports have presented the strengths and weaknesses of the reforms. For example Schick (1996, p.1) argued that "the organizational cocoon of the old State sector has been broken open and structures reshaped through the application of the reforms' overriding principles. The State sector is more efficient, productive and responsive, and there generally has been significant improvement in the quality of services provided to New Zealanders. However, as with any leading edge technology, it may now be time to 'debug' elements which have not worked as well as anticipated". Similarly, the report of Task Force on Management Improvement (1992) concluded that the direction of the reforms has been correct and they have been well accepted and have had many positive effects.

Though some arguments have prevailed against NPM and its applicability, the trend seemed to be towards moving ahead with it rather than reversing back. For example, Schick (2000, p.148) noted that

in a leap of vision, one can foresee government of the future organized along very different lines than it is currently. A futuristic public service would work out of homes or out of communications hubs; it would consist of workers hired by business firms under contract with government;

citizens would have broad choices in the public services they purchase; government departments would shrink to core political-polity functions; governments would adopt variable budgets, in which the volume of resources were linked to the volume of outputs and other measures of performance.

The future model of public service created by Schick (2000) endorsed the continuity of NPM in the future.

The above discussions suggested that any evaluation of the success or failure of the reforms depends upon one's perception and contexts. There are winners and losers of reforms, and for winners reforms could be a grand success and vice versa for losers. No doubt the ways in which governments were managing their businesses a decade before have now been changed. NPM is a combination of techniques based on a complex ideology; they have worked well in some countries whereas in others their implementation may have required some prerequisites to be met. Maybe some techniques could be flawed as well. A change has taken place in the ways governments are dealing with the society's needs, but at what 'costs' (lacking final evaluations) is subject to one's interpretation.

2.12. Conclusions

In the last two decades, the traditional model of public administration has come under fierce attack, particularly in the developed economies, mainly because of the pressure to keep down their expenditure while maintaining sufficient quality of services. The government was believed to be over-extended and too involved in all sectors of the economy. Public management reforms, therefore, become important for all these countries.

A reform model popularly known as New Public Management (NPM), which emerged in the areas of public management claimed to be successful in solving many of the problems of the public sector. The theoretical basis of this model came from public choice theory,

agency theory, transactional-cost theory and the managerial practices of the private sector, popularly known as 'managerialism'. The available literature reviewed so far suggests that there is no common agreement as to the total make-up of NPM among the researchers, academicians and scholars because of the point that a best reform model for one country may not be applicable in another country- what constitutes a NPM agenda for one country may not be best practice in another country. The issue is compounded because of the facts that in many countries the reform had different objectives and hence different NPM strategies were adopted. Some countries went on to adopt a comprehensive reform package, whereas others implemented incremental reforms.

Though the theories and doctrines of NPM have received wide recognition in many OECD countries, there are critics who believed that NPM has weaknesses as well. It was argued that 'all human behavior acts in self interest' may not hold true in all cases. Treating public and private sectors similarly may not be right because of the differences in their main objectives, i.e., private sector is more influenced by profitability whereas the public sector has also a role of ensuring social equality in the society. Although substantial changes have been occurred in the ways governments manage their businesses as a result of NPM reforms, it is also claimed that it has created some unintended social costs to the society. Despite these criticisms, there is no evaluation based hard evidence to reach a conclusion that NPM is non-functional. Moreover, NPM itself appears to be in a state of continuous development so that, with its application, governments could be more effective and serve society better than before.

This chapter has presented a review of the public management literature. It has explored the objectives, origin, theories, and elements of new public management. This literature review also explored the problems inherited in the traditional public administration model and critically analyzed why those views are no longer applicable in developed economies now. Various issues relating to the implementation of reforms were explored. And finally, this chapter discussed the weaknesses of NPM put forward by various authors. This literature review formed a solid foundation for the next chapter which is examining public management in the context of developing countries.

CHAPTER III

PUBLIC MANAGEMENT REFORMS IN DEVELOPING COUNTRIES

3.1. Introduction

The previous chapter discussed the theoretical basis for NPM and experience of its application in developed countries. This chapter aims at analyzing NPM practices in developing countries. It begins with a brief discussion of the social, economic and administrative characteristics of developing countries because the success of any policy intervention or transfer of policy would be likely to be increased if it takes into account the social, economic, political and administrative characteristics of the target country. Section 3.3 analyses the various components of NPM practices and their applicability to developing countries. Section 3.4 discusses the issues of implementation and evaluation and the problems inherent in reform programs. Finally, section 3.5 presents the conclusions from this chapter.

3.2. Characteristics of developing countries

The characteristics of developing countries that influence the administrative reforms are discussed briefly under four headings: (a) social and cultural characteristics; (b) economic (c) political; and (d) administrative characteristics. The purpose of this brief presentation is to build a background framework for the discussion and analysis of NPM's applicability to developing countries. The following presents a brief description on each of these characteristics.

3.2.1. Social and cultural factors

Culture normally means the beliefs and values inherited by the society (Schein, 1992). Any reform measure is more likely to succeed if it is accepted by the society, and if local ownership and participation is achieved (United Nations, 2001b). The applicability of the reform models of the West or 'best practices' are more an issue of analysis within each country's contextual environment (Schiavo-campo and Sundaram, 2000; Taylor, 1996), therefore, they should be received with special skepticism. It was argued (Schiavo-campo and Sundaram, 2000) that in reality the majority of the norms by which society runs are informal norms, and that an administrative reform that fails to take into account the informal rules is likely to lead to a failure of the reform itself. These informal norms are not visible to outside observers. Similarly, the report of a Seminar for Ministers and Secretaries of South Pacific Nations (USP, 1993, p.13) reported that "the development of appropriate public sector reform strategies for pacific island countries requires consideration of a range of cultural and social issues including country size; cultural applicability of reforms; stage of development; available technology and human resources; and type of political system". Ormond and Loffler (1998) also argued that reforms should first build on local and national circumstances, as countries are different in their socio economic characteristics.

Economic performance is also linked to institutional culture. For example, the "economic success of Japan, the Asian 'Tigers' or 'dragons' of Hong Kong, Singapore, the Republic of Korea and Taiwan, and the Chinese can be attributed to a common Confusian cultural heritage, that values, among other things, thrift, discipline, harmony, a respect for authority and high regard for education and the acquisition of knowledge and skills" (UNDP, 1995, p.20). The international donor agencies have said that supply driven reforms that did not take into account the specific characteristics of developing countries was one of the major reason for not producing the intended results from the earlier reforms (United Nations, 2001a). Any administrative reforms are bound to entail significant value changes, which are based on local culture and traditions. Therefore, Nef (1998) argued that an administrative restructuring, or any modernization effort must

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address first, directly or indirectly, the question of the indigenous style, values and culture of governance.

A positive work culture is linked to performance. A study done by Grindle (1997) concluded that organizations having positive work culture showed better performance than others. All these discussions help to reach a conclusion that reform must address the cultural issues of respective countries to yield expected results of reforms.

The cultural development in many developing countries was influenced by a long history of colonialism. Many countries achieved independence during the 1950s and '60s. Colonial jurisdictions were bureaucratic, and local inhabitants held a low profile and were deprived of many of the benefits of citizenship, as colonial rulers held most of the senior positions in administration (Hughes, 1998). When they emerged from colonial rule, they inherited an administrative system that was designed to suit the rulers. Turner and Hulme (1997) argued that countries such as Bangladesh inherited the British model with pride, but failed to realize the difference between the British colonial model and the domestic administrative model. The legacy of the colonial rule developed a culture of political and economic exploitation, which is still dominant in many developing countries (Samaratunge, 1998).

When many of the developing countries emerged from the colonial rules, they had the belief that state-led-development would be an appropriate model for economic development. As the World Bank (1997, p.23) noted "this belief was reinforced by the popularity of state activism worldwide. The Great Depression was seen as a failure of capitalism and markets, while state intervention - the Marshall Plan, Keynesian demand management, and the welfare state - seemed to record one success after another. The new interventionist credo had its counterpart in the developing strategy of the day, adopted by many developing countries at independence, which emphasized the prevalence of market failures and accorded the state a central role in correcting them". A culture of dependence upon government was thus developed in developing countries.

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The international partisan and politics that emerged during the Cold War time might also have influenced many developing countries to affiliate with either side of the superpowers for their benefits and economic development. Some went on to adopt the socialist approach, which were seen as successful in the Soviet Union and China, and some were influenced by the capitalist approach to development. Though democracy was achieved in many countries, the public administration remained more or less like that of the colonial period (Hughes, 1998).

Although Nepal remained free from colonization, the Rana rule for over a century developed a bureaucratic structure and systems, which it could be argued were similar to those of some developing countries who were under colonial rulers. The administration was centralized, and nepotism and favoritism prevailed and was rooted in the administrative culture (Joshi, 1983).

Today, many developing countries are trying to shift to a market-led development in their process of national development, by embarking on policies that have worked well in developed countries and are relevant to their environment.

3.2.2. Political factors

Many authors (Bale and Dale, 1998; Heredia and Schneider, 1998; Kiggundu, 1998; Minogue, 2000; Pollitt and Suma, 1997; Pollitt and Bouckaert, 2000; Polidano, 1999b, 2001; Taylor, 1996) have commented on the need for political support for the success of public management reforms. They argue that political ownership is critical for the success of reform. Public management reform is a political issue and therefore reform is likely to succeed if it has the support from political leaders. Polidano (1999b, p.2) argued that “reform will not happen unless it is firmly driven by the political leadership of the country”.

The political environment in many of the developing countries seemed to be an obstacle for reforms. For example, Therkildsen (2000) argued that reforms underway now in

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Tanzania are mostly inspired by NPM paradigm but has suffered from a fragile domestic political support to the reform package as a whole. Haggard and Kaufman (1992) argued that it is mainly the political-administrative elites that seek to influence the reform processes, and without their it is hard to move forward reform programs.

As many of developing countries emerged from colonial rules, they encountered political unrest after independence, and therefore inherited a military rule or a centralized, feudal administrative system, in the hands of authoritarian rulers. While democracy has been restored in many of these countries, transition from an authoritarian to a democratic system of governance is a huge challenge for them now. For example, in Ghana, which was one of the brightest stars at its independence in 1957, its economy deteriorated due to series of political turmoils, which led to massive corruption, moral decline and extensive brain drain of the educated people from the country (Tsikata, 1999). In the case of the African Lusophone countries (Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome and Principe), the ideological orientation, types of political systems and development models that were selected by the then leaders seriously hampered the chance of achieving good governance (United Nations, 1999a). This indicated that the political legitimacy, freedom of association and participation, freedom of media, fair legal frameworks and its impartial enforcement, and accountability and transparency - the elements of good governance (UNDP, 1995) are weak in developing countries.

Political influence in the bureaucracy has been a great obstacle to strengthening the public service in Nepal. For example, Pradhan (1999, p.14 & 15) noted that "politics got greatly enmeshed with in-fighting, division, distrust, desertion, indiscipline, loss of integrity, self-interest and severely inclined to money and power" and further argued that the "bureaucracy has been virtually rendered into a pendulum which swings at the will of its political masters. Politics has gradually invaded the domain of bureaucracy".

Many Latin American countries had the same problems. According to CLAD (1998, p.2) "the situation in which these countries (Latin American) found themselves upon the outbreak of the crisis was much more serious than in the developed world. Not only did

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these countries face a serious fiscal crisis, but their previous economic development model (import-substitution) had also proved ineffective. Moreover, external indebtedness became chronic in practically the entire continent. A failure to solve these structural problems led, in most Latin American nations, to stagnation and high inflation throughout the eighties".

Similarly, in Asian countries, Nepal had a legacy of long feudal rulers, and Pakistan went into military hands for a great period of time. The result of these developments was that centralized systems of governance grew in many of the developing countries.

3.2.3. Administrative factors

The administrative environment in developing countries is discussed in terms of: a short period of administrative experience, the influence of colonization in which the traditional public administration was the dominant one, and a weak administration that is inadequate for developing countries in the 21st century.

It is evident that many developing countries have a comparatively short history of modern public administration compared to the developed world. A history of four to five decades for a country cannot be regarded as substantial for development. For example, Britain started the modernization of its public service with the coming of Northcote-Trevelyan Report in 1854 (Hughes, 1998). In the same way, Woodrow Wilson's theory of separation of politics from administration in the United States dates back to the late nineteenth century. These developed countries had the opportunities of experimenting with modern public administration for over a hundred years. But many developing countries are just beginning their experience in modern public administration. For example, democracy was restored in Nepal in 1951, but by the 1960s the country went back to a centralized party-less political system, which prevailed until 1990 (more discussion in Chapter IV). In reality, the re-gaining of democracy in 1991 has sparked the process of change in public administration in Nepal. Similarly, for many of the African countries (for example Angola, Rwanda, and Republic of Congo), consolidation of

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bureaucracy is still a great challenge for their development. Some authors, (Evans, 1995; Holmes, 1992; Polidano, 1999a) therefore, argued that many of the developing countries are at the early stages of their development, and therefore the administration in these countries is too weak to adopt the concepts of new public management.

When many of these countries were under colonial rule, their administrative system was that of 'command and control'. Klingner and Campos (2001) even noted that many developing countries have to shift from a 'patronage' system of public administration, that was dominant in the United States in the 18th century, to a merit based public service. Although the traditional public administration was successful in developed countries during that time, it failed in the developing countries because the legacy of colonization meant direction from the top and no individual responsibility. As a result, the bureaucracy in many of these countries failed to provide the key features of sound governance, such as the political legitimacy and accountability, freedom of association and participation, bureaucratic accountability, and freedom of information and expression. Shah (1999, p.10) has differentiated the managerial practices of the developing countries from that of industrialized countries (Table 3.1).

Table 3.1: A comparison of managerial practices between developing and industrialized (developed) countries

| Areas | Developing country | Industrialized country |
|-------------------------------|--|-----------------------------|
| Goal | Vague and grandiose | Clear |
| Authorizing environment | Weak | Strong |
| Operational Capacity | Dysfunctional | Consistent and functional |
| Evaluation Capacity | Weak and extant | Strong |
| Public sector organization | Input control, command and control | Input and output monitoring |
| Public Sector decision-making | Centralized | Decentralized |
| Private sector environment | Semi-formality but lack of trust and disregard for rule of law | Formal and legal |
| Evaluation culture | 'Gotcha' | Learning and improving |

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The distinction suggested by Shah (1999) shows that developing countries are not clear in their goals, planning and decision making systems are weak and centralized, and public sector organizations are input oriented and controlled by a command and control norm for administration. Overall, Shah (1999) showed that the administrative systems in place in developing countries are weak.

Bureaucratic structures in developing countries are normally governed by informal rules, (Schick, 1998; Schiavo-campo and Sundaram, 2000) such as personal relationships, and customary practices. The government structure may appear as robust formal administrative systems and processes, but in reality its performance could be weak, corruption could be endemic and public services could be broadly inadequate (Schiavo-campo and Sundaram, 2000) in developing countries. Informal rules bypass the formal structures and therefore could prove detrimental to efficiency and effectiveness. Therefore, any policy intervention must not only recognize the formal systems of administration but also should explore the informal rules of society that influence major decisions of the government.

The existing weak bureaucratic system is an obstacle to modernization of developing countries. The World Bank (2000a) argued that the lack of effective governance and well functioning organizations are problems for the development of Nepal. Agrawal (2001b, p.34) argued that “Nepalese management is feudocratic and lacks professionalism”. This is true for other developing countries including Nepal. Therefore, reform is a must for developing countries in order to minimize the gap between developed and developing countries in the 21st century.

3.2.4. Economic factors

The economy has always been a stimulus for initiating reform. This was true in the case of most OECD countries (OECD, 1999b). Generally, the poor performance of an economy exerts pressures for reform. The developing countries lack a financial capacity

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and are mostly dependent on external support for reforms. Enhancing economic performance is one of the critical aspects of reforms in developing countries.

The World Bank has classified each country based on their per capita income. According to the World Bank (1997) low-income economies are classified as those with a GNP per capita of \$765 or less per annum in 1995 (forty-nine economies), whereas middle-income economies are those with a GNP per capita of more than \$766 but less than \$9385 (fifty-eight economies). Low-income and middle-income economies are generally referred to as developing economies. Those countries that fall within the bracket of the above definition are referred as developing countries. The countries with a GNP per capita of more than \$9386 are regarded as developed countries.

Poor economic conditions reduce the opportunity for initiating development programs. The resources are limited while the needs are many. And, therefore, the governments find difficulty in providing the necessary functions to the society effectively and efficiently. Governments need to prioritize the areas for intervention because of limited resources. Eventually, the poor economic performance may become a major factor in the collapse of a State. Therefore, strengthening economic conditions had been one of the most important elements of reform not only in developed countries, such as in Australia and New Zealand (Sedgwick, 1996; State Services Commission, 1996), but also in developing countries. For example, achieving a broad based sustainable higher economic growth rate is the main objective of policy intervention in Nepal (Mahat, 2001). Poor economic performance, inefficiency and corruption in the public sector were the pressures for reform in Tanzania (Therkildsen, 2000). Generally, financial pressures and increasing debt are two important economic factors for reform in developing countries.

The shortage of financial and the manpower resources require developing countries to seek assistance from international organizations, such as the World Bank and the International Monetary Fund. This is evident from the example of Tanzania, which showed that almost all projects were donor funded, starting with the structural adjustment program in 1985 with the support from the World Bank (Therkildsen, 2000). Generally,

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this is true in case of other developing countries including Nepal. The donor countries play a significant role in the development of developing countries through their aid package and exert influence in the transfer policies through 'conditions' attached to the aid package (Common, 1998a; Dolowitz and Marsh, 1998).

The developing countries differed from developed countries in terms of per capita income, the development models they adopted, and the bureaucracy and the organizational culture in which they found themselves at independence from colonialism, but are now rapidly changing in response to global environment. The Eastern and Central European countries in the last decade have attempted to move from a single party State to a pluralistic democracy; and from a centrally planned economy to a market economy by overhauling the old structure, consolidating and building long term capacity-building policies, adopting 'best practices' for the modernization of their governments, and learning the standards and practices of the world community (Bertucci and Jemai, 2000).

In Africa, Kiggundu (2000, quoted in Bertucci and Jemai, 2000) argued that after having a mixed result from their initial reforms (retrenchment and downsizing, reducing the role of government, macro economic stability, avoiding deficit spending, and private enterprise reforms) following the independence, many countries (for example, Botswana and Gambia) have now shifted their focus to 'capacity building' and to a concept of 'smart government'. According to Kiggundu (2000) earlier reform attempts were not sufficient to address the problems of governance and administration, which were political and institutional in nature. The concept of 'smart government' included the following components:

- Adopting a broader and long term approach to reform relating it to the role of the State and good governance;
- Linking civil service reforms to components such as financial management, decentralization, sector wide approaches, etc;
- Rejecting the project approach to civil service and public sector reforms and moving to a long term, systematic program approach;

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- Focusing on strategic mobilization and utilization of resources (financial, human, institutional, technological, informational, political, etc.);
- Introducing some of the useful NPM ideas and practices, such as performance management and result budgeting; and
- Persuading the donors to avoid a 'one size fits all' approach to reform and instead to embrace a home grown creative mix of approaches.

In Latin America, Sulbrandt (2000, quoted in Bertucci and Jemai, 2000) argued that democratization, de-bureaucratization, reduction of the scope of State intervention and privatization and opening to the global market were the major directions of reform in Latin American countries in the 1990s.

Similarly the developing countries in Asia have adopted various reform models. Dwivedi (quoted in Bertucci and Jemai, 2000) noted that South Asian countries (such as India, Pakistan, Sri Lanka, Nepal), on the whole, performed less well than East and South East Asian countries. One of the reasons for this was the nationalization in India, and this direct control of the State over the economy was associated with increases in poverty in other South Asian countries. The externally induced modernization has not produced results. The NPM has some sound aspects such as delegation of authority, focus on results, improvement in the service quality, greater attention to cost reduction and the quest for efficiency, uses of private sector practices such as contracting out and merit pay, but the market driven rhetoric and 'reductionist approach' of the NPM system has been questioned. He argued that a 'reductionist' approach does not offer practical solutions to the critical problems of corruption as a way of life, political involvement in the management of public sector, and the influence of religion and traditional values in politics and administration, among others. These characteristics are found in most administrative cultures in Asian countries.

The foregoing discussions suggested that cultural, political, economic and administrative factors are important points to be considered in initiating reform programs. The colonial legacy has rooted the centralized command and control type of administration in many of

the developing countries. Informality mostly governs government administration. The institutional capacity is weak. The developing countries are poorer than the developed countries and therefore depend upon bi-lateral and international agencies for funding the reform programs. However major changes in public management are currently underway in many of the developing countries. Countries have learned from the limited success of the past and are trying to invigorate the governance for a better future. The models these countries are taking up now are more holistic and more pragmatic and take into account the diversity of culture and institutional environments. It is hoped that the momentum of this reform would lead these countries to a sound system of governance.

3.3. Analysis of NPM in developing countries

The following section discusses the applicability of NPM to developing countries. The purpose of this discussion is to understand the usefulness, progress and problems of NPM in developing countries and draw some preliminary arguments as to the applicability of NPM in developing countries. Each element of NPM as proposed by Pollitt (1995) is discussed. Furthermore, some points, such as capacity building and corruption, which seemed to be outside the agenda of NPM, are also discussed, as these are some of the critical issues of reform in many developing countries. The following discusses the relevant elements, (cost cutting and downsizing, introducing agencies, decentralization of management authority, split of purchaser and provider, introducing market mechanisms in the public sector, reinventing personnel management, introduction of performance management, and service quality and customer responsiveness) of NPM.

3.3.1. Cost -cutting and downsizing

Cost cutting and downsizing has been one of the important aspects of reform in many developing countries (Lienert and Modi, 1997; Macgregor, et al; 1998). The poor economic performance intensified with the international pressures for tighter budgetary allocations led many countries to adopt a policy measure of downsizing.

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The Welfare State regime was the main reason for the bloated bureaucracy in developed and developing countries. Taking an example from Nepal, the state owned enterprises that were just 8 during the First Five Year Plan (1956-1961) reached to 61 by the end of the Fourth Plan (1970-75) (Basyal, 2001). Government was virtually involved in all sectors of the economy. Similarly, employees in government organizations also increased. As a result of bloated bureaucracy, employees are not properly utilized. For example, Argawal (2000, p. 241) argued that “human resources in Nepalese organizations have remained grossly underutilized”. Now, government bodies including the donors believed that bureaucracy is overly bloated and needs downsizing (ARC, 1992; DFID, 1998; JT Consultants, 2000; Mahat, 2001).

The government in Nepal has acknowledged that size of the public service needs to be reduced, and therefore, acted by merging ministries and agencies, abolishing some regional offices, introducing buy-out and voluntary retirement scheme, elimination of vacant positions, and staff ceilings (ERC, 2000; MoF, 2001).

Cost cutting and downsizing, one of the important elements of structural adjustment programs that many developing countries initiated in the 1980s, was a part of 'first generation' of reform (Camdessus, 1997; Lienert and Modi, 1997). For example, World Bank (1997) noted that the main objective of the first generation reform was to manage inflation and restore growth by using drastic budget cuts, tax reform, price liberalization, trade and foreign investment liberalization, deregulation, social funds, autonomous contracting agencies, and some privatization.

The focus of first generation reform was on macroeconomic stabilization- a quantitative approach to reducing the costs of the governments. The thrust was on downsizing the civil service so that it becomes affordable and manageable. Specifically looking at the civil service reforms, the first generation reforms aimed to:

- Reassess the role government wishes to play in 'core' and 'non-core' activities.
- Decrease employment or re-deploy staff to priority sectors, following the identification of nonessential functions and duplication within the civil service.

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- Verify that the number of civil servants is consistent with those on the payroll, and that budgeted outlays are adequate (i.e., no wage arrears for staff physically present).
- Explore alternative options for efficient delivery of public service, by subcontracting the provision of public goods or services to the private sector.
- Ensure that changes in real salaries are consistent with macroeconomic stability.
- Restructure total remuneration, particularly to make non-cash benefits more transparent (Lienert and Modi, 1997, p.8-9).

The literature reviewed suggested that the result of downsizing was partly successful. For example, the Lienert and Modi (1997) noted that employment declined in one-third of countries in sub-Saharan African countries during the last decade. Similarly Wescott (1999a) argued that downsizing was partly successful in Africa. There are some success stories from countries such as Uganda (McCourt, 1998a) and Tanzania (Therkildsen, 2000) who have been successful in reducing the size of the public service. Similarly, the Jamaican government was also able to manage the downsizing program effectively (Tindigarukayo and Chadwick, 1999). But other countries, such as Kenya and Zambia, had little success from downsizing (Wescott, 1999a).

The main objective of downsizing is cost savings and bringing efficiency in the public service (Wescott 1999a). Downsizing reduces government expenditure significantly, but it increases economic efficiency only when thoughtfully managed (Rama, 1997). The initial costs of downsizing (such as severance pay) should be less than the savings accruing to government from the downsizing activity. Furthermore, it increases economic benefits provided the retrenched employees are being utilized in the private sector and the savings utilized in other development projects.

The task of downsizing can be difficult. If it is not well planned, it is bound to create a high social cost. In a society of joint family culture (such as in the case of Nepal), redundancies create a significant problem to the society in general in the absence of

alternative employment benefits to redundant employees. Therefore, it has to be carried out taking into account the social and economic benefits derived from downsizing.

3.3.2. Introducing agencies

The main philosophy for establishing agencies is to provide responsive services to the citizens by devolving adequate authority to such agencies. To achieve this, large bureaucratic organizations were disaggregated in developed countries and formal contracts with performance measurement introduced. The logic behind disaggregation was also to separate policy functions with that of operational functions, so that the operational functions could be made more competitive. Examples of such agency structure are available in the United Kingdom, such as Next Steps Agencies (Minogue, 2000) and in Australia such as the State Revenue Office in the Department of Treasury and Finance (quoted in Armstrong, 1998a).

The use of the agency model to restructure the bureaucracy in developing countries could be argued to be a 'new' initiative although there are a few experiments in some countries. For example, Tindigarukayo and Chadwick (1999) noted that thirteen government departments in Jamaica are currently being transformed into Executive Agencies. The Chief Executive Officers were given full autonomy over the management of agencies' financial and human resources and were made accountable for the results agreed upon with their permanent secretaries. Similarly, Nickson (2000) reported how the Peru tax authority, (*Superintendencia Nacional de Administracion Tributaria* (SUNAT)) was successful in increasing the revenue for the government. Polidano (1999a) noted that agencification or corporatization of public service have been taken by number of countries. Singapore, Ghana, and Tanzania, among others, are experimenting with UK style executive agencies. Some countries, i.e., Ghana, Kenya, Uganda, Tanzania and Zambia have merged the income tax and customs departments into corporatized national revenue authorities. Devas et al (2001) studied the semi-independent revenue authorities in African countries and concluded that the revenue authority model based on the executive agency model, can offer an appropriate institutional framework for reforming

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tax administration, particularly where low pay rates and rigid civil service systems inhibit effective management. Larbi (1998) reported the agencification in the health service in Ghana by creating a Ghana Health Service as an executive agency under the Ministry of Health and concluded that institutional constraints and the weak capacity of the government pose serious constraints for the effective implementation of decentralized management in Ghana.

Though some experiments with the agency model are in place, its appropriateness to developing countries is still an issue of debate. For example, Manning and Matsuda (2000) raised five important issues that impacts on the public sector as a whole. They are (a) *Policy Lock-in* - confusion and rivalry between central department and agencies; (b) *Policy Creep* - encouragement of taking on other quasi-fiscal activities; (c) *Budget Bulkanization* - undermining the coherence of the budget; (d) *Patronage Den* - encouraging patronage in appointments; and (e) *Special privileges* - distortion in public sector incentives. Schiavo-Campo and Sundaram (2000) have argued that since the government in developing countries has a weak capacity to measure the results and monitor the behavior of autonomous agencies, the executive model is especially hazardous.

All these discussions suggested that the agency model of restructuring is under experimentation in some developing countries. It could be a good mechanism for improving the performance of the government provided all the prerequisites (clear accountability between purchaser and provider of services, authority and autonomy, establishment of performance standards and measures, skilled employees to manage contracts and sound reporting systems) are met and a clear contractual arrangement is made between the purchaser and provider of services. Formal rules should work properly if it is to work successfully.

3.3.3. Decentralization of management authority

Decentralization of managerial authority and providing flexibility to managers with the concept of 'letting the manager manage' have been one of the main agendas of reforms in developed countries. Its basic aims were to decrease the role of the central departments and increase the power and authority of those at the lower levels involved directly in delivering services, support the strengthening of policy-making at the central level, and improve proper management and operational efficiency at the lower levels. Developed countries have implemented elements such as freedom in operational decision in using financial and human resources, global control rather than detailed control mechanisms, reduction in the layers of management and separation of policy from operational functions in an attempt to devolve authority to lower levels. Along with the provision of authority devolution, managers are held more directly responsible for the results (OECD, 1995). The World Bank (1997) suggested that services should be provided from the lowest level of government that can capture costs and benefits.

In developing countries, some authors argued that decentralization of authority is regarded as threat to loss of power over bureaucratic empires by the higher bureaucrats as the bureaucracy is governed by 'command and control' and decision-making is mostly centralized; and that it provide an opportunity for corruption and nepotism (McCourt, 1998b; Polidano, 1999a; Shah, 1999). Because of the acceptance of informality (Polidano, 1999a; Schick, 1998) non-compliance to basic institutional norms are rarely punished (Shah, 1999). Since the institutional capacity for monitoring and controlling the sub-national offices seemed to be weak in developing countries, Nunberg, (1995) advocated for centralization before decentralization could take place.

Nevertheless, decentralization of management authority to sub-national levels as well as within the organization have been a part of reform programs in developing countries. For example, Hawkins (2000) discussed decentralization in China; Peterson (1997) noted that for almost a decade, a wave of decentralization has been sweeping through Latin America and many of the central functions have transferred to sub-national levels, which he

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termed as the 'quiet revolution' of decentralization in Latin America and Caribbean. Wunsch, (2001) agreed that many African countries have pursued substantial decentralization reforms in the past twenty years though he questioned about the success of decentralized reforms; Peterson (2001) titled his article as 'Financial reform in a *devolved* African Country: Lessons from Ethiopia'; and Awio and Northcott, (2001) discussed decentralization in Uganda.

Similar examples of decentralization practices are found in many Asian countries, such as in Vietnam, that is successfully trying to devolve its management functions to the local governments under the overall reform process known as '*doimoi*' under implementation since 1986 (Tiep, 1998). Taking an example from Nepal, the government has passed the Local Self Governance Act in the pursuit of making decentralized management work in Nepal (HMG, 1999). The Act defines the roles and responsibilities of the local bodies and provides power and authority to act independently on issues such as generating revenues. Xu (1997, p.1) studied the productivity effects of decentralized reforms in the Chinese industrial sector and reached the conclusion that "reform aimed at decentralizing ownership and control rights seems to work when it creates incentives for managers and employees to learn and work hard-for example, by decentralizing the right to control wages, make production decisions and appoint new managers". A conclusion that can be drawn from all these discussions is that decentralization had been an integral part of reform in almost all developing countries.

All these initiatives suggest that decentralization of management authority has remained a part of reform program in developing countries. Devolution of authority helps in unleashing the creativity of employees, makes them accountable and saves time, costs and energy in the process of providing services to the people. But, at the same time, it includes some risks such as that of misuse of power and authority for personal gain. The practical problem in developing countries (as in the case of Nepal) is that the top authorities do not like to devolve authority to lower levels because they lack trust in the capacity of the subordinates and are afraid of being thrown out of their chairs by the subordinates (Agrawal, 2001b). But the new generation is getting stronger day-by-day

because they are more educated than before, they have freedom to voice their concerns openly as most of the developing countries have democratic government; and they demand autonomy and normally resist suppression from higher authorities (Atreya, 2001c). Therefore, decentralization of management authority will remain a priority in the agenda of management reforms in many developing countries.

3.3.4. Split of purchaser and provider

Theoretically, the justification for the split of purchaser and provider was viewed from two perspectives: the 'focus' and the 'capture' perspectives (Dunleavy, 1991; Niskanen, 1971). The argument in support of 'focus' was that service providers should concentrate on the production of services and not to be worried about the policy development and evaluation. The 'capture' argument was that if operational functions are arranged via contracts with bureaucrats, they might influence the decision making process and take advantage in cases where it benefits them personally (Dunleavy, 1991; Niskanen, 1971). It is because of this reason, an 'executive agencies' model of organization was created in many developed countries.

In developing countries, except for some experiments as discussed in subsection 3.3.2 relating to agencies, no evidence of the split of purchaser and provider similar to the British or Australian model was found. However, many reports of the government in Nepal showed concerns that central departments should confine their roles to policy making and monitoring of policy implementation and that the operational tasks should be given to departments (ARC, 1992; ERC, 2000). This is perhaps to give more power to lower level authorities. Generally in developing countries, issues such as the application of performance management, policy making capacity at the central level, and monitoring and evaluation systems which are important for the divide of policy and operation are weak. Therefore, the separation of policy and operation is still a new innovation for developing countries.

3.3.5. Introducing market mechanisms in the public sector

Introducing market-type mechanisms (privatization, contracting out public services, market testing, etc.) in the public sector has been an important element of contemporary reforms in developed countries (Hood, 1991; OECD, 1995). The developing countries are also using the market mechanisms in the public sector to a great extent and this trend seemed to be continuing (Rondineli, 1997).

In developing countries, privatization has been an important driver of reform under the structural adjustment program of the donor agencies (Kaul, 1995). Rondineli (1997, p.1) clearly noted that

over the past decade governments in more than 100 countries have privatized state-owned enterprises (SOEs) or shifted responsibilities for managing some of their public services or infrastructure to the private sector. Since 1990 privatization has been used extensively by governments in former socialist countries in Central and Eastern Europe, Asia and Africa to help transform their economies to market systems. Political leaders in developing countries as diverse as Bolivia, China, Colombia, Egypt, Ghana, Malawi, Morocco, Peru, and Zambia who are attempting to accelerate economic growth seek to privatize state-owned enterprises (often at the urging of international financial assistance organizations) as one means of making their economies more efficient and productive.

He also argued that it would be a major policy issue in the 21st century in developing countries.

Various measures such as commercialization, management contracts, divestiture, contracting out, etc., were used in a process to make government enterprises more like a business enterprise. For example, Steel Authority of India Ltd and Oil & Natural Gas Commission of India have entered into a performance contract with government and such practices have been used in Pakistan, and Gambia, as well (Kaul, 1995). Taking the case of divestiture in Ghana, it has been noted that out of the 300 enterprises targeted for privatization, 212 enterprises were transferred to the private sector between 1991 to 1998 and the government is happy about the modest results achieved so far and is encouraged

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by these results to push ahead with bigger and more complex divestments such as the utilities (Agbodo, 1999).

While there are significant benefits from introducing market mechanisms in the public sector (ASI, 1999; Pirie, 1992; Rondineli, 1997), it is also not free from risks. Rondineli (1997) argued that corruption associated with privatization, non-transparent procedures, and the inability of the government to resolve the social, economic and political problems that often accompany privatization have made the privatization a risky venture. Similarly, Nwankwo and Richards (2001) argued that the general impression that public divestiture is a short cut to economic growth in sub-Saharan Africa has not proved so due to lack of enabling institutional prerequisites. They argued that much faith is put in the potency of the free markets but little thought is given to the institutions required for markets to perform their functions. Even in some developed countries marketization of public services although attempted was less used. For example, Christiansen (1998, p.273) argued, "in the Danish case, market reforms have scarcely been used, private sector supplies of public services have not increased during the last decade".

Failure of some privatization efforts in transition countries inspired others to look for an alternative option to privatization in terms of liberalization, giving greater autonomy to enterprises and the retention of profits (refer Shirley and Walsh, 2000). Heracleous (1999), taking the example of Singapore Telecom, argued that state ownership combined with several contextual factors (clear corporate strategy, focus on efficiency, national long term-policy, robust economic and regulatory environment) has led to sustained world-class performance, which is contrary to the global trends of privatization and belief that private ownership performs better than public ownership. Some studies (refer Shirley and Walsh, 2000) have shown the superiority of public sector over the private sector organization. China's policy towards the public enterprise reform also seems to be different. According to Guan (1999) the Chinese leaders do not see large-scale corporatization and privatization as a way to strengthen the public enterprise and believe that clarification of enterprise ownership or property rights, legal independence and less government interference, the role of government as a shareholder and application of

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modern management skills are referred to as the tenets of the modern enterprise model. All these are to indicate that the public sector may perform better than the private organization.

Country papers from Bangladesh, India, Ethiopia, Ghana, and Pakistan suggested that performance contracts have been a government instrument used to improve the performance of public enterprises. However its success and mechanisms for implementation vary from country to country (United Nations, 1999). A study done by Shirley and Xu (1998) in China concluded that performance contracts could improve a firm's productivity rate as much as by 10 percent if such contracts contained 'good' features, such as profit orientation, higher wage elasticity, and lower markup ratios. About the management contracts, Schiavo-campo and Sundaram (2000, p.42) commented on them being "a blank check for private managers to strip the company assets or milk its profits, and are to be avoided unless they entail large equity participation by the private managers".

Issues such as transparent preparation of bids, specification of norms, setting of standards, performance measures and sound evaluation systems that measure performance, honesty and motivation are important to making contractual management a success (Berg and Berg, 1997; Caiden and Caiden, 1998; Moore, 1992). Since the philosophy of introducing market mechanisms in the public sector is to make service competitive, cost effective and provide choice to the citizens, its success also depends upon the maturity of the markets in respective countries. At the same time, the government organizations must be capable of making use of market mechanisms in the delivery of services. If the robustness of market is missing and the mechanisms required enforcing contracts are not developed, introducing markets in the public sector could bear no fruits.

In the case of Nepal, the process of privatization was slow since 16 enterprises were privatized between 1991 and 2000. Out of the 16 enterprises, three have been closed and many are operating at a loss. The Ministry of Finance (MoF, 1999) reported that only five

of them are operating in profit. This showed that the divestiture programs need to be carefully planned and should take into account whether the markets are mature enough to take over the functions of the state-owned enterprises. However, the government policies indicated that introducing market mechanisms should be continued where it is feasible and cost effective (Mahat, 2001). One important publicly owned bank (Rastriya Banijya Bank) and another bank in which government is a major shareholder (Nepal Bank Ltd.) are about to be put on performance contracts. Some of the general services are already procured on contracts, and the government has showed determination to that effect provided such procurement do not add to the long term liability of the government (Mahat, 2001).

Goodsell (2001, p.4) anticipating what public administration would look like in 2026 argued that

with respect to the organizational aspect, consciously-coordinated achievement of public missions seems to be giving away to decentralized performance of public functions by a wide variety of scattered institutions linked together by networks. By 2026 many although not all of our collective aims in society will be attained by entities associated with the civil society more than the government, such as autonomous authorities, nonprofit organizations, community organizations, churches, and hybrid NGOs.

This suggested that although a debate between markets and State ownership will remain among the academic practitioners, the trend to market led development seems irreversible.

3.3.6. Re-inventing personnel management

In developed countries, taking the case of Australia, the new changes in the personnel management systems have been the establishment of a senior executive service, appointment of employees on a contract basis, appointment based on merits at all levels, application of performance-based pay system, decentralized personnel systems, employees to work on achieving specified outputs, a change in the role of a central

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personnel agency from a centralized recruiter to an advisory or policy body, and a fragmented public service (Davis, 1998; O'Neill and Hughes, 1998; Proust, 1998; Salway, 1998). Indeed, these changes are new inventions compared with the Weber's philosophy of bureaucracy. This section discusses the extent of the applicability of these concepts in developing countries.

Personnel management has been an important component of 'first generation' reform under the structural adjustment program supported by donor agencies (Lienert and Modi (1997). For example, between 1980 and 1997, the World Bank supported 180 lending operations relating to civil service reforms (World Bank, 1999). The World Bank (1999) diagnosed that endemic overstaffing accompanied by unsustainable wage bills; misaligned organizational structures, poor human resources and inadequate incentives that weakened administrative capacity to carry out the core government functions, and the cumbersome rules, political interference and culture of non performance were major bureaucratic problems in developing countries.

Since the 'first generation reform' concentrated on macro economic stabilization, the 'second generation reform' focussed on strengthening the human resources that included wider staffing issues such as pay and appraisal, strengthening personnel management policies, training and development (Lienert and Modi, 1997; Nunberg, 1997).

The results of donors' support, in particular from the World Bank and the IMF designed to strengthen the human resource management system in developing countries so far has remained unsuccessful. According to the World Bank (1999, p.iii)

the review found that Bank-supported Civil Service Reforms (CRSs) were largely ineffective in achieving sustainable results in downsizing, capacity building, and institutional reform. This was, in part, due to significant political difficulties in implementing CRSs. Yet the relevance and ownership of reforms were also weakened by a technocratic approach that failed to mainstream institutional analysis and develop a coherent framework for intervening in administrative systems.

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This showed that donors were not successful in strengthening the personnel management system in developing countries.

While the developing countries are trying to introduce the new personnel systems, many authors (Klingner and Compos, 2001; Taylor, 1996) argued that these concepts might be inappropriate for developing countries. Klingner and Compos (2001, p.8) argued that

we (developed countries) were able to first progress from patronage to civil service; second integrate them (efficiency, individual rights, administrative formalism, merit systems, Civil Service Law) into an effective model that combined efficiency and patronage, then integrate affirmative action and collective bargaining into the mix; and finally establish the boundaries between public personnel management and emergent market-based techniques like privatization and contracting. By contrast, fledgling personnel systems in less developed countries are likely to face obstacles- pressure from patronage; underpaid and poorly qualified civil servants; and inadequate public program planning, budgeting, management and evaluation.

This makes us doubtful whether the modern personnel managerial practices could be applied in developing countries when most of the less-developed countries are at the stage of 'patronage' personnel management systems. Taylor (1996) argued that Least Developing Countries (LDCs) are heavily influenced by a traditional work culture which is structured on the basis of long standing social and community norms rather than the needs of a rational and specialized production system; labor markets and skill base are poorly developed; real wages are falling because of the high inflation which makes them to seek alternative means of employment; the society retains social arrangements based on extended family support systems; and political instability and autocratic styles govern most of the countries.

Despite these qualifications and although it could be in a piece-meal fashion, many developing countries are pursuing the road followed by developed countries in streamlining personnel management system. For example, the Second Pan-African Conference of Ministers of Civil Service adopted the Rabat declaration that included, among others, "to regenerate professionalism and promote ethics in its public administration by creating managerial structures, reforming civil service codes,

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implementing a fair system of recruitment, motivating career development and a sound remuneration system based on merit, and improving training programs” (United Nations, 1998, p.9), which showed that African countries are determined to make changes in their personnel systems. Abdulai (2000) discussed that Fourth Republican Constitution of Ghana and noted that it contained important provisions, which would promote sound human resource management in the Ghanaian public sector. Bissessar (2000) argued that an attempt to relate performance to pay in Jamaica was a successful one while new personnel management in Trinidad and Tobago and Guyana failed because of the cultural issues of these countries. In contrast, countries such as Singapore, although a more advanced country, have successfully implemented the concepts of a new personnel system by focusing on meritocracy and pegging civil servants salaries to the private sector (UNDP, 2001).

Nepal is also slowly moving towards implementing a new personnel management system. The Public Service Commission is relatively independent in recruiting government officials based on meritocracy (McCourt, 1998b). The recently revised civil service rules which allowed 10 percent of senior level vacant positions to be filled by competitive examination from among the employees including those in corporations, has opened the door for merit employment at the senior levels. Many jobs, such as cleaning, photocopying, security, and letter delivery are contracted out (MoF, 2001). There is a growing desire for hiring people to fill some positions on a contractual basis. The ADB supported project has recommended establishing a Senior Civil Service in Nepal, which is like the Senior Executive Service in developed countries (JT Consultants, 2000). Although all these moves are in their infancy stage, the direction of reforms underway is towards implementing some of the measures of new personnel systems practiced by developed countries.

3.3.7. Introduction of performance management

The establishment of a strategic vision, objectives, strategies, performance measures and indicators and reporting systems all in response to changing environmental conditions, institutional resources and individual values is certainly a new challenge for developing countries. However, many developing countries are progressing in introducing performance management in the public sector. The government of Malta (OPM, 2001) has introduced a performance management system in the public sector. Ghana has produced guidelines on setting targets and measuring the performances of implementing agencies in their task of introducing performance management (Dodoo, 1997). In Nepal, preparation of vision and strategy for each department of government and a timetable for its implementation is prepared (MoF, 2001). Preparation of plans, success indicators and enforcement of contracts between ministries and departments of regional and district levels are important elements included in the on-going reform programs (JT consultants, 2000). The central bank of Nepal (Nepal Rastra Bank) had been practicing the preparation of an annual performance plan for all departments, and the progress against the established plans is monitored through Organization and Methods (O & M) division. Some other developing countries, such as Uganda and Tanzania are also experimenting with the concepts of performance management (Polidano, 1999a).

The stage of development of introducing performance management in developing countries is in no way close to the practices in developed countries, such as in New Zealand (Bale and Dale, 1998) and Australia (Armstrong, 1998a; Kloot, 1999) because of number of problems inherited in developing countries. In developing countries, the conditions required to enforce performance management are mostly absent as they tend to have an informal economy with relative weak formal processes to regulate economic activity (Schick, 1998). Therefore, Schick (1998, p.130) argued

politicians and officials (in developing countries) must concentrate on the basic process of public management. They must be able to control inputs before they are called upon to control outputs; they must be able to account for cash before they are asked to account for cost; they must abide by uniform rules before they are authorized to make their own rules; they must operate in integrated, centralized departments before being authorized to go it alone in autonomous agencies.

The significance of performance management to reform in developing countries is unquestionable (Mendonca and Kanungo, 1996; Mwita, 2000) and it has been clearly documented in official reports (ARC, 1992). However, due to institutional weaknesses, many developing countries are progressing slowly towards that end.

3.3.8. Service quality and customer responsiveness

Service quality and customer responsiveness is an important issue of current reform in many developing countries. For example, one of the objectives of the civil service reform program currently on-going in Nepal is to make the public service responsive to citizen's need (ADB, 2001). The Administrative Reform Commission (1992) also recommended various measures, such as preparation of performance plan, standards, publication and availability of information on service standards to the general public, and reward systems for high performers for improving the service delivery to the citizens. In this respect, the government issued guidelines for efficient service delivery and government offices are required to inform the public about their programs, decisions and activities (MoF, 2001). Jamaica is implementing the concepts of citizen's charter and agencies are required to display key performance standards and the results of performance based on those standards for information to general public (Tindigarukayo and Chadwick, 1999).

The above discussions showed that developing countries are to some extent moving forward in the task of delivering better services to citizens. The press and media are relatively free in many developing countries. As a result, information becomes available to citizens relatively quicker than before. The governments are also under pressure from citizens to publish major information that matters to them. However, a concerted focus on improving the delivery of service is still a challenge for developing countries.

The above discussions on various elements of NPM in developing countries showed that many developing countries are embarking on the introduction of NPM concepts. Although it could be argued that it is in a stage of experimentation in many developing countries. For an example, Mongolia is trying to move away from a highly centralized,

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planned economy and polity, featuring restricted political activity and citizen participation, to an open, democratic and market oriented society. According to a UNDP (1996) project document, a concerted approach was taken to rebuild the Mongolian administration through multiple reform components centered on the areas of civil service reform, decentralization and local administration strengthening, privatization and private sector development, and capacity development and institutional building activities. The commitment of government to change its apparatus was evidenced when government approved the launch of (resolution No.199) the Five-year Management Development Program on December 1993, funded by UNDP and started in 1994. The newly elected government - the first democratic succession in the country's political history - has expressed its intention to drastically reduce public expenditures, rationalize the state apparatus and significantly curtail its welfare functions. Through these reforms, it aimed to reduce the budgetary deficit and the cost of government at all levels; improve the performance of government-effectiveness, efficiency and overall productivity; achieve measurable improvement in the overall accountability of the public administration and civil servants; and achieve measurable improvement in the overall image and credibility of government, both internally and externally. The concern of the current government is the reduction in size of the public sector, a goal shared by many members of Parliament. It is contended that for just over 2 million people, the number of ministries, agencies, and employees is still extremely high. Rightsizing the scale of government operations and increasing the self-regulatory capacity of the market have now become main targets of reform. Accordingly, the new government has reduced the number of ministries from 14 to 9 and intends to privatize 60% of all state enterprises as well as 70% of all state assets owned by the enterprises targeted for privatization. The government approved the Business Strategy Plan in 1996, which provides the policy framework for reforms in Mongolia (UNDP, 1996). This reform in Mongolia indicated the application of most of the elements of NPM.

It could be argued that some of the elements, such as cost cutting and downsizing, introducing market mechanisms in the public sector, decentralization of management authority and improvement in the personnel systems, were on the reform agenda since the

1980s, whereas other elements, introducing agencies, separation of purchaser and provider, performance management and improving service quality is of recent origin in developing countries. The overall direction seemed to be implementing the concepts of NPM.

3.3.9. Some other reforms that are pertinent to developing countries

The following presents the discussions on some issues of reforms that are critical to developing countries. The issues are grouped into (a) accountability and transparency (b) capacity building (c) financial management reforms, and (d) ethics and corruption. Some of these are part of the NPM, while capacity building and corruption, it could be argued are outside the agenda of NPM (Polidano, 1999a). The study of these issues are significant for the purpose of this research because many of the researchers have argued that NPM may not be applicable to developing countries because the bureaucratic environment in which they operate is not supportive to NPM (Bale and Dale, 1998; Polidano, 1999a; Schick, 1998). These are some of the issues of bureaucratic environment, and therefore, a careful review of reforms in these areas in developing countries is important for this research.

3.3.9.1. Accountability and transparency in developing countries

Accountability and transparency is fundamental to ensuring good governance. As discussed in previous chapter, accountability is a mechanism to make one responsible for his or her actions; it requires holding someone responsible for the performance to the public or to the senior officials. Transparency generally refers to free flow of information (Vishwanath and Kaufmann, 1999). Most of the literature reviewed on accountability and transparency showed an overall conclusion that these are 'weak' in developing countries (Arellano-Gault, 2000; Dia, 1996; Jayawickrama, 1999; Nepal 2000; Premchand, 1999; World Bank, 1997). Basically, the problems are with the rules and regulations and the institutional cultures. For example, The World Bank (1999, p.i) acknowledged "the *credibility* and *accountability* of state institutions strained under the weight of

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cumbersome civil service rules, political interference and cultures of nonperformance". Examples of weak accountability and transparency are available from Latin American, African, and Asian countries. Arellano-Gault (2000) argued that NPM implementation in Mexico is a symbolic rather than an actual change because it is being used as a top-down reform strategy where solid institutional frameworks, rule of law, checks and balances, civil service system and accountability systems are all absent or ineffective. Dia (1996) referring to the situation in Africa argued that although the centralized government inherited from the colonial period served well in preserving the law and order and enforcing taxation, the system was not suitable to the development needs of post independence Africa. Thus, Dia (1996, p.37) argued the "post-independence governmental bureaucracy in most Sub-Saharan African countries lacks accountability to the civil society, legislative and judicial checks and balances, and transparency". Furthermore, rules and regulations are not adhered to a greater extent in developing countries (Polidano, 1999a). Hulme and Sanderatne (1997) looking at the case in Sri Lanka argued that strengthening public accountability will have to look beyond the reform of legislation, structures and procedures, to the factors associated with country's political culture. The unreliability of information systems in developing countries also adds to the difficulty of ensuring performance-based mechanisms of accountability.

In Nepal, accountability is a major concern at political and managerial levels. The DFID (1998, p.5) noted "there is little evidence currently of parliamentarians exhibiting real accountability to people". Similarly, a report (JT Consultants, 2000, p.4-41) noted "at present neither the minister, nor the senior ministry officials, are accountable to the public for their performance". It is evident from the above that the notion of accountability via a modern government structure is less understood in Nepal. The lack of accountability is clearly evident from the Auditor's General Report that reported that misappropriation of government funds reached to NRs 7.24 billion in 2000, which was an increase of 19.10 percent compared to the previous year. Similarly, the unsettled expenditure was NRs 50 billion (KC, 2000). This showed that appropriate rules are not observed and that authority was abused. If the machinery of government had demanded accountability, these problems should have been corrected instead of appearing again.

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The recommendations provided by the oversight bodies, such as the Office of Auditor General, are generally overlooked by government organizations.

Transparency is important to improve accountability of governments, reduce the scope of corruptions at all levels of the governments and help policy planners and legislature to make sound policy decisions. It is important to secure public support in implementing policies and programs. Transparency is viewed from the easy accessibility of rules and regulations, comprehensiveness, relevance, quality and reliability of information (Vishwanath and Kaufmann, 1999). A lack of transparency could be argued as deliberately withholding information; restricting access to information; or providing irrelevant information.

In many respects, the developing countries have a poor transparency system. First, the colonial administration taught governments to operate ensuring secrecy (Jayawickrama, 1999) and that legacy is still continued in many developing countries. Second, poor accounting and recording systems and a weak enforcement mechanism are common problems in many developing countries. Third, there are costs associated with information disclosure, and developing countries may find it hard to bring out many information.

In spite of some inherited cultural and institutional weaknesses, many developing countries are fostering their policies and programs that promote accountability and transparency in the government. For example, efforts are underway in Nepal to publish mission, objectives and key performance indicators under the aegis of ADB funded public sector reform programs (JT Consultant, 2000). Many countries do have freedom of information legislation, a freedom of press and public media, and the means of participating in public in matters that relate to them. For example, the Article 16 of the Constitution of Nepal guarantees the right to information to the general public. All official reports, legislations and other documents that matter to public are easily accessible. The press and media have freedom and people can voice their concerns freely in journals, newspapers and in TV programs. Administrative decisions are published in

the Nepal Gazette and circulated to each ministry. Similar examples of policies and programs that promoted transparency are available in other developing countries, for example in South Africa, Namibia, Mozambique, Malaysia, Ghana, India (Vishwanath and Kaufmann, 1999). Yet, it could be suggested that developing countries are weak in establishing accountability and transparency in governments.

3.3.9.2. Capacity building in developing countries

Capacity building is another strand of reform common to many developing countries. Polidano (1999a) argued that reform initiatives such as capacity building, controlling corruption, and political decentralization are entirely out of the agenda of NPM. There seems to be some merit in this argument as the capacity to formulate and implement policies is taken for granted in developed countries. Many developed countries had their basic infrastructure in place when they started their reforms. For example, Bale and Dale (1998) noted that New Zealand had a tradition of a politically neutral, relatively competent civil service; little concern about corruption or nepotism; a consistent and well-enforced legal code, including contract law; a well-functioning political market; and a competent, but suppressed, private sector; and argued that if the political and cultural environment in developing countries is too dissimilar, the applicability of NPM (New Zealand practices) to developing countries may be limited.

Capacity building has been a focus of public management reforms in developing countries because of the lessons learned from the past reform experiences. The 'supply-driven', 'reductionist', 'one-sided', 'one size fits all' features of reform, did not take into account the specific needs, priorities, conditions, culture and possibilities of target countries and produced unintended results. Instead, the 'rolling the State back', approach of reform was accompanied by the unintended results of globalization, i.e., endangered public apathy, cynicism and alienation; increased growth in poverty; a widening gap between the rich and poor, the powerful and weak, the skilled and the unskilled, the networked and the isolated; a massive human insecurity; a rise in organized crime and corruption; and a rapid deterioration of the global environment (United Nations, 2001a;

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United Nations, 2001b). Therefore, the lesson learned was that the "reform must be home-grown, demand- and government-driven, carefully thought out and mutually consistent" (United Nations, 2001a, p.13), and for this strengthening the institutional capacity and enhancing the effectiveness of public institutions is a prerogative necessity for developing countries.

Capacity building is viewed in a different manner based on its context and interpretations. It may be simply related to training and development. It could also be viewed as the ability of individuals and organizations to perform functions effectively, economically and efficiently. United Nations (2001a) reported capacity building as the needed coefficient of institutional building, human resource development and technological adequacy, of which human resource development deserved the higher value. Land (2000) referred to the ability of individuals, organizations, or societies to set and implement development objectives on a sustainable basis. Schiavo-campo and Sundaram (2000) argued it involves institutional development, organizational development, human resource development and informatics development. Painter (2001) presented as an integrated interrelationship of administrative capacity (efficient management of resources in the various administrative processes required for delivering the outputs of government), policy capacity (the ability to marshal information and decision making power to make intelligent choices and to set strategic policy directions) and state capacity (the ability to mobilize social and economic power through participation and co-operation to achieve a wide variety of goals) for effective state governance. Capacity building is in essence, development of a 'strong, democratic and strategic State' that is capable of taking charge of developments, and chartering a course of action consistent with the wishes and needs of its people. It is about building the capabilities of governments, individuals, and institutions. This has become prerequisite for the implementation and success of reform programs. The World Bank (1997), therefore, stressed that realizing the limits of the state and reinvigorating the state's institutional capacity is key to reforming the governments in developing countries.

It is undeniable that developing countries have weak governance systems. It is evident from the World Development Report (1997, p.80) that noted

many low-income countries, however, have been unable to create even the most rudimentary underpinnings of a rule-based civil service. Their formal systems often resemble those of industrial countries on paper. But in practice informality remains the norm. Merit-based personnel rules are circumvented, and staff are recruited or promoted on the basis of patronage and clientelism; budgets are unrealistic and often set aside in any case by ad hoc decisions during implementation. At bottom, all these problems can be traced back to weaknesses in the underlying institutions; poor enforceability of the rule of law both within and beyond the public sector; a lack of a built-in mechanism for listening to, and forming partnerships with firms and civil society; and a complete absence of competitive pressure in policy making, the delivery of services, and personnel practices.

Nepal is not the exception in this case. The World Bank reports on Nepal (1999a; 2000a) acknowledged that the weak capacity of the government has been an important impediment to the progress of the economy.

3.3.9.3. Reforms in financial management

Chapter II reported that a fundamental shift in financial management reforms has been the establishment of performance based budgeting. This section is concentrated on relating those developments to the context of developing countries.

The developing countries, though trying to improve, are still weak in managing their financial systems. According to the United Nations (1999b, p.4)

planning systems have typically lost credibility with the failure to achieve targets in earlier plans. Budgets are often poor predictors of financial out-turn and rarely act as an effective resource allocation tool. Accounting systems are being asked to handle government transactions of a scale and complexity not envisaged when the systems were designed, and government accounts are often years in arrears. Auditing, both internal and external, had often been ineffective, even for compliance control, and virtually never for performance enhancement. Financial regulations are typically outmoded, with inadequate delegation or financial powers. Within this environment there are rarely adequate information flows, and such information as exists is often either late or unreliable or both.

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Corruption and leakage from the system exist to varying extents in many LDCs.

The United Nations (1995) also addressed some of the weaknesses of financial management systems in developing countries. Taking the existing scenario of financial management in developing countries, it could be argued that mostly the budget is classified into a yearly recurring and development budget in which the authority of allocations is centralized. Accounting is on cash basis (Allan, 1997).

The literature reviewed suggested that there are many constraints in applying the concepts of performance-based budgeting in developing countries. According to the United Nations (1999c, p.6)

though considerable progress has been made by some countries, such as the Philippines, Malaysia, Singapore and some Latin American countries, in most countries there has been little change in government culture or rules of the game and no country yet claims to have a satisfactory system in place. In some cases, the only change has been in the presentation of the expenditure budget, which is structured by programme. Reasons for slow progress and lack of results include: fiscal crises which switched the emphasis away from results onto cash management (as in Sri Lanka in 1978); the top-down mode of implementation of changes; the ambitious scale of reform, usually government-wide; the lack of incentives for managers whose 'performance' was to be put under scrutiny; lack of analytical capacity to use the extra data provided; excessive reliance on foreign technical assistance; technical difficulties in identifying acceptable indicators of outputs and outcomes; the continued prevalence of political and bureaucratic criteria; delays in making parallel changes in accounting, reporting and audit systems; and lack of understanding by legislators.

In spite of all these inherited difficulties, many developing countries are trying to improve their financial management systems. For example, Nepal is trying to introduce a three-year rolling budget (Mahat, 2001) and Uganda is moving towards performance budgeting (Hauge, 2001). Jamaica has tried to strengthen its accounting system through its Financial Management Information System introduced in 1991 (Tindigarukayo and Chadwick, 1999). Mongolia and Chile are seriously investigating a shift to a modified accrual or full accrual system (United Nations, 2000). The Government Finance Statistics (GFS) manual and the Code of Fiscal Transparency issued by the International Monetary

Fund (IMF) have inspired developing countries to improve their accounting and financial reporting standards.

3.3.9.4. Ethics and corruption

One of the serious problems facing the developing countries is the deteriorating ethical conduct and increased corruption at all levels of the governments. This is evidenced from the 'scandals' that have come to the light in the past in many countries. Evidence of 'scandals' around the world has been reported in the Global Corruption Report 2001 published by Transparency International (2001), such as the conviction of former prime minister Benazir Bhutto of Pakistan, P.V. Narsimha Rao of India and the alleged involvement of prime minister Girija Prasad Koirala of Nepal in a controversial Boeing lease scandal.

Ethics is defined as "the rules that translate characteristic ideals or ethos into everyday practice" (OECD, 1996a, p.12). Corruption is the misuse of public or private office for personal gain (World Bank, 1997). Unethical behavior meant the conduct contra to ethical guidelines, principles and values, and this could be referred to as corruption.

The harms brought by corruption are many. Corruption is a symptom of government failure. It harms operational effectiveness, wastes resources of the government, turns energy and efforts of public officials toward easy money instead of productive activities and it hurts the poor the most (Eigen, 1998; UNDP, 1997). It violates the public trust, affect growth and investment, and increases poverty and income inequality (Gupta et. al., 1998; World Bank, 1997). Kaufmann (1998) surveyed 150 members of elite from 63 developing countries and the result showed that public sector corruption was the most severe impediments to development and growth in these countries. The World Bank has described corruption as a 'cancer' on development and declared 'there is nothing more important' than the fight against it (World Bank, 2000).

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There is no easy solution to the control of corruption. Rahman et al. (2000) suggested that countries serious about improving governance and corruption should redefine the role of government, overhaul the system of incentives, and strengthen domestic institutions to make sure that necessary checks and balances are in place. Another study done by Lederman et al. (2001) concluded that the democracy, parliamentary systems, political stability and freedom of the press are all associated with lower corruption. OECD (1996a) suggested that political commitment, an effective legal framework, efficient accountability mechanisms, workable codes of conduct, professional socialization mechanisms (including training), supportive public service conditions, the existence of some ethics coordinating body, and an active civic society (including a probing media) are elements, referred as 'ethics infrastructure', for strengthening the ethical behavior in the government. Similarly, the World Bank (1997) suggested the need for a strong rule-based bureaucracy, merit based recruitment system, credible financial control, competitiveness in service delivery, and strong monitoring and punishment system for controlling corruption.

Corruption and unethical behavior affects reform initiatives. In a country where corruption is endemic, piecemeal reform may not be substantial, and it may require a comprehensive reform programs to tackle the corruption. Other reform programs are also influenced by it. There was an argument that reform fuelled corruption in the case of liberalization and privatization efforts in the transition economies (refer Koufmann, 1998). The corruption level does in fact signal the type of policy measures required controlling it. Huther and Shah (2000) concluded that anti-corruption agencies, ethics offices, and ombudsmen strengthen the standard of accountability in a country relatively free from corruption; but in a country of endemic corruption more robust measures, such as consolidating and strengthening the rule of law, the capacity and role of key institutions of accountability and rationalizing the government intervention is needed. Similarly, decentralization and economic reforms were suggested for countries with medium corruption level (Schacter and Shah, 2001; Huther and Shah, 2000).

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There has been a substantial response from the international communities to reduce the levels of corruption in developing countries. For example, the World Bank enacted official policy against corruption in 1997, the Asian Development Bank in 1998 and the International Monetary Fund promulgated the Code of Fiscal Transparency in 1998. Similarly, the developing countries are gearing towards curbing corruption and unethical behavior. The Nepalese government established a Commission to recommend measures for controlling corruption in 2000. In fact, controlling corruption is an important policy of the government and to this effect legislation relating to oversight bodies is planned to be amended in the current fiscal year (Mahat, 2001).

The discussions of transparency and accountability, capacity building, financial management reform and ethics and corruption showed that developing countries have made limited progress in these areas and there are lots more to do. Though these countries have lagged in terms of reform and development, their continuing initiatives, in spite of their social, political and bureaucratic limitations, should be acknowledged. Taking the case of Nepal, after the restoration of democracy in 1990, the newly elected government in 1991 initiated a series of policy reforms in the areas of industries, trade, foreign investments, exchange rates, and fiscal and monetary policies. In this process, financial policy has been changed, industrial, trade and commercial policies have been reformed and direct state control over many economic activities have been left for the private sector. The government has privatized its 16 out of 62 public enterprises so far (MoF, 1999). The major legal framework developed and updated in this process of liberalizing economy are- Industrial Enterprises Act, 1992, Industrial Policy, 1992, One Window System, 1992, Commercial Policy, 1992, Foreign Investment and Transfer of Technology Act, 1992, Privatization Act, 1992 (Trital, 2001). Change and results are not achieved overnight. It takes time. Moreover, to do more with limited capacity, may likely to have negative results. Neither it is suitable to try imported complex methods and strategies. The lessons learned from the previous two decades of experiences should be taken into consideration if reform is to be successful in developing countries. The following section highlights some of the lessons learned from the past experience.

3.4. The issues of reform implementation and evaluation in developing countries

Section 2.9 of Chapter 2 has mostly covered the strategies that need to be taken into account while implementing public management reform programs in developed and developing countries. In addition to these, this section adds some more issues about implementation, particularly the lessons learned from the past reform experience.

The first lesson learned from the two decades of reform experience in developing countries is that developing countries have been victims of advice on policy decisions, which had very little relevance to the needs and situations in these countries (United Nations, 2001b). Therefore, if the reform is to be successful it has to home grown, and driven by the demand of the country (United Nations, 2001b). Second, is the issue of ownership. The government or the authorities in charge of reform should genuinely bear the ownership of reform to make it a reality. The local people should be in the driver seat to lead the reform. Supply driven reform has had limited success so far in developing countries (United Nations, 2001a).

Third, since reform is argued to be successful if it is home grown and led by people of that country, then building a strong institutional capacity to implement reform is important. Having a strong institutional capacity would help in the design of vision, mission, plans, programs and strategy for implementing reforms successfully. These are all important for reform to be successful. Fourth, is the issue of strategy. The previous chapter discussed four types (market model, program model, incremental model and managerial model) of strategy used by countries in implementing reforms. The literature (refer Schiavo-campo and Sundaram, 2000; Wescott, 1999b) suggested that incremental reform is probably the better way because it allows time for discussions and adjustments so that there are more 'winners' than 'losers' of reform. Schiavo-campo and Sundaram, (2000) argued that reforming all at a time may be quite risky and unrealistic in a plural society driven by ethnic animosities. Polidano (1999b; 2001) also argued for keeping the

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scope of change narrow and supported an incremental approach of reform. It was also argued that a gradualist approach to public management reform has little chance of success because of the durability of culture and self-interest in developing countries (Matheson, 2000). Both arguments are valid. Therefore, the solution could be based on each country's situation, considering the benefits, cost, risks and opportunities of the reform. If the situation is favorable, countries may adopt a big bang approach, if not, another strategy could be to achieve a situation favorable for managing change. For this, the leadership is very important.

The World Bank (1995, 1997) asserted that reform could be successful if driven by good leaders. It included both political and managerial leaders. Reform is more a political choice than a managerial one. Polidano (1999b; 2001) argued that reform must be firmly driven by political leadership. Haggard (1995, quoted in Heredia and Schneider, 1998, p.2) noted that reform is conceived as "a process of re-writing the contract between elected politicians and bureaucratic officials whose outcome is strongly shaped by two main variables: the balance of power between the executive and the legislative and the nature of the party system, particularly the degree of fragmentation and level of party discipline". The World Bank (1995) has also argued that reform has to be politically feasible. It is the leader's role to craft the agenda of reform, open the window by instituting fact finding, change the climate in favor of reform, change the status quo with some good results so that it will open further opportunity for reform, and use media and publication to support the reform.

Developing countries are also weak in adopting a sound monitoring and evaluation systems. Mackay (1999) argued that developing countries suffer from: a lack of a genuine demand for and ownership of evaluation; lack of a modern culture of fact-based accountability, often related to issues of ethics or corruption; lack of evaluation, accountability or auditing skills; the poor quality of financial and other performance information, and of accounting/auditing standards and systems; lack of evaluation feedback mechanisms into decision-making processes; and a lack of the critical mass

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needed to develop sustainable evaluation systems. Referring to the case of Uganda, the World Bank (2001, p.vii) noted that

from a monitoring and evaluation perspective the major problem is that both information management and decision making is focused on the administrative process of expenditures and activities rather than on the poverty outcomes, impacts and goals that are being pursued. Planning, budgeting and incentives are geared towards tracking inputs activities and, recently, immediate outputs. Recurrent and development expenditures are reviewed separately, rather than for their combined impact in achieving overall goals. Monitoring and evaluation remain overly centered on compliance with government requirements and regulations rather than end-results of policy, program, and project efforts. Civil servants get rewarded for doing paperwork well rather than making a difference in people's lives.

This shows that the developing countries need to work hard in strengthening the monitoring and evaluation systems so that they could effectively measure the success or progress of reform programs.

In Nepal, a system of evaluating the policy, strategy, and programs has not yet been developed. Evaluation is restricted to measuring the implementation of development projects, and due importance has not been given to measuring the outputs and outcomes of projects. Evaluation is used more for controlling inputs and ensuring compliance with rules and regulations. It is more to ensure that projects were completed within stimulated time, cost, quantity and quality. The lack of political commitment and administrative pathologies further deteriorated the monitoring and evaluation systems in practice although many committees on evaluation at various levels have been established (NPC, 1998). The shortage of skilled staff that can conduct evaluation effectively is also a severe problem in developing countries. Therefore, building a sound evaluation mechanism is also an important issue for many developing countries to sustain reforms.

The above discussions suggested that reform programs are more likely to be successful if driven by committed local leaders, who genuinely own the reform agenda. However, the developing countries have suffered from a gap between 'words and deeds'. Taking an example from Nepal, the major reasons for the inability to implement the administrative

reform initiatives have been a lack of political commitment and support to civil service reform, absence of a strategic framework, lack of ownership and capacity, internal resistance to change and a lack of a strong institutional mechanisms to initiate and measure the reform programs (Atreya, 1999; JT Consultants, 2000,). Polidano et al. (1998, p.279) argued that "the hurdles of implementation will be even higher in developing countries with their insecure governments, weak central policy institutions and shortage of qualified staff". This is the reality of developing countries.

3.5. Conclusions

The short history of experience of modern public administration, influence of colonial legacy that led to centralized bureaucracy, poor economy and weak administrative systems are some of the characteristics governing the developing countries today. These characteristics have influenced the administrative, social, cultural, political and economic life of the citizenry. Centralization of the administrative system, a dependency culture, poor institutional capacity, poor accountability and transparency, massive corruption and a demoralized public service are some of the unavoidable realities of the developing countries.

The above poor factors of developing countries are significant for the applicability of NPM in developing countries. It is for this reason, in spite of continuous efforts for the last two decades, many of the developing countries have made limited progress. Reform is a necessity and a continuing challenge for these countries. The World Bank (1997, p.15) has noted that "people living with ineffective states have long suffered the consequences in terms of postponed growth and social development. But an even bigger cost may now threaten states that postpone reforms; political and social unrest and, in some cases, disintegration, exacting a tremendous toll on stability, productive capacity, and human life".

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It is also to be acknowledged that developing countries are different in their culture, social and political environments although many of the problems inherited by them could be generalized. Therefore, any reform program should be tested within each country's environment before implementation.

No doubt, many developing countries have pursued the path of economic liberalization and have started initiating reform for the betterment of their societies. Reform initiatives included the components of NPM, while its applicability was constrained because of the inherited characteristics that were different from those of developed countries. The discussions presented in this chapter showed that many countries have embarked on a program of introducing some concepts of NPM. The literature reviewed showed an agreement with Polidano (1999a, p.2) who concluded, "while many countries have taken up elements of the NPM agenda, they have not adopted anything near the entire package; and they are also 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".

All writers suggest that the NPM reforms that were practiced in the developed world need to be carefully reviewed before they are implemented in developing countries as these reform doctrines are the products of a developed world that have different social, cultural, political and administrative characteristics compared to the developing world. It is for this reason, this research aims at exploring the applicability of NPM to a developing country. This research also aims at examining the relationships between the NPM factors and particularly the bureaucratic and political characteristics of a developing country.

Chapters two and three discussed the issues of NPM in developed and developing countries. The next chapter presents an introduction to Nepal, which is the context in which this research is conducted.

CHAPTER IV

PUBLIC MANAGEMENT IN NEPAL

4.1. Introduction

The aim of this chapter is to present background information on the Nepalese economy and public management situation in Nepal. As data for this research was collected from Nepal, it is useful to present a brief profile of the socio-political and economic information, which had a vital role in shaping the public management in Nepal.

This chapter is divided into six sections. Section 4.2 presents a brief introduction to Nepal- the geography, culture, and economy of the country. Section 4.3 explains the government structure and section 4.4 summarizes the public management reforms implemented so far in Nepal. Section 4.5 explains the major public management challenges facing the country. Section 4.6 presents the conclusions on this chapter.

4.2. Introduction to Nepal

Nepal is a land-locked country located in South Asia, with neighbors China in the north and India in the south, east and west. The total area is 147,181 square kilometer, with 885 kilometers in length (east to west). The width is not uniform i.e., the mean width being the 193 km (north to south). Population is estimated to be 22.9 million as of year 2000 with an annual growth rate of 2.5 percent (CBS, 2000).

Administratively, the country is divided into five development regions and 75 districts. Municipalities and Village Development Committees (VDC) are the lower administrative units in district. Ecologically, Nepal is divided into three regions called the Mountain region, Hill region, and the Tarai (plain land) region (CBS, 2000).

Geographical constraints, such as the mountainous terrain with considerable physical barriers combined with the dominance of subsistence-oriented and feudal agrarian mode of production, historically led to the evolution of a localized culture in the country (NESAC, 1998). Nepal is a multi-cultural and multi-linguistic country, and people are socially segmented into various caste, sub-caste and ethnic and sub-ethnic groups, roughly recoding about 61 different groups and 60 living languages (NESAC, 1998). This culture has influenced the administrative culture as well. Administrative culture, which is a part of the general culture, defines the way people think, believe, behave, and interact with each other in an organization. The cultural traits of Nepalese administration can be described as a feudal structure with a patron-client relationship between administrators and citizens, power-oriented behavior by bureaucrats exhibiting secrecy, buck passing, risk avoidance, corrupt behavior, and absence of innovativeness, (Dhungel and Ghimire, 2000) and irresponsibility.

Economically, Nepal is one of the poorest countries in the world with a per-capita income of only US\$210 per annum (World Bank, 2000a). Nepal falls among the 10 poorest countries in the world (World Bank, 1997). According to the Human Development Index (HDI index), Nepal falls at position 153 among the 174 countries (UNDP, 1997a).

The economic performance of the country is far from satisfactory. The World Bank (2000a) argued that the economy has slowed down compared to the early nineties in many respects: GDP growth, per capita incomes, government revenues and expenditures, investment and savings, among others (Table 4.1). Particularly in the last two years (1998-1999) economic growth decelerated from an average of 5.2 percent in 1996-1997 to an average of 2.8 percent; and with the population growing at 2.5 percent, the per capita income showed negligible growth. Investment levels have declined because of the political instability in the country; fiscal management has continued to be unsatisfactory; and as a result the poverty level has remained at 42 percent of the population without any improvement in the last two decades. Since there have been nine different governments, including six coalitions between 1994 and early 2000, a lack of coherent drive to promote development has been a major factor inhibiting economic growth (World Bank, 2000a).

Table 4.1: Main economic indicators of Nepal

| | Period Average (FY86-90) | Period Average (FY91-94) | Period Average (FY95-99) |
|---|---------------------------------|-----------------------------|-----------------------------|
| Macro-economic indicators | | | |
| Per capita GDP Growth (Real) | 4.6 | 5.6 | 3.9 |
| Agriculture | 4.1 | 2.0 | 2.3 |
| Non-agriculture | 5.5 | 8.7 | 5.0 |
| Government Finance (% of GDP) | | | |
| Revenue Receipts | 9.0 | 9.2 | 11.1 |
| Total Expenditures | 18.8 | 17.4 | 18.4 |
| Government budget balance | -9.6 | -8.2 | -7.3 |
| External Assistance | 7.4 | 6.2 | 5.5 |
| Domestic Borrowings | 2.4 | 2.0 | 1.9 |
| Government revenue growth (%) | 19.1 | 20.7 | 13.9 |
| Government expenditure growth (%) | 18.7 | 14.8 | 13.1 |
| Investment/Savings | | | |
| Total investment/GDP | 19.8 | 21.9 | 22.8 |
| Public investment/GDP | 7.6 | 6.9 | 6.7 |
| National Savings/GDP | 12.2 | 14.2 | 14.2 |
| Public Savings/GDP | -2.1 | -1.7 | -0.9 |
| Total External Debt (1998) | US\$2646 million | | |
| Debt Service Ratio for 1998 | 7.1 percent of current receipts | | |
| Social Indicators | | | |
| Population | 22.9 millions | | |
| Population growth rate | 2.5 percent per annum | | |
| Life expectancy at birth (years) for 1992-97 | 57 | | |
| Infant Mortality (per thousand live births) for 1992-97 | 83 | | |
| Poverty (% of population) | 42 | | |
| GNP per capita income | \$210 | | |
| Literacy rate | 40 | | |
| Access to safe water (% of population) | 59 | | |

Source: World Bank (2000a)

Agriculture is the main source of livelihood, as it employs about 83 percent of the country's work force (World Bank, 1998). About 90 percent of the population lives in rural villages. The opportunity for increasing productivity has always depended on the gift of the monsoon rain as only 15 percent of land is covered by irrigation. On average, eighty-two out of a hundred Nepalese households own land. The poor has the least productive land and the government-provided extension services, veterinary services and formal credit are used mostly by the better off rather than the poor farmers (World Bank,

1998). The land distribution showed that the "bottom 40 percent of the agricultural households operates only 9 percent of the total agricultural land area, while the top 6 percent occupy more than 33 percent" (NESAC, 1998, p.117).

Deficit budgeting has been predominant, as the revenue growth has not been able to meet the expenditure of the government. The country is dependent on external loans for financing its development projects. The total outstanding loan has reached to 66.4 percent of the total GDP as at 1997/98 and the debt service ratio to regular expenditure has remained at 28.3 percent for the same period (MoF, 1999a).

Although Nepal social indicators have improved over the period they are still poor compared to other South Asian countries. The unemployment rate that was slightly above 3 percent of the labor force in 1984/85 (NRB, 1988) has increased to 4.9 percent in 1997 and underemployment is at 47 percent (NPC, 1998). The average life expectancy at birth in Nepal has been projected at 57 years (World Bank, 2000a). The rural people on an average have 10 years lower life expectancy compared to urban dwellers. The distance to medical health facilities and the cost of treatment have affected the rural poor compared to the higher bracket people. The literacy rate of the country is approximately 40 percent (NESAC, 1998). The literacy rate in Mountains, Hills and Tarai (the plain land) has been 27.73 percent, 45.51 percent and 32.61 percent respectively (NESAC, 1998). About 59 percent (World Bank, 2000a) of the population has access to safe drinking water. About 3 percent of the rural population has an electricity facility – as against a country wide average of 14 percent (World Bank, 1998).

Poverty stands as the greatest challenge to the country. UNDP (1997a, p.15) stated that "poverty means that opportunities and choices most basic to human development are denied – to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others". In Nepal, the definition of poverty is based on per capita consumption level. It has been determined that 2124 calories are needed per day and the cost of purchasing per capita calorie per annum amounts to Rs. 2637. When the expenditure towards non-food items is added to it, the per

capita annual expenditure is determined at Rs. 4404, which is equivalent to US\$ 65 at the current exchange rate (August 1999). Based on this measure, the Nepal Living Standards Survey (CBS, 1996) found that the poverty level in Nepal remained at 42 percent, as it was in 1984/85. Among the poor 42 percent of the population, 24.9 percent is estimated to be poor and 17.1 percent to be ultra poor. The constant level of poverty for more than a period of a decade showed that the development efforts of the government did not reach poor people. Particularly in the mountainous and hilly regions, with its physical barriers such as extreme slopes, seasonal swollen rivers, dense forests, snow covered land and passes, etc., and where there is a high incidence of poverty - the task of poverty alleviation is difficult, expensive and there is no easy solution to it. The World Bank (1989, p. 134), therefore, has observed that "there is no easy poverty-alleviation strategy available to Nepal, unlike in many other developing countries where there exist possibilities for making major advances against poverty by appropriate changes in policy". However, government is trying to reduce the levels of poverty by policy interventions at all levels. For example, the main objective of 2001-2002 budget is to reduce poverty by strengthening the liberal and market oriented economic reform policies (Mahat, 2001).

The distribution of income is quite uneven and the situation is worsening. According to the Household Budget Survey (NRB, 1988), the bottom 40 percent of the population shared 23 percent of total income while the top 10 percent claimed 23 percent. According to Nepal Living Standards Survey (1996), the bottom 40 percent of the people shared just 11 percent of total income and the top 10 percent of the population 52 percent. This showed that income disparity is growing in the country.

The World Bank (1998) on the issue of urban-rural disparities noted that around the capital (Kathmandu), where about five percent of the population lives, the incidence of poverty is around four percent and illiteracy is 24 percent. In the rest of the country, poverty is ten times as high and the chance of being literate almost three times lower. This showed that it is the rural people living in villages who are most deprived of any economic activity.

Nepal has entered into its Ninth Plan (1997-2002) in its process of planned development. Until the Fifth Plan, the government focused on building infrastructure development that was needed for the development of the country. The Sixth and Seventh Plans focused on sectoral priorities. The Eighth Plan (1992-1997), which came after the restoration of multi-party democracy in Nepal, for the first time envisaged attaining sustainable economic and social development through open, liberal, transparent and market-oriented policies. The Ninth Plan, while continuing the same policies, has adopted poverty alleviation as its main objective. Public management reforms have received attention in the Ninth Plan as it says “during the Ninth Plan period, actions will be carried out through administrative reforms to make public management clean, lean, transparent, economical, competitive, work-oriented, competent, productive, service-oriented, and responsible; to make public resources management expedient and effective, and to encourage the concept of the rule of law in civil society” (NPC, 1998, p. 104). In spite of these economic efforts, the economic situation in Nepal has not improved.

4.3. Government structure in Nepal

The government system could be described as a parliamentary democracy with a constitutional monarchy. After the re-restoration of parliamentary democracy in 1990, the new Constitution of 1990 prescribed a parliamentary democracy with a constitutional monarchy, in which, along the lines of the Westminster model, the legislative, executive and judicial branches of the government provides services to the people. The parliament is composed of two houses, known as ‘*Rastriya Sabha*’ (Upper House) and the ‘*Pratinidhi Sabha*’ (Lower House). The Upper House has 60 members and the Lower House consists of 205 members elected by secret ballot under adult franchise. The Council of Ministers is the apex body of the executive branch collectively responsible for the policy planning and implementation of national affairs. The judicial branch ensures that policy planning and Acts are within the provision of Constitution, and provides a fair and equal legal right to the citizens of Nepal.

The structure of administration can be categorized into four broad levels: central, regional, zonal and district levels. Central level consists of ministries and departments. Zonal and district levels offices support the central ministries. The administrative structure of the government followed the model of 'deconcentration' in which responsibilities from central ministries are transferred to field offices while remaining part of central government. In other words, sub-national offices work for the central offices. In 1998, the government passed a Local Self-Governance Bill and enacted a Local Autonomy Act 2055 (1999), which established provisions for autonomy at sub-national levels. The benefits of this Act are yet to be assessed. In 1991, the structure of the government was composed of 22 ministries, 48 central departments and 49 other offices as equal to department at the central level; 108 regional offices at the regional level; 64 zonal offices at the zonal level; 2031 offices at the district level; 2155 offices at the area level; and 4953 unit offices (ARC, 1992). A recent restructure done by the government has reduced the number of ministries to 21 and has merged some other departments (MoF, 2001).

4.4. Public management reform initiatives in Nepal

The Public sector in Nepal includes the Civil Service, Public Corporations, Teaching Service, the Police and the Royal Nepal Army. Civil Service applies to Executive, Judicial and Legislative branches of the government. Public corporations include those public enterprises which have more than 50 percent of government share participation in its operations.

Public management in Nepal has emerged from a feudal history, and has roots embedded in the culture as in all societies. The evolution of public administration in a modern sense in Nepal begun in 1951 when King Tribhuvan Bir Bikram Shah Dev restored the monarchy and promulgated the Interim Government of Nepal Act, 1951, popularly known as the Interim Constitution (Joshi, 1983). The Nepal Act, 1951 established provisions for the establishment of a Cabinet, an Election Commission, a Public Service Commission, an Attorney General and a Supreme Court in Nepal.

Before the year 1951, the Rana Family ruled Nepal for about one hundred and four years. Joshi (1983) noted that during the Rana Regime, the government functioned to carry out the personal wishes and meet the interests of the Rana Prime Minister. The exploitation of national resources for personal gain was the main interest. No distinction was made between the personal treasury of the Rana ruler and the treasury of the government. Any Government revenue in excess of administrative expenses was pocketed by the Rana ruler as a private income. Power was centralized and no freedom was given to employees. The orders of the Prime Minister dictated everything during the Rana regime. Nepotism, favoritism, and *Chakari* system (pleasing the boss as per his or her wishes) were common administrative characteristics during the period of the Rana regime in Nepal (Joshi, 1983).

The next ten years from 1951 can be regarded as the foundation period for the public administration in Nepal. The country's first commoner cabinet and the Public Service Commission were established in 1951. With the support from Indian Government, the drafting of Interim Constitution of Nepal Act 1951, administrative rules and instructions for office procedure, setting up of the Central Secretariat at Singha Durbar with ministries and departments, and establishing systems for holding meetings of secretaries were achieved (Paudyal, 1989). Later on, the Nepal Administrative Reorganization Committee, a Committee known as the 'Buch Committee' reviewed administrative systems and submitted its recommendations in June 1952 (Poudyal, 1989). Some of the recommendations were promptly accepted in principle and were gradually implemented.

In July 1956, the new congress ministry constituted an Administrative Reorganization Planning Commission (ARPC), which with the Prime Minister Tanka Prasad Acharya as its Chairman, was instrumental in establishing the foundation of public administration in Nepal. The first Civil Service Act, Civil Service Rules and regulations, Administrative Procedures Act, the establishment of an O&M Office, a new pay scale for civil service, reforms in budget preparation, accounts and auditing procedures, and the establishment of a Training Centre were among the recommendations put in place during that time (Joshi, 1983; Poudyal, 1989). The ARPC was not to submit recommendations, but to

plan and implement necessary changes as the Prime Minister himself chaired the Commission. Because of such an arrangement, much of the work of the Commission appeared in the form of Government's decisions for implementation. Nepal also entered a planned development process with launching the first five-year plan in 1956. The Nepal Rastra Bank, (the central bank of Nepal) was also established in 1956.

In February 1959, the King Mahendra Bir Bikram Shah Dev promulgated the Constitution of the Kingdom of Nepal, abrogating the Interim Government of Nepal Act of 1951. The Constitution recognized His Majesty the King as the source of all power although several fundamental rights of the people were recognized. It provided for a bicameral legislature, a responsible Cabinet, a Public Service Commission, an Attorney General, and an Auditor General and an independent judiciary (Joshi, 1983). Later in 1960, the Congress ministry was dismissed, and in 1962 the King Mahendra promulgated a new Constitution of Nepal, superseding the Constitution of 1959. The 1962 Constitution, with a few amendments in 1967, provided a party-less democratic Panchayat System, retaining the source of power and the sovereignty of the country in the hands of King (Joshi, 1983).

His Majesty's Government established another eight-member Commission under the chairmanship of the former Home Minister Bedanand Jha, popularly known as 'Jha Commission' in 1968 to study the existing administrative machinery of the government and submit recommendations, for making government effective and capable of meeting the demands of the people, within two months time. The eight-member Commission was dissolved soon after the Commission submitted its preliminary report. The government then appointed a one-man Commission of Bedanand Jha with the task of formulating a detailed plan for the implementation of the recommendations submitted by the previous commission. While the commission did work and submit recommendations on structural and personnel issues, most of these recommendations could not be implemented. According to Poudyal (1989,p.93) "the reason for this was the changes that took place in the national development strategy and the national leadership".

In 1972, the King Birendra Bikram Shah Dev continuously stressed the need for reforms in administration. Poudyal (1989, p.94) noted "the first half of seventies was marked by a number of changes in the policies and programs of the government". The application of a regional development concept, streamlining district administration and decentralization programs were among the policy changes taking place during that period along with the proposed Constitutional amendments in the political field (Poudyal, 1989). The search for a suitable structure for government to cope with the new changes prompted the establishment of an Administrative Reform Commission (ARC) under the chairmanship of the then Finance and General Administration Minister, Bhesh Bahadur Thapa in 1975. The Commission looked into the issues of planning and implementation, administrative structures and procedures, financial administration and manpower management and submitted its recommendations. However, no definite positive results were achieved from this Commission report as well (Poudyal, 1989).

With the restoration of democracy in 1990 and subsequent promulgation of a new Constitution of Nepal, the government of Nepal established a fifth Administrative Reform Commission under the chairmanship of the Prime Minister Girija Prasad Koirala in 1991. The terms of reference were (a) to find ways and means of making the services delivered by the government more efficient and fruitful, and less expensive, (b) to recommend the steps to be taken towards making structural changes in the government machinery and public corporations in order to fulfill the above objectives, (c) to propose measures to simplify the government procedures and make it more results-oriented; (d) to suggest amendments to the Civil Service Act and Rules together with management so that the Civil Service could be made efficient, motivated and responsible; and (e) to recommend the process and method of implementing the recommendations of the Commission (ARC, 1992). The Committee report included recommendations, among others, in the areas of: the role of the state, effectiveness of the service delivery systems of the government, organizational structure of the government, planning and development processes, reform in personnel administration, relationship between minister and employees, overstaffing, simplification in the operational procedures, decentralization, public enterprise reforms, budget and accounting systems, and controlling corruption.

Many suggestions were in line with the concepts of new public management, such as the need for reducing the roles of the government in areas where the private sector is competent, downsizing, establishing service standards, and introducing performance management in the public service.

The implementation of the recommendations of high-powered Koirala's Commission was constrained due to political instability and frequent changes in the political leadership and equations even though an Administrative Reform Monitoring Committee (ARMC) was established in the Office of the Prime Minister. The miracle of politics was that those who initially supported reform opposed its implementation when they went to the opposition bench. The World Bank (2000a, p.18) also argued "political parties which support economic reforms when they are in power oppose them when they are in opposition, for reasons of political expediency". Reform without political support and strong leadership was impossible and so many of the recommendations were not implemented.

Some new development occurred when a new government came into power in March 2000. The new Congress government started functioning with three basic stated objectives: (a) ensuring good governance, i.e., providing effective and efficient service delivery from the bureaucracy; (b) combating corruption, and (c) maintaining law and order. Some praiseworthy steps taken by the government included a reduction in the number of ministries from 26 to 21, approval of a new structure with amalgamation of some departments, elimination of more than 1000 positions, freezing of vacant positions, introduction of a buyout scheme for downsizing the public service, revision in the civil service rules and regulations, increase in wages and salary as per the recommendations of the Pay Commission constituted in 1998, and a directive to all government offices to inform the public about their programs, policies, decisions and activities (MoF, 2001). Furthermore aided by technical support from the Asian Development Bank (ADB), the government is embarking upon strengthening the public service by strengthening institutional capabilities, improving administrative and financial management systems and amending the Civil Service Act (ADB, 2001). The government also constituted a

Public Expenditure Review Commission (PERC) in 2000, which submitted a final report in 2001.

The budget for the fiscal year 2001/2002 presented on July 9th, 2001, included some drastic measures to reform the bloated bureaucracy. Based on the Public Expenditure Review Commission's report, the government proposed to dissolve hundreds of regional and district offices, commissions, councils and other redundant bureaucratic structures. Many development projects were to be slashed to contain the trend of scattering 'too little' resources on 'too many' projects. The other priorities of this budget included the civil service reform of reducing public expenditure (based on the PERC report), security and rehabilitation of local industry and export promotion (Mahat, 2001).

The reform approach adopted by the government of Nepal, in general produced few results, as many of the recommendations were not implemented. The Buch Commission (1952), the Acharya Commission (1956), the Jha Commission (1962), the Bhesh Bahadur Thapa Commission (1975) and the Koirala Commission (1991), all geared towards making public service effective had limited success. The major problem was the lack of implementation of recommendations. This gap in implementation was mainly caused by political instability, lack of willingness on the part of the political leaders, interest in consolidating power at the royal palace (before 1990), and resistance by vested interests of politicians and bureaucrats (Poudyal, 1989).

4.5. Public management challenges in Nepal

Though the re-introduction of parliamentary democracy, establishment of a new Constitution, freedom to the media, and greater participation by the general public in the political systems are achievements in the last decade of democracy, public management still faces many challenges in Nepal. Problems are there with the structure of the government. The economic performance is not satisfactory. Political instability has become a great concern for all citizens. The level of poverty remained constant for the last

two decades. The public service is still based on traditional principles, inefficient and unresponsive to changing demands of the society. The World Bank (2000a, p.i) noted that

between 1994 and early 2000, there have been nine different governments (including six coalitions), and notwithstanding strong declarations of intent, there has been no coherent overall drive to promote economic development. Moreover, this period has witnessed increasing politicization; weakening of administrative and institutional capacity; increasing corruption and governance problems; and poor economic policies including among others, ineffective public expenditure management, weak pricing policies, inefficient public enterprises, a dysfunctional financial system and a weak tax administration/low tax compliance.

The structure of the government is large, weak and inefficient due to its involvement in all sectors of the economy: industry and manufacturing, banking, trading, service sector, social and public utility sectors. For example, the Ministry of Finance (2000) noted that the investment made by His Majesty's Government (HMG) in public enterprises has been largely under-performing. According to the Ministry of Finance (2000), a total of Rs.64, 282.2 million has been poured as equity and loan capital to these public enterprises and the return has been just Rs. 345.2 million as dividend, which is about 2.3 percent of the share investment in the year 1998/99. The World Bank (2000a, p.18) argued that

the central constraint on Nepal's development over the last few decades has not been the paucity of financial resources, but the lack of effective governance and well functioning institutions which can adequately perform the vital state functions which are essential for a coherent economic and social development process. There are many manifestations of this problem, including weak institutions and procedures, lack of ownership of development projects and programs, lack of accountability and mismanagement of resources, failure to provide effective delivery of public services, including law and order, and the absence of a well-functioning judicial system, all of which are reflected in increased corruption.

Most of the problems in the Nepalese public sector could be similar to those of some developing countries. An unclear definition of the role of the state, weak planning capacity in line ministries, centralized planning systems, duplication and poor distribution of functions, a lack of synergy between policy portfolios, weak public administration, demoralized public service, lack of merit-based practice in appointments (in practice not

in policy) are some of the inherited problems in Nepal (Atreya 2000a; 2001b; Nepal, 1998; Trital, 1999; World Bank, 2000b). Agrawal (2001b, p.136) argued that the “organizational climate in Nepal is not conducive to performance, productivity and job satisfaction” and Nepalese management is feudocratic and lacks professionalism. Sharma (1999) argued that most of the services provided by the government agencies are found to be poor quality, irregular and not responsive to the people’s need. Accountability is weak as well the capacity to implement change. The political interference, weak implementation of rules and regulation, absence of checks and balances for ensuring accountability and corruption are some of the endemic problems inherited in the public sector in Nepal (JT Consultants, 2000).

Similarly, a study conducted by DFID (Department for International Development) in a governance audit of Nepal, showed a bleak picture of governance in Nepal. Some of their findings are summarized as follows (DFID, 1998).

- The legislature is wholly influenced by the government in power and the major political parties represented in the parliament and fails to give an independent decision.
- The overall perception of the judicial system is not positive. Lack of impartiality of the justice system, lack of integrity of judges and corruption in court, and the influence of politics and socio-economic factors on court activities, are among the problems identified.
- The general attitude towards police is not positive. Rampant corruption, political interference, lack of education and knowledge, are among other factors, affecting the police service.
- The Constitution guarantees the right to information to all citizens. However, the government media is never critical of government and avoids controversy, and the private media is labelled as a ‘partition press’ because instead of providing neutral, independent and unbiased news it tends to be a mouth-piece for the political party which supports and funds it.

- Misappropriation of government funds is a serious problem. Ministries frequently ignore recommendations and directives noted in the Auditor General's report.
- Corruption has been a part of normal life for both civil servants and politicians. One of the reasons for rampant corruption is low salary for the employees. Politicians influence higher positions most of the time. High level, lucrative and moneymaking positions are filled on the basis of political linkages and nepotism.

The government recognized that the Public Service, in spite of the efforts taken so far is not free from bureaucratic evils such as corruption, centralization of power and authority, nepotism and favoritism. The Ninth Plan admitted that the administration is not neutral and impartial; it is centralized and involved in minor implementation of services rather than formulating policies; the command-and-control rule prevails in administration; and arbitrary decision-making often takes place in the absence of a sound decision-making system (NPC, 1998).

The above discussions suggested that Nepal has severe problems with its public management. The government, nevertheless, is taking some measures to resolve these issues. But, the situation thus far has been the absence of a clear strategy and a coherent approach to solving the problems among the key players of the bureaucracy. As a result, the implementation of the measures so far has remained less than satisfactory.

4.6. Conclusions

The geographical constraints including the landlocked feature of the country, has posed a great challenge for the economic development in Nepal. It is compounded by an administrative culture that is 'pessimistic' in nature. Poverty, corruption, political interference, lack of accountability, integrity and ethics, a declining level of confidence towards the government and a demoralized public service are some of the major problems of Nepalese administrative systems (Atreya, 2000a, 2001b; Adhikari, 1998,1999; Gautum, 1998; Nepal, 1998; Neupane, 1998; Sharma, 1998; Trital, 1999).

The government has been unable to formulate a definite strategy for reforming the public service as there is little agreement within the government and among the key Nepalese stakeholders and external donors on what appropriate strategy would benefit the Nepalese people (World Bank, 2000a). In the past reform has just been a vehicle for donors that lacked local ownership. The initiative taken by the government so far has remained short of the desire to bring change into the system, attitudes, administration and services to the people (Gautum, 1998). The self-interests of politicians, bureaucrats, civil servants, and businessman dominated all spheres of their actions. The most important change that is needed in the county is to bring about honesty, integrity, discipline, trust, belief systems, commitment and motivation among the bureaucrats, politicians, and civil servants, without which no system of any kind could work effectively (Gautum, 1998; Sharma, 1998). Therefore, change, modernization, and reform in a real sense are a great challenge in Nepal.

The above chapters two, three and four discussed extensively the literature on public management reforms. It built a solid foundation for the research. The next chapter conceptualizes these issues in a theoretical framework for the purpose of this research.

CHAPTER V

THEORETICAL FRAMEWORK

5.1. Introduction

Previous chapters two, three, and four reviewed literature related to the issues of public management reforms. Chapter two concentrated on the theoretical issues of NPM and explored its applicability in some OECD countries. Chapter three discussed the applicability of NPM in developing countries. Chapter four presented, in brief, the public management situation in Nepal, a country chosen as an example for a study of the applicability of NPM to developing countries.

This chapter aims at (a) building a theoretical framework for the research; and (b) developing a set of logical research questions that are addressed by this research. This chapter is organized into six sections. Section 5.2 describes the aim of theoretical framework. Section 5.3 defines the variables of the theoretical framework. Section 5.4 discusses the constructs of the theoretical framework. It describes the relationships between moderating and independent factors. Section 5.5 presents the research questions. Section 5.6 presents the concluding remarks on this chapter.

5.2. The aims of theoretical framework

The theoretical framework presented in this chapter is a conceptual model developed to identify dependent and independent variables and show relationships among the various variables for the purpose of this research work. The identification of the variables is based on the literature reviewed in previous chapters. The theoretical framework aims at testing the applicability of NPM to developing countries.

5.3. Defining the variables

The main interest to the researcher is to test the 'applicability of NPM to developing countries' with a case study from Nepal. This is the dependent variable in this research. According to Sekaran (2000, p.92) "the dependent variable is the variable of primary interest to the researcher... it is the main variable that lends itself as a variable factor for investigation". Does NPM works in developing countries? Are the reform measures known as NPM applied by many developed countries useful to Nepal and some other developing countries? This is the major focus of investigation in this research.

There are many difficulties in defining the term 'applicability' in public management reforms. First, there are no ready-made solutions to public management problems. There are no 'one-size fits all' solutions for the public sector as a whole. Second, the convergence theory that suggested that "whatever their political economies, whatever their unique cultures and histories, the 'affluent' societies become more alike in both social structure and ideology" (Wilensky, 1975, p.xii quoted in Common, 1998b) is questioned because NPM measures are not universal and its applicability differs from one country to another (Cheung, 1997; Common, 1998b; Gruening, 1998; Hesse, 1998; Pollitt and Summa, 1997). Third, though the divergence approach suggested that policy transfer is feasible in a similar socio-cultural and politico-economic environment, the new public management (NPM) reform is described as a practice-driven subject that started out independently in various countries (Ormond and Loffler, 1998). Many authors (Common, 1998a; Painter, 1997) have argued that NPM does not have any solid theoretical foundation of its own that could be transferred. This suggests that NPM is a toolkit that has to be tested and applied to each country taking into account the local situations and practices.

Fourth, the policy transfer is also a complex issue in which the actors may attach various meanings to the transfer of a policy. Dolowitz and Marsh (1998) suggested that a policy transfer might happen on a voluntary way, in which the actors desire a change and actively seek policies to satisfy their needs. It also could happen in a coercive way, in

which governments are forced by the actions of outsiders to engage in transfer. These two are opposite ends of a continuum. Dolowitz and Marsh (1998) argued that policy complexity, interaction of a policy with the existing policy, institutional and structural issues, feasibility of policy, and the language play a major role in the transfer of a policy. Where the policy transfer is coercive, the effect could be negative to developing countries (Common, 1998a). Kanungo and Jaeger (1990, p.1) argued that "uncritical transfer of management theories and techniques based on Western ideologies and value systems has in many ways contributed to organizational inefficiency and ineffectiveness in the developing country contexts". Heald (1992, p.72 quoted in Common, 1998b) acknowledged the dangers of coercive transfer and noted that "it should be a question of learning rather than of direct transplanting: differences in political culture, levels of economic development, country size and bureaucratic capabilities will determine which reforms are feasible". Thus, the emergence of NPM measures through a coercive approach or to fulfill the conditions of the donor agencies may not determine the applicability of NPM. Fifth, though it is desirable to settle the issue of applicability based on the outputs and outcomes of NPM reforms in a developing country context, the poor record of reform initiatives and the lack of hard information on reform outcomes in developing countries (Polidano, et al, 1998) makes this task a difficult one. And again, there are many difficulties in measuring the success of a reform program (Boston, 2000; Pollitt, 1995; Savoie, 1998). All these arguments suggest that the applicability of NPM has to be defined within a country context taking into account the socio-political and administrative systems of that country.

The term 'applicability' is defined here to describe the degree of usefulness of the NPM concepts to Nepal. The degree of usefulness has been determined based on the perceptions, feelings, and beliefs of the stakeholders who are assumed to have a better understanding about the socio-political and administrative systems of Nepal. The stakeholders are those who have an interest in the field of study and are affected by the actions of the government. In this research it includes the senior government employees, politicians, and officials from non-governmental organizations.

The independent variables that influence the dependent variable are taken from Pollitt's work (1995). These independent variables are short-named for the convenience of building a theoretical framework and our better understanding. The independent variables are as follows:

- Cost cutting, capping budgets and seeking greater transparency in resource allocation (including activity or formula-based funding and, most recently, a shift to accruals accounting). This variable is labeled as *cost cutting and downsizing*.
- Disaggregating traditional bureaucratic organizations into separate agencies ('executive agencies'; 'government business enterprises'; 'responsibility centers'; 'state owned enterprise' etc) often related to the parent by contract or quasi-contract (performance agreement'; 'framework document etc). This is termed as *introducing agencies*.
- Decentralization of the management authority within public agencies (flatter hierarchies). This is termed as *decentralization of management authority*.
- Separating the function of providing public services from that of purchasing team. This is named as *split of purchaser and provider*.
- Introducing market and quasi-market type mechanisms (MTMs). This is labeled as *introducing market mechanisms*.
- Requiring staff to work to performance targets, indicators and output objectives (performance management). This is termed as *performance management*.
- Shifting the basis of public employment from permanency and standard national pay and conditions towards team contracts, management related pay (PRP) and local determination to pay and conditions. This is labeled as *new personnel system*.
- Increasing emphasis on service 'quality', standard setting and 'customer responsiveness'. This is called *quality and customer responsiveness*.

The collective configuration of above elements is defined as NPM. Each variable is defined as an element of NPM. These elements are the basis on which the applicability of NPM is measured.

The relationships between dependent and independent variables are also influenced by other factors. The relationships are contingent upon the social, political, economic and administrative systems of a country. The donor agencies also influence the applicability of NPM elements to developing countries. Therefore, political systems, social-cultural systems, bureaucratic systems, economic systems, and the role of donor agencies are identified as moderating variables. The following theoretical framework identifies and explains the network of relationships in between and among the variables that are considered important to the study.

5.4. The theoretical framework

The applicability of NPM to a case study of a developing country is the main area of interest to the researcher. Cost cutting and downsizing, introducing agencies, decentralization of management authority, split of purchaser and provider, introducing market mechanisms, performance management, new personnel systems, and quality and customer responsiveness are independent variables whose adoption determines the applicability of NPM to developing countries. The political systems, social and cultural systems, economic systems, bureaucratic systems, and the donor agencies influence the applicability of NPM elements to developing countries.

The applicability of NPM is determined by the usefulness of NPM elements to a country. If the concepts and principles of NPM elements are useful and relevant for the modernization of the government's services in developing countries, it is recognized that NPM is applicable. In other words, if the stakeholders in Nepal believe that those identified elements of NPM are useful and/or necessary for strengthening the operations of the government, then it may be argued that NPM would work in Nepal. For example, if the concepts of agencies, decentralization of management authority, split of purchaser

and provider are useful or should be used in Nepal, this means that the NPM concepts are useful and workable in Nepal. If the study suggests that these elements are not usable in a Nepalese environment, the applicability of NPM may be questioned. According to Sekaran (2000, p.93) "an independent variable is one that influences the dependent variable in either a positive or a negative way. That is, when the independent variable is present, the dependent variable is also present, and with each unit of increase in the independent variable, there is an increase or decrease in the dependent variable also". In this study, the positive or negative influence of NPM elements determines the applicability or non-applicability of NPM to Nepal.

The independent variables are also interrelated to each other. For example, the separation of purchaser and provider is a precursor for introducing the market-based mechanisms in the public service. Performance measures are important to make public service employees work on performance contract and performance targets. One of the arguments for the creation of agencies is to decentralize the management authority so that the service could be improved. Cost cutting has been the center of reform and all other variables are influenced by it. Improvements in the quality of services and customer responsiveness also depend upon the authority given to the employees, standards and measures adopted by the government, and so on. Therefore, all these elements are interrelated to each other. Hood (1991) explained these as overlapping doctrines. Pollitt (1995) noted these elements as an interacting set or system of NPM that often interact quite strongly. Their mutually supportive and integrative nature is the strength of the NPM.

The relationship between the NPM elements and their 'applicability' is contingent upon other factors. According to Sekaran (2000, p.95) "the moderating variable is one that has a strong contingent effect on the independent variable-dependent variable relationship". In other words, the usefulness of the concepts of NPM can be influenced by the inherited socio-economic, bureaucratic and political systems of a country. Many authors (Bale and Dale, 1998; Polidano, 1999a; Schick, 1998, have argued that the environmental characteristics may influence the applicability of NPM to developing countries. The

environmental characteristics could be grouped into socio-cultural systems, bureaucratic systems, the economy, political systems and the donor agencies. The following section explains how these moderating variables influence the applicability of NPM to developing countries.

The influence of socio-cultural factors on the applicability of NPM

Culture normally means the inherited beliefs, values and perceptions in the society (Schein, 1992). Nepalese culture can be characterized as having a feudal structure, patron-client relationship between administrators and citizens, power-oriented behavior, secrecy, buck passing, risk avoidance, recognition of corrupt behavior, and the absence of innovativeness (Ghimire and Dhungel, 2000). These cultural traits are labeled as the pessimistic cultural behavior of Nepalese administration.

The two decades of reform has revealed that the reform has to be 'built-in' taking into account the socio-cultural, economic, administrative and political environments of a country. For example, Ormond and Loffler (1998) concluded that reform must first build on national and local circumstances taking into account the organizational diversity, because organizational structures and cultures are different in countries. Taylor (1996, p.15) discussing the human resource management in LDCs argued that

many LDCs still retain social arrangements based on 'extended' family support systems whereby family members accept responsibility for a wider range of relatives for financial, job search, and other support. In addition there may be also a wider commitment to a tribal or ethnic group rarely seen in developed societies. Although there is much reference to the influence of Western values on LDCs the continued existence of these quite powerful ethnic, tribal and family support systems creates an important countervailing force to Western thinking in general and to Western forms of employment relationships in particular.

Grindle (1997) explored the evidence from 29 organizations in six countries and reached the conclusion that organizations having a mission, management style and performance expectations contributed to a positive organizational culture and better performance than others. These arguments suggest that the socio-cultural systems influence the

applicability of NPM elements to developing countries. It can be assumed that the pessimistic cultural behavior may be detrimental to the applicability of NPM to Nepal because the NPM requires an organizational culture that promotes innovation, flexibility, transparency, decentralization and openness, among others.

The influence of bureaucratic systems to the applicability of NPM

The bureaucratic systems mean the prevailing mechanisms of the government to carry out its administration. Many authors (Klingner and Compos, 2001; Larbi, 1997, McCourt, 1998a; Polidano, 1999a; Samaratunge, 1998; Schick, 1998) have argued that there exists a strong relationship between bureaucratic systems and the applicability of new public management. If the bureaucratic system is transparent, decentralized, and employees are motivated and accountable to their work, this provides a favorable ground for the applicability of NPM measures. For example, McCourt (1998b) argued that the introduction of quasi-market discipline and the split of purchaser and provider might be beneficial in the task of strengthening the recruitment service of the Public Service Commission (PSC) in Nepal. He also found out that the devolution of authority to the public enterprises in recruiting staff resulted in a "wholesale politicization of appointments, to the detriment of operational efficiency, as politicians abused their position as enterprise Board members to appoint ill-qualified supporters" (McCourt, 1998b,p.9). The World Bank (2000a) has argued that the lack of effective governance and well functioning institutions are problems for the development of Nepal. This suggests that the bureaucratic environment, such as the accountability, transparency, decentralization of management authority, affect the application of NPM principles and philosophies in Nepal. It is argued that a bureaucratic environment that supports transparency, accountability, decentralization, and professionalism in the administrative system provides a good ground for the applicability of NPM in Nepal.

The economy and its influence on the applicability of NPM

The economic environment of a country influences the applicability of NPM reforms. For example, the World Bank (1997) has identified economic crisis as an important element in the need for reform in developing countries. In Australia and New Zealand fiscal problems were the dominant factor for sweeping public management reforms (Sedgwick, 1996; SSC, 1996). The perceived need to restrain the rate of growth in spending was found to be an important factor in the implementation of reform in Finland, New Zealand, Sweden and the UK (Pollitt and Suma, 1997).

Developing countries suffer from an *insufficiency* (Evans, 1995; Holmes, 1992; Polidano et al, 1998). The argument is also labeled as the 'stages of development' thesis (Polidano, 1999a). The argument is that the stage of development that developing countries are in now is so weak that the complex concepts of NPM such as the performance measures and internal markets are not viable and workable.

Resource constraint is an important element for developing countries. Reforms are not cost free. Nepal being one of the poorest countries in the world with just \$210 per capita income would find the poor economy as an important factor in reform. The limited resources have to be best managed. The government needs to look for funds to manage their development projects and reform activities. Most of the reform programs are, therefore, donor driven in many developing countries (Sumaratunge, 1998).

The influence of donor agencies on the applicability of NPM reforms

International organizations, such as the UN, the World Bank and the IMF have a role to play in the process of transferring the philosophies of NPM to developing countries (Common, 1998a; Dolowitz and Marsh, 1998). Generally, the developing countries face the challenges of shortage of skilled manpower and the financial resources for the modernization of their governments. These international organizations are the providers of financial resources to modernize the public sector in developing countries. They are

facilitators and also a key source of pressure on governments through the conditions attached to their aid packages. For example, Kaul (1995, p.3) noted that

the idea of privatizing public enterprises in many Commonwealth developing countries was not an entirely home-grown product of local politicians. It can be said to have had strong origins in the philosophy being adopted by international financial institutions. Privatization had become a key aspect of the restructuring and adjustment programs advocated by the World Bank and the International Monetary Fund as consideration for lending to developing countries.

The World Bank (1995) explained that aid to developing countries could be counterproductive if the country is not ready for reforms as it provides an opportunity for those who are against the reform to sustain the status quo; it further deteriorates the performance when no real changes are observed; some governments rushed into bad bargains to meet deadlines set by external assistance agreements; and the poor reform results can tarnish the reputation of reform and of foreign assistance, undermining the credibility of the reform. The World Bank report on Nepal (2000a, p.18) also argued that donor agencies are partially responsible for the poor development of Nepal because "through their assistance they have made it possible for the government to continue its questionable governance practices while avoiding badly needed reforms". All these arguments suggest that there exists a strong relationship between the donor agencies and the applicability of NPM reforms in developing countries.

The political issues to the applicability of NPM

Political neutrality, commitment, interest and political stability are among the essential variables for the applicability of NPM to countries (Bale and Dale, 1998; Pollitt and Suma, 1997; Taylor, 1996). These are interrelated to each other. Political neutrality is required to ensure that formality governs the state and NPM mechanisms such as performance management, contract management and performance-pay systems. Political commitment, interest and stability help in building a long-term vision and strategy for reform. The ways in which citizens and employees view the political leadership influence reform activities. A positive feeling about the political leadership could

positively influence reform activities. In the absence of these variables, it can be assumed that the environment for applying NPM reforms is constrained. For example, Kiggundu (1998) noted that civil service reforms in developing countries have remained unsuccessful because of the lack of political commitment, and the absence of a strategic framework for reform. Taylor (1996) argued that the lack of political stability encourages the use of autocratic leadership styles, short-termism and opportunism by those in positions of power and authority. Many other observers (Heredia and Schneider, 1998; Polidano, 2001; Savoie, 1998; Samaratunge, 1998) have commented that political factors influence the reform. So it can be argued that the greater the environment of political neutrality, commitment, and interest the greater will be the chances of applying the NPM reforms to developing countries.

These moderating variables are also interrelated to each other. For example, Common (1998a) argued that for policy transfer to occur, the aspirations of the recipient country have to match those of the donor. Minogue et al. (1998) argued that public management reforms require the examination of the State in the context of its broad relations to society, economy, and the political conceptions of appropriate reform including the political conditionality applied by aid donors in their aid relationships with developing countries.

The foregoing discussions presented the dependent, independent and moderating variables that influence the study of public management reforms in developing countries. The relationships between and among these variables provide an understanding of the dynamics of public management situations in developing countries. However, the theoretical framework developed for the study (Figure 5.1) excluded the influence of three of the moderating variables, i.e., economy, donor agencies and social and cultural systems because these subjects are broad in nature and would require multiple theoretical frameworks, and each could be treated as a subject of research on its own. Furthermore, the interest of the researcher is to explore the influence of political and bureaucratic systems on the applicability of NPM to Nepal, as these two factors are considered more important to a Nepalese bureaucracy than other variables. It is viewed that omitted

variables are important in understanding the complexity of public management reforms in developing countries, but not essential to the theoretical propositions explained in this study. Therefore, this study is limited to exploring the relationships between dependent and the independent variables, and the political and bureaucratic systems of a country.

The following summarizes the variables in the context of this study:

- (a) Dependent variable is the 'applicability of new public management to developing countries'. Applicability is measured by the usefulness of independent variables to developing countries. The usefulness of independent variables is determined by the perceptions, beliefs, and opinion of the stakeholders who have an interest in the field of study and are affected by these (independent) variables.
- (b) Independent variables are cost cutting and downsizing, introducing agencies, decentralization of management authority, split of purchaser and provider, introducing market mechanisms, performance management, new personnel systems and quality and customer responsiveness. If these variables are found to be useful and relevant for strengthening the operations of government in Nepal, it is observed that NPM is applicable to developing countries.
- (c) Moderating variables are political and bureaucratic systems. In this study the political systems mean the political interest and commitment towards the reform program and the degree of political influence in the public service. It is theoretically argued that the degree of political commitment and interest towards the reform programs influence the independent-dependent variable relationship. Similarly, bureaucratic systems mean the prevailing mechanisms of the government to carry out its administration. It is viewed that if the bureaucratic systems are transparent, accountable and less corrupted such systems influence the adoption of independent variables.

All these variables and relationships among the variables are shown in Figure 5.1.

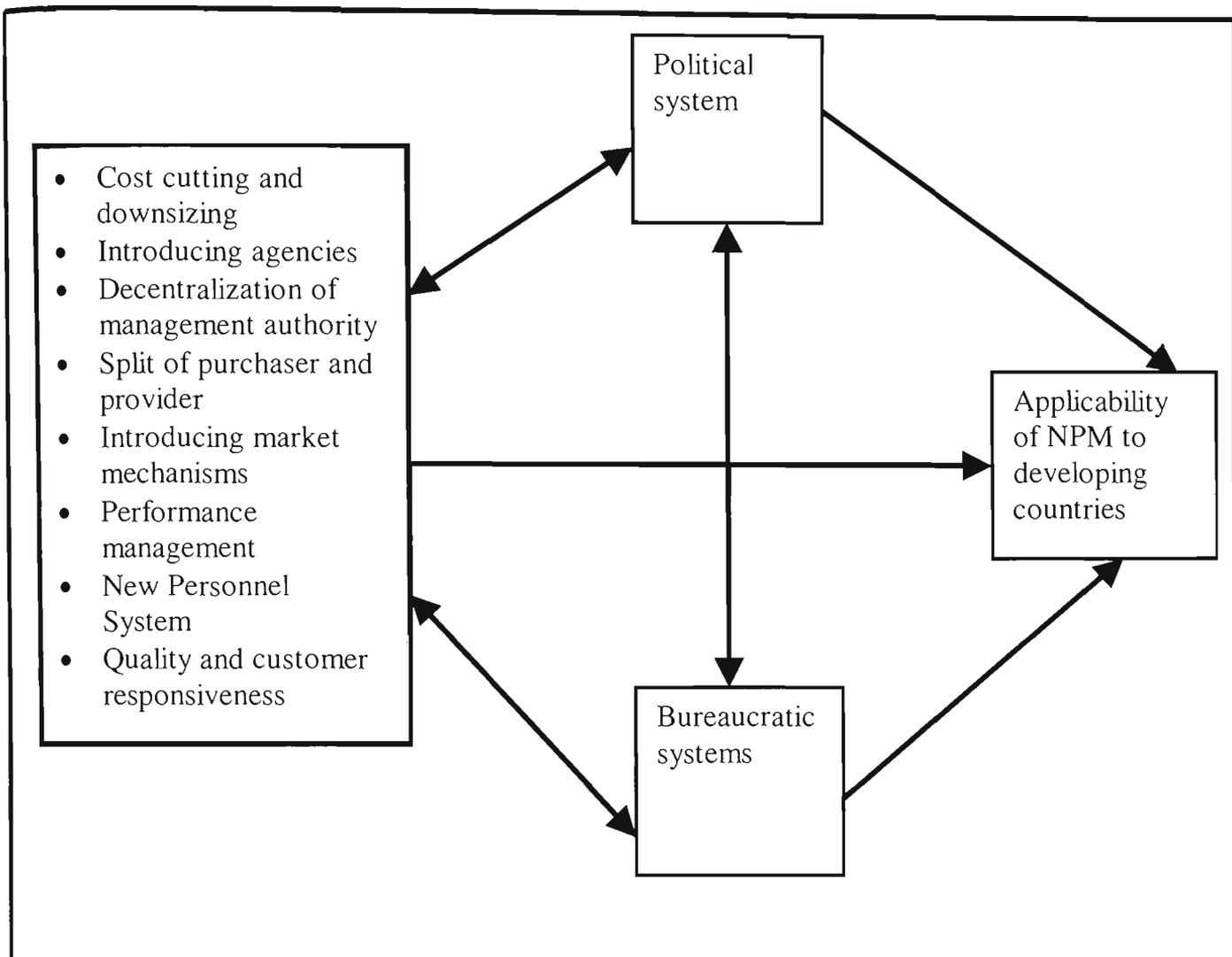


Figure 5.1: Theoretical Framework

The theoretical framework presented (Figure 5.1) and discussed needs to be tested and the relationships among the variables have to be identified. The following research questions are established for this purpose.

5.5. The research questions

Basically, this research attempts to answer the following main theoretical questions:

Is NPM applicable to Nepal? Is NPM applicable to developing countries?

In answering these main questions, this research attempts to answer the following theoretical questions.

- (a) *What are the relationships among the elements of the independent variable?*
- (b) *What are the relationships between the moderating (bureaucratic and political systems) variables?*
- (c) *Does the moderating (political and bureaucratic systems) variables affect the relationship between independent (NPM elements) and dependent (applicability of NPM to developing countries) variables?*

Furthermore, this research analyses the following questions, which are practical in nature and are important for the government of Nepal.

- (1) Are the concepts of cost cutting and downsizing relevant to Nepal?
- (2) Is it appropriate to introduce the concept of 'agency' in Nepal?
- (3) Is the principle of separation of policy and operational functions workable in Nepal?
- (4) Will the decentralization of management authority improve performance in the government in Nepal?
- (5) Is it necessary for the government in Nepal to introduce market –based mechanisms in the public sector to make the service competitive and cost effective?
- (6) Are the concepts of performance management applicable in the public sector in Nepal?

- (7) Are the new changes introduced in the personnel system (senior executive service (SES) and performance based pay) applicable in Nepal?
- (8) Is it useful to establish service standards to improve the quality of services provided by the government in Nepal?
- (9) Is the bureaucratic environment supportive to the applicability of NPM elements in Nepal?
- (10) Does the political system (factor) restrain the applicability of NPM elements in Nepal?

The following questions are addressed for the purpose of generalizing the results to developing countries.

- (11) What conclusions can be drawn about the factors which encourage or inhibit the implementation of NPM in developing countries?
- (12) What are the empirical recommendations from this research for future reforms in developing countries, including Nepal?

5.6. Conclusions

This chapter presented the theoretical framework for the study. It stated that the applicability of NPM reforms is the primary area of interest to the researcher. It was argued that determination of the applicability of NPM is based on the usefulness of the NPM elements in Nepal. The usefulness is justified based on the beliefs, perceptions and opinions of the stakeholders. NPM elements are independent variables. The relationships between the dependent and independent variables are also influenced by other factors, such as the bureaucratic, political, social and cultural, economy and the donor agencies. These are defined as moderating variables. However, this study is concentrated on exploring the usefulness of NPM elements to Nepal taking into consideration the political and bureaucratic variables. The results of the study are generalized to developing countries. The next chapter explains the research methodology used in this study.

CHAPTER VI

RESEARCH DESIGN AND METHODOLOGY

6.1. Introduction

The previous chapter established the theoretical framework and the logical questions for this research. The aim of this chapter is to describe the methodology used to collect and analyze the research data to answer the logical questions established in this study. This chapter is classified into five major sections. Section 6.2 describes the overall methodology employed in this research. It explains that literature search, pilot study and survey were the main research methods used in this study. It describes the sampling methods, instrument used in the data collection, procedures employed to collect the research data and the data analysis strategy. Section 6.3 describes the measures adopted in regard to the ethical issues and section 6.4 deals with the limitations of methodology experienced during the time of collection of research data. Section 6.5 presents concluding remarks on this chapter.

6.2. The overall research methodology

The overall research methodology followed in this study were (a) literature search (b) pilot study, and (c) survey. These are explained in the following sections.

6.2.1 Literature search

The overall purpose of the literature search was to conduct comprehensive review of the prior studies undertaken in the subject and document important variables that are associated with it. It was to assist in developing a theoretical framework for the research work and to develop pertinent research questions for this study.

The researcher conducted an extensive literature review in the area of public management reforms. The published literature from OECD and OECD Member countries, reports, books, articles from national and international journals were the major secondary sources of data documented logically and presented in chapter II, III, IV, and V. The researcher also utilized the bibliographical databases, abstract databases and full text articles, such as the Emerald, ABI/Inform, Academic Search Elite. Furthermore, documents available through governments' web sites, such as the web sites of the Public Service & Merit Protection Commission, Australia, Auditor General Office of Canada, Public Services Commission of New Zealand, the World Bank, International Monetary Fund, United Nations Development Programme (UNDP), University of Manchester (UK), Cabinet-office of United Kingdom, OECD were reviewed and used. The researcher was also benefited from the discussion groups, such as *Evaltalk* and *Govteval* in the task of literature search. This entire literature search helped in building a sound theoretical framework for this research.

6.2.2 Pilot study

A pilot study was conducted to ensure that the research methodology, sampling techniques and the questionnaire developed would achieve the purpose of the study. Three important issues, i.e., (a) whether the data collection should be approached through mailing the questionnaire or should it be self-administered (b) whether a random sampling technique was appropriate for this research, and (c) whether the questionnaire was understandable to the respondents, were finalized through the help of a pilot study.

The researcher consulted with senior government officials about the approach that was appropriate for data collection and confirmed that personally approaching prospective respondents was the best means of ensuring participation in a survey in a Nepalese culture. The senior government authorities rejected the random sampling of respondents on the ground that the sample population may include respondents who were not familiar with the issues of administrative reforms and the applicability of NPM in developing countries. They argued that responses from such a sample would be detrimental to the

study. The importance of a purposive sampling method was highlighted and it was argued that research of this nature would benefit more from the responses of groups of informed participants rather than from the general population.

The pretest of the questionnaire was done carefully. The researcher at first discussed the appropriateness, understandability, validity, appearance, and the possible outcomes of the questionnaire results with 30 government officials having an interest in the field of public administration. After that the questionnaire was administered to 20 training participants before it was launched to the sample population. Recommendations provided by these officials were incorporated into the final questionnaire.

A series of consultations with the government officials was the best approach for the researcher in conducting the pilot studies because they were the target population and their understanding and acceptance was important to make this research a success.

6.2.3 Survey

A survey method was used in this research because the study aimed at generalizing the findings from a sample of the population using a questionnaire about the applicability of NPM to developing countries. A survey method using questionnaires for data collection provides a quantitative description of a fraction of a population and enables the researcher to draw conclusions about generalizing the findings from a sample of responses to a population (Creswell, 1994). This was the preferred method of data collection for the study because it was based on a quantitative design paradigm, was economical in its design and could cover the large sample size required for the study. The research was more a descriptive study to find out the applicability of a body of knowledge, which exists, and of which variables are known already. The nature of the problem in this study was to test the existing body of knowledge, i.e., the New Public Management (NPM) in a Nepalese context, in which the researcher was independent and unbiased from that being researched. A survey method was therefore the best approach for this research.

6.2.3.1 Population and sample size

The target population chosen for this research included politicians, civil service employees and officials from non-governmental organizations. It was thought that a combination of different groups of people would be an ideal population for the nature of the research pursued. It was important to find out what politicians and civil service employees feel about the public management environment in Nepal, as they are the leaders involved in planning and implementing reforms. It was also important to include non-governmental employees to find out how these populations viewed the service provided by the government, and whether in their views NPM was a solution to improving the services. Therefore, the target population included both governmental and non-governmental employees representing various ministries, commissions and departments, banks, universities, social and private organizations and Chamber of Commerce. A detailed list of the organizations involved in this research is presented in appendix One.

The officer level employees were the major population targeted in this study. The Nepalese civil service included a total of 10,215 employees in officer levels (ARC, 1992). Politicians included 205 parliamentary members. The size of the officer levels employees in the non-governmental sector was difficult to determine due to lack of statistical data.

The sample was of 408 respondents. The sample size was thought to be sufficient because for a population of 10,000 employees, the recommended sample size, based on the sample size formula, is 370 (Sekaran, 2000). Taking into account the number of politicians and the employees of the non-governmental sectors, and the fact that the actual number of usable questionnaires may be low, a sample size of 408 respondents was established. Creswell (1994) recommended that the use of a sample size formula was an appropriate way to determine the size decisions. Based on the statistical sample size for a given population (Sekaran, 2000) the above sample size was sufficient to cover the population under study.

It was expected that about 50% of the respondents would respond to the questionnaire, which means the analysis and tabulation of 204 usable questionnaires. A total of 204 resourceful and knowledgeable respondents can be considered an appropriate sample size on the ground that the previous study of the Administrative Reform Committee in 1991, which was a project under the aegis of the government, had information from 230 individual members (ARC, 1992). This suggested that the above sample size was an appropriate measure to generate accurate results in the chosen field of research in a Nepalese situation at an individual level.

6.2.3.2 Sampling methods and procedures

A combination of sampling methods was used in this research. First, it was based on purposive sampling because a random sampling was not suitable for this research. The issues of NPM are new to Nepal. Not all the employees have knowledge of public management reforms. It was necessary to find respondents who are familiar with the concepts of NPM so that the research could yield quality results. Discussions with senior government officials affirmed that to test a body of knowledge required the participation of groups of professionals who are familiar with the subject of research. Hence, the selection of subjects was based first, on the potential expertise and knowledge of the subject investigated.

Second, based on their proportion of the target population, the size of the sample to be obtained from each category of respondents was established as follows:

- | | |
|------------------------------------|----------------------------|
| (a) Politicians | 10 %, i.e., 40 respondents |
| (b) Public service employees | 70%, i.e., 286 respondents |
| (c) Private sector officials/users | 20%, i.e., 82 respondents |

Politicians included members of two major political parties. Public service employees included officers from various ministries, departments, and commissions. Private sector officials were included from banks, universities, Chamber of Commerce, social and private business organizations. The reasons for establishing proportionate sampling were

to understand how different groups view the applicability of NPM to Nepal and to minimize any biasness in responses.

Third, it was important to have representation from the sub-national levels. For example, the research measures relating to decentralization of management authority, flexibility in resource use, coordination between the central and sub-national are related to sub-national levels and the inputs from them were important to reflect any difference in views between central and sub-national levels. Therefore three districts (Palpa, Morang, and Rupandehi) were selected for the purpose of this study. These districts were selected because these were the major important cities in Nepal and it was possible to find knowledgeable respondents in these districts.

The researcher met with the top senior government officials (usually secretaries and department chiefs) and discussed the aims and significance of the study and sought their assistance in identifying the prospective subjects for this survey work. The researcher stressed during the discussions that employees who are either a student of public administration or have an interest in public management reforms or have participated in administrative restructuring programs or have a long experience in a Nepalese bureaucracy could be considered as potential subjects for this study. A list of prospective subjects thereafter was drawn in consultation with respective government officials in various ministries and departments.

Though a list of names of candidates was prepared, the researcher while distributing the questionnaire asked the respondents to suggest the names of prospective respondents who may be interested in the subject of research. This process helped to crosscheck the names of the prospective subjects and enrich the list by adding names proposed by them. This process worked well in identifying the prospective subjects.

The above sampling methods and procedures were the only meaningful way to conduct research into NPM reforms in Nepal and generalize the findings because of the following reasons:

- (a) The concepts of new public management are of recent origin in Nepal and all populations are not familiar with them. The only meaningful way to investigate the issue of NPM required the sample populations to have some knowledge of the subject of research.
- (b) Most sample populations are based on the characteristics of the sample. This sample was representative of populations covering government and non-government organizations, central and sub-national organizations and this helped in controlling any biases in responses.
- (c) The researcher was independent and unbiased.

6.2.3.3 Questionnaire

A questionnaire was the instrument used in this research to collect the research data. Sekeran (2000, p.233) noted "a questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives". It is an important instrument in a survey when the researcher is familiar with the variables needed to be measured and the sample size is big and dispersed (Bailey, 1994; Sekeran, 2000).

The design of questionnaire was carefully done keeping in mind the variables under study. According to Cox (1996), this process is important because it helps in identifying *observable, important and similarly-specific* characteristics of the variables and would help respondents to remain focussed. Taking this point into consideration, key areas for measuring the variables were identified and grouped under each heading. The following table shows the variables under study, key issues covered to explain the variables and the items used to measure the variables.

Table 6.1: Variables, Main issues and Measures

| Variables | Main Issues | Measures |
|--|--|---|
| <u>Independent variables</u> | | |
| Cost cutting and downsizing | Overstaffing, size of the government, reducing the scope of operations, cutting expenditure, duplication of functions | C1-C5, G16 and G17 |
| Introducing agencies | Usefulness of regional offices, usefulness of one-stop shops, and the applicability of agency concepts. | C6-C8 |
| Split of purchaser and provider | Relevance and coordination | C9 and C10 |
| Decentralization of management authority | Devolution increases efficiency, performance improvement, level of centralization and decentralization | F1-F4 |
| Introducing market based mechanisms | Role of the government; capability of the private sector; performance of the private enterprises; need for privatization; political desirability, credibility and feasibility; | J1-J7 and B2-B6 |
| Performance management | Laws for performance management; clarity of mission, applicability, and difficulties | H1-H6 |
| New personnel system | Senior executive service, performance based pay system, contractual appointment, merit principles | G12-G16 |
| Quality and customer responsiveness | Service standards, empowerment, devolution of services to the lower levels, quality improvement plans, and problems | K1-K7 |
| <u>Moderating variables</u> | | |
| Political system | Political commitment, interest, influence in the public service and the levels of confidence towards the government | A1-A3, A5, L1 and L3. |
| Bureaucratic systems | Accountability, transparency, ethics and corruption, financial management system, reform implementation and evaluation | D1-D7, E1-E5, G1-G10, I1-I20, and L2, L4-L6 |

The questionnaire was self-designed in consultation with the supervisor, tested and verified for its clarity, simplicity and was personally administered. A pilot study was conducted to this effect. It included a short introduction at the beginning that explained the purpose and significance of the survey and requested the respondents to participate in this important endeavor and be frank in their opinion. The wording and language of the questionnaire were kept as simple as possible. It was closed in form, adopting the Likert model of rating scales (i.e., strongly agree to strongly disagree). The measures in the questionnaire (Table 6.1) were grouped into the following headings:

- General public management environment (5 questions)
- The role of the government (6 questions)

- Streamlined structure (10 questions)
- Accountability in the government (7 questions)
- Transparency in operations (5 questions)
- Decentralization in management authority (4 questions)
- Reforms in Personnel administration, including ethics (17 questions)
- Performance management (6 questions)
- Reforms in financial management including corruption (20 questions)
- Introduction to market-type mechanisms (7 questions)
- Service quality and customer services (7 questions)
- Reform implementation and evaluation (6 questions)

A total of one hundred and one (101) measures were included in the questionnaire, and grouped logically under each heading. The measures included both positively and negatively worded questions. It progressed from general questions to specific questions. Demographic questions were included at the end of the questionnaire.

One open-ended question was included at the end of the questionnaire to allow respondents to add or provide any suggestions. The reasons behind adopting this qualitative measure as a secondary role to quantitative method were to capitalize on the strengths of the two approaches, and to compensate for the weaknesses of each approach (Punch, 1998). Qualitative and quantitative researches have their own advantages and disadvantages (Bailey, 1994; Creswell, 1994) and combining of both approaches would benefit the research studies because it enhances the reliability and validity of data (Creswell, 1994).

6.2.3.4 Research procedures

Once the researcher finalized the overall research methodology and confirmed its appropriateness through conducting a pilot study, a number of activities were followed to conduct a survey and collect research data. First the researcher recorded the number of ministries to be covered and estimated the number of respondents from each

organization. A minimum number of five respondents were established in each organization. This was done particularly to ensure that most ministries and agencies are covered in the study.

Once the respondents were identified, the researcher contacted most of them personally. They were briefed and given the research package that included a copy of questionnaire (see appendix two), a sheet of information to participants explaining the aims and significance of the study (appendix three), a consent form for subjects (appendix four), and a self-addressed envelope so that they could send back the completed questionnaire. In some cases, the researcher contacted them over the phone and mailed the research package to each participant. In a case where the researcher met them personally, a date was established to collect the completed questionnaire. Alternatively some agreed to send the completed questionnaire within a certain period of time. The researcher made an appointment and personally administered the questionnaire with the high-ranked government officials, as it was hard for them to commit time. The researcher explained each measure from the questionnaire and noted the response as advised by the officials. This approach was necessary because access to some of the top ranked officials was not easy due to their busy schedule of work. Fifteen questionnaires were administered personally. The researcher also tried to increase the response rate by making telephone calls when the agreed due date was over and reminded the respondents to complete the questionnaire. One or two calls after the due date, the researcher stopped making telephone calls to respondents.

The personally administered questionnaire research method helped to develop rapport and clarify issues to respondents and also provided an opportunity to the researcher to share and discuss the subject of the research with high ranked officials. On the other hand, this approach required lots of time because the researcher had to fit in with each respondent's time schedule during office hours and had to go from one organization to another many times for giving and collecting the research questionnaire.

6.2.3.5 Data preparation and analysis

This section explains the process adopted in editing data, coding and categorizing data, rules followed in handling the unanswered questions, and the strategy to analyze the data.

Editing data

Once the data were obtained through questionnaires, the researcher checked the data for completeness, and edited as required. Editing was done in a case where the researcher was sure that the respondent meant it. For example, if the respondent did not mark the demographic questions, such as the class level, the researcher marked the class level of the respondent. Since the researcher personally collected many questionnaires directly from the respondents, this made it possible to check and edit the questionnaire in front of the respondent if required. However, it was not possible to call all respondents and edit data because many respondents were not reachable over the phone and some respondents completed the questionnaire anonymously.

Coding

After the collection and editing of questionnaires, the responses were coded in the following manner. Each item of the questionnaire was given an identity code using a number or/and an alphabet. For example, items in questionnaire (a)1 and (a)2 are coded as a1 and a2. The number established to each item in the questionnaire was followed to code the question items for data analysis. Accordingly, all the items in the questionnaire were coded except for question item g11. With regards to item g11, each variable was allotted a number (for example, 1 for opportunity to have impact on policy; 2 for job security; 3 for recognition for job performed; 4 for social prestige; 5 for financial rewards; 6 for opportunities for career growth; 7 for conducive work environment; and 8 for adequate authority to perform jobs) and that number was keyed in order of importance.

As to demographic responses, the researcher used the number to code them. For example, the variable 'level' is coded from 1 to 5, i.e., 1 representing 'special class', 2 for 'first class', 3 for 'second class', 4 for 'third class' and 5 for 'others'. In the same way, demographic variables such as sex, education, occupation, age band and year of experience were coded using a number. The rating scales strongly agree to strongly disagree were coded from 1 to 5. The responses were then manually keyed to a SPSS computer program.

Handling blank responses

With regards to handling blank responses, the researcher followed the guidelines suggested by Sekeran, (2000) and treated it in two ways: (a) If the 25 percent of items or more in the questionnaire were left unanswered, that questionnaire was excluded from the data for analysis; and (b) if the unanswered items were less than 25 percent, the computer program was allowed to ignore the blank responses at the time of analysis of data. However, while conducting the exploratory factor analysis, the small number of missing data were replaced by item means to avoid the loss of sample size.

Strategy used to analyze data

The Statistical Package for the Social Sciences (SPSS Version 10) computer program was used to analyze the quantitative data. The descriptive statistics mean and standard deviation, percentages and frequencies were used to get the preliminary ideas and feel about how respondents reacted to each item in the questionnaire. All items were analyzed using descriptive statistics. An independent t-test was used to explore the significant difference in responses between government and non-government employees. A chi-square test was used to explore any difference in responses caused by demographic variables. Descriptive statistics combined with an independent t-test and chi-square test were used to explore the applicability of NPM to developing countries. The acceptable level of significance was $p < .05$.

An exploratory and confirmatory factor analysis was used to explore the relationships between independent and moderating variables and describe the constructs of the theoretical framework. At first, the factorability of the data were tested taking into account the sample size, Barlett's test of sphericity, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, and Cronbach's alpha was used to test the reliability and construct of scales. The justification for the factorability of data is summarized below.

For the reliability of factor analysis, it is essential that sample size should be sufficiently large. Authors have different arguments as to what the sample size should be. Hair et al (1998) suggested that that sample size should be 100 or larger. Kline (1994) suggested a minimum of 2:1 ratio of subjects to variables (items) and a minimum total subject of 100. Gorsuch (1983) suggested a minimum 5:1 ratio of subjects to variables. Lawley and Maxwell (1971) suggested that there should be 51 more cases than the number of variables to support chi-square testing. Comrey (1993, quoted in Tabachnick and Fidell (1989, p. 603) noted that "sample sizes of 50 as very poor, 100 as poor, 200 as fair, 300 as good, 500 as very good and 1000 as excellent". "Other suggest that a sample size of 100 to 200 is good enough for most purposes, particularly when factors are strong and distinct and the number of variables is not too large. As a general rule of thumb, it is comforting to have at least five cases for each observed variables" (Tabachnick and Fidell (1989, p. 603). This research had 238 responses, sufficiently large enough for exploratory factor analysis.

The factorability of variables are also considered appropriate if the Barlett's test of sphericity rejects the hypothesis that the correlation matrix is an identity one, and that if KMO measure is greater than 0.60 (Tabachnick and Fidell, 1989). The data were put to test and revealed a .650 of KMO and Barlett's test of sphericity value less than 0.05, (Table 7.39) which meant that the data were appropriate for EFA.

The researcher used Principle Component Analysis for factor extraction because it is less complicated (Hair et al., 1998) than the other method of Principle Axis Factoring. The scree test (Cattell, 1978) was used to select the correct number of factors as it was

considered a good solution for selecting the correct number of factors (Kline, 1994; Hair et al., 1998). The orthogonal rotation was used to produce a clear factor structure as it produced a simple and more interpretable solution of factor structure. This research considered the factor loading of 0.40 and above as Hair et al (1998) noted that factor loadings greater than 0.3 are considered to meet the minimum level; loadings of 0.40 are considered more important; and if the loadings are 0.50 or greater, they are considered practically significant. They further suggested that a factor loading of 0.40 is appropriate for a sample size of 200; 0.35 for 250 and 0.30 for 350 sample size. Based on this suggestion, it was decided that 0.40 would be an appropriate one for this research size.

Cronbach's alpha and standardized item alpha was used to ensure the reliability of a factor structure. Although the generally agreed upon lower limit for Cronbach's alpha is .70, it can reduce to 0.60 in exploratory research (Hair et al., 1998). Since this research is an exploratory research and the questionnaire was self-designed, it analyzed the factors that had Cronbach's alpha value of .60 and higher.

Once the key factors of independent and moderating variables were extracted, each calculated for its consistency using the Cronbach's alpha and standardized item alpha, and named according to its theoretical construct, a confirmatory factor analysis using the software AMOS 4.0 for structural equation modeling was used in order to explore the statistical relationships among the items of each factor and between the factors of independent and moderating variables. While performing the confirmatory factor analysis, first a theoretically supported model was developed for each factor, a path diagram of casual relationships was constructed and the parameter estimated in the model were examined based on the goodness of fit measures available in AMOS output.

This research followed the following measures of 'goodness of fit' as suggested by Hair et al (1998):

Absolute fit measures:

- Likelihood ratio Chi-square statistic (p): Usually greater than 0.05 or 0.01 is the level of acceptable fit.
- Goodness-of fit index (GFI): Higher values closure to 1.0 indicates better fit.
- Root mean square error of approximation (RMSEA): Values ranging from .05 to .08 are deemed acceptable.
- Root mean square residual: The smaller values the better.

Incremental fit measures:

- Tucker-Lewis index (TLI): A recommended value of TLI is .90 or greater. The value closure to 1.0 indicates perfect fit.
- Normed fit index (NFI): A recommended value of NFI is .90 or greater. The value closure to 1.0 indicates perfect fit.
- Adjusted goodness -of- fit index (AGFI): A recommended value of AGFI is .90 or greater. The value closure to 1.0 indicates perfect fit.

Parsimonious fit measures:

- Normed Chi-square (CMIN/DF): Lower limit 1.0; and upper limit 2.0/3.0
- Parsimonious goodness-of- fit index (PGFI): The value closure to 1.0 indicates perfect fit.

After examining the initial model based on the above measures, the model was modified and tested again taking into account that any modification must be theoretically justifiable and should give substantial meaningful interpretation. Accordingly a final conclusion was reached about the best model of each factor and their relationship was examined. Correlation was then used to explore the relationships among the factors of independent and moderating variables. Multiple regression was used to explore the relationships between independent and moderating factors.

6.3. Ethical considerations

Ensuring confidentiality of the data was not only important to retain the privacy of the respondents but also to encourage the participants to provide honest and true answers to the questions. It was also important to maintain the ethical requirements of the study. First, the Ethics Committee of the University approved the research. Furthermore, the researcher took a number of measures to ensure the confidentiality of the data. The information for the subjects (see appendix four) which was attached to each questionnaire explained that information provided by the respondents will remain confidential. Second, adding the name of the respondent in the demographic questions was made optional. This enabled the respondents to complete the questionnaire anonymously. Third, a self-addressed envelope was provided to all respondents to allow them to complete the questionnaire independently and return directly to the researcher. Fourth, the researcher also explained to the respondents that the information provided by them will remain confidential and adding their name in the questionnaire is optional. Fifth, once the data were received, it was kept in a locked place to protect the data from the unauthorized individuals. Accessibility of the data was restricted to the researcher and the supervisor only.

6.4. Limitations

While each of the methodology and sampling techniques employed in this study has advantages and disadvantages (Bailey, 1994), the researcher mainly faced practical difficulties, particularly in locating the prospective subjects for the purpose of this study. The nature of the study demanded that the subjects at least should have some knowledge about the concepts of NPM. While a tentative list of prospective subjects was drawn from the discussions with senior government officials, about 5 percent (20 respondents) of the prospective subjects declined to get involved in this research on the ground that he/she may not be a good candidate for the type of research pursued.

The researcher was also unsuccessful in getting hold of a number of politicians. Five questionnaires only were collected from politicians. The offices of political parties were approached to get hold of politicians, but this did not work well. Since the expected sample size for the category of politicians was just 10 percent, it is believed that there will be no significant implications in the interpretation of the results of this study from their low representation.

6.5. Conclusions

This chapter presented the research methodology employed in this study. It justified the need for quantitative analysis to answer the research questions and identified the population and sampling procedures used in this study. It described the research instruments used to collect data. It, then, described the methods of data analysis, data coding, data categorization and the strategy used in the analysis of data. It presented the ethical considerations adopted in this research, and limitations and practical problems faced by the researcher during the period of data collection. The results of the study are presented in the next chapter.

CHAPTER VII

THE RESULTS

7.1. Introduction

The previous chapters two, three and four reviewed literature, chapter five established a theoretical framework, and the last chapter VI presented the research design and methodology used to generate the results from the research data. This chapter presents the results of the study. This chapter is presented in five sections. Section 7.2 presents the response rate and section 7.3 describes the demographic statistics of the sample population. Section 7.4 presents the survey results for each question. Section 7.5 presents the concluding remarks on this chapter.

7.2. The response rate

The survey was conducted in Kathmandu, the capital city of Nepal and in three districts, namely Morang (Biratnagar), Palpa (Tansen) and Rupendehi (Bhairahawa). It started in August 2000 and continued for six months. A total of 32 organizations (see appendix one) participated in this research. A total of 408 questionnaires were distributed, out of which 18 questionnaires were given to politicians, 270 to civil service employees and 120 to others (stakeholders). A total of 238 responses were received, i.e., five (5) from politicians, one hundred and fifty four (154) from civil service employees and seventy nine (79) from others (stakeholders). The response rate was 58 percent (Table 7.1).

Table 7.1: The Distribution of Questionnaire and Response Rate

| Descriptions | Questionnaires distributed | Questionnaires Received | Percentage (%) |
|---------------|-------------------------------|----------------------------|----------------|
| Politicians | 18 | 5 | |
| Civil Service | 270 | 154 | |
| Others | 120 | 79 | |
| Total | 408 | 238 | 58.3 |

7.3. Description of the sample

The demographic profiles of the sample population included occupation, levels, gender, education, experience and the age as presented (Table 7.2) and explained below.

Table 7.2: Descriptions of the Sample

| Descriptions | | Number | Percentage (%) |
|--------------|-------------------|------------|----------------|
| Occupation | Politicians | 5 | 2.1 |
| | Civil Servants | 154 | 64.7 |
| | Others | 79 | 33.2 |
| | Total | 238 | 100 |
| Level | Special Class | 19 | 8.5 |
| | First Class | 51 | 22.8 |
| | Second Class | 81 | 36.2 |
| | Third Class | 45 | 20.0 |
| | Others | 28 | 12.5 |
| | Total | 224 | 100 |
| Gender | Male | 233 | 97.9 |
| | Female | 5 | 2.1 |
| | Total | 238 | 100 |
| Education | Ph.D | 24 | 10.4 |
| | M.A or equivalent | 192 | 83.5 |
| | B.A or equivalent | 13 | 5.7 |
| | Less than BA | 1 | .4 |
| | Total | 230 | 100 |
| Experience | 1-5 Yr. | 9 | 4.9 |
| | 6-10 Yr. | 11 | 5.9 |
| | 11-15 Yr. | 41 | 22.0 |
| | 16-20 Yr. | 52 | 28.0 |
| | 21-25 Yr. | 38 | 20.4 |
| | 26-30 Yr. | 26 | 14.0 |
| | 30 Plus | 9 | 4.8 |
| | Total | 186 | 100 |
| Age | 25-30 Yr. | 12 | 5.2 |
| | 31-35 Yr. | 16 | 7.0 |
| | 36-40 Yr. | 53 | 23.1 |
| | 41-45 Yr. | 53 | 23.1 |
| | 46-50 Yr. | 43 | 18.8 |
| | 51-55 Yr. | 41 | 17.9 |
| | 56 and Above | 11 | 4.9 |
| | Total | 229 | 100 |

The sample population was composed of 5 (2.1 per cent) politicians, 154 (64.7 per cent) civil servants, and 79 (33.2 per cent) employees from non-governmental organizations grouped under an 'others' category. Civil servants included employees from government ministries and departments. The 'others' category were stakeholders representing banks, universities, social and private organizations. Since the percentage of politicians represented in the study was low, they were merged with the other stakeholders for analysis of the data and generating the results.

The levels of the sample population included 19 special class officers (8.5 percent), 51 first class officers (22.8 percent), 81 second class officers (36.2 percent), 45 third class officers (20.0 percent) and 28 (12.5 percent) in the 'others' category. In Nepal, special and first class officers are senior executives, mostly the head of the department or an agency; second-class officers are middle managers; and the third class officers are normally front-line managers. The levels of the sample population showed that middle and senior executives comprised about 67 per cent.

Males constituted 97.9 percent (233 in number) of the sample population while the females representation was just 2.1 percent (5 in number). The demand for an informed group of participants, required as subjects for this research, and the lower number of informed female officers at the higher position in the government were reasons contributing to the low representation of females in this study.

The educational analysis of sample population recorded that 24 (10.4 percent), respondents held a Ph.D. degree, 192 (83.5 percent) held a Masters degree and 13 (5.7 percent) held a bachelor degree. One respondent (.4 percent) was found to be an undergraduate.

The analysis of work experience of respondents showed that about 11 percent (20 respondents) had less than 10 years of experience. About 50 percent (93 respondents) of the respondents had experience between 11 and 20 years. About 39 percent (73 respondents) had more than 20 years of experience. The reason for having an experienced

sample population was due to the fact that second class and above levels was the main target population for this survey work. The inclusion in the survey of third class officers was limited on the ground that this was the entry level and those officers may not be familiar and experienced in administrative reform-related activities. Some third class officers participated in this research because of their demonstrated interest in the subject of research and/or had experience in the administrative functions in ministries. Since 22 percent of respondents did not report their year (s) of experience, further analysis of data on the basis of experience was therefore not carried out in this study.

The age distribution of the respondents showed about 12 percent (28 respondents) were aged under 35 years; about 46 percent (106 respondents) between 36 to 45 years; about 37 percent (84 number) between 46 to 55 years; and 4.9 percent (11 number) on and above 56 years. The mean age of the population was 40-45 years.

7.4. Results of the study

This results section is classified into five sub-sections. Sub-section 7.4.1 presents the results on each research item of the questionnaire using the descriptive statistics of frequencies and mean scores. Research items that were relevant to measuring each research question were grouped together, and the frequency and mean of each item were presented in a table. In presenting the descriptive statistics, the Likert scale of 'strongly agree' and 'agree' was combined and reported in the thesis as 'agree'. Similarly 'disagree' and 'strongly disagree' were presented as 'disagree'. The percentage of 'don't know' was not reported if it was less than 10 percent in total. In a case where it exceeded 10 percent, a note was made in the text.

Sub-section 7.4.2 explores the differences in responses between two major groups, i.e., civil service employees and other stakeholders. The term stakeholder is used to describe employees other than civil service employees for the purpose of data analysis. An independent t-test analysis is conducted to explore the difference in responses between

these two groups of respondents on research items. An independent t-test (2 tailed) is used to compare the mean scores of the two independent groups.

Sub-section 7.4.3 examines the influence of demographic characteristics (such as age, level, and education) on research items using chi-square tests. Any significant difference in responses on research items is reported.

Section 7.4.4 explores the relationships between the moderating variables and the independent variables using the simple correlation, multiple regression and confirmatory factor analysis.

7.4.1. The distribution of frequencies

The distribution of frequencies on each item of the research question is presented in the following section.

Research Question One: Are the concepts of cost cutting and downsizing relevant to Nepal?

Seven items were used to measure cost cutting and downsizing. A reliability test was conducted to ensure whether these items (presented in Table 7.4) were reliable and had internal consistency. The test revealed the Cronbach alpha coefficient value of .78, which was higher than the recommended Cronbach alpha coefficient of .7 (Pallant, 2001). This meant that the scale was reliable.

Table 7.3 showed that respondents (86.9%) agreed that the government in Nepal was overstaffed ($M=1.86$) (scale: 1 strongly agree - 5 strongly disagree). The respondents (90%) agreed that the size of the government need to be reduced ($M=1.79$), and the scope of operations (81%) as well ($M=2.12$). They (81.9%) supported the need for cutting down the expenditure of the government ($M=1.97$), and confirmed (93.6%) that there exists duplication of functions among the ministries ($M=1.77$). The respondents (82.6%)

believed that the government is involved in functions that need not all be provided by government ($M=2.09$). However, about ten percent of the respondents used 'don't know' as to whether the government was involved in such functions. About 90 percent of the respondents recorded that the number of employees need to be reduced compared to 8 percent that opposed the employees' reduction (Table 7.3).

Table: 7.3: Cost-cutting and Downsizing

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The government in Nepal is excessively overstaffed | 1.86 | 206 | 86.9 | 25 | 10.5 |
| The size of the government in Nepal needs to be downsized. | 1.79 | 214 | 90.3 | 14 | 5.9 |
| The government must reduce the size and scope of operations. | 2.12 | 192 | 81.0 | 35 | 14.7 |
| The government must cut down the expenditure. | 1.97 | 194 | 81.9 | 36 | 15.2 |
| There exists duplication of functions among the government agencies. | 1.77 | 221 | 93.6 | 4 | 1.7 |
| There are functions that are not at all necessary for the government to provide. | 2.09 | 195 | 82.6 | 17 | 7.1 |
| Do you agree that the government must downsize the number of employees? | 1.78 | 213 | 89.9 | 19 | 8.1 |

Research Question Two: Is it appropriate to introduce the concepts of 'agency' in Nepal?

There were three items used to measure the appropriateness of the agency concept in Nepal. Many respondents (70.9%) agreed that the agency concept should be used in Nepal whereas 11.4 percent disagreed (Table 7.4). The 'don't know' response was 17.7 percent. The mean score for an item measuring the introduction of agency was 2.28.

It was important to identify whether the offices at the regional and district levels would be appropriate if they were organized under the umbrella of a single agency. About 70 percent of the respondents supported a one-stop type of organization at the district or regional level whereas 23.7 percent disagreed ($M=2.36$). Fifty-seven (57%) percent of respondents responded that government offices at the regional and district levels were

there to 'show the agency's representation' whereas 37.5 percent disagreed (Table 7.4). The combined mean value of three items was 2.44.

Table: 7.4: Introducing Agencies

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Many countries have unbundled the large bureaucratic organization into small agencies with a view to enhance efficiency, accountability and deliver prompt services to the people. Do you agree that the concept of agency should be introduced in Nepal? | 2.28 | 168 | 70.9 | 27 | 11.4 |
| Government offices are being established at the regional or district level just to show the agency's representation. | 2.70 | 168 | 57.0 | 88 | 37.5 |
| Should services be provided from a single point or one-stop shop, rather than from different agencies at the district and regional levels? | 2.36 | 165 | 69.9 | 56 | 23.7 |

Research Question Three: Is the principle of separation of policy and operational functions workable in Nepal?

Two items were used to measure the principle of separation of purchaser and provider. The appropriateness of split of purchaser and provider was supported by 40 percent of respondents while the 30.2 percent disagreed (M=2.90). The 'don't know' record was at 29.9 percent. Only 4.7 percent agreed that coordination among the government agencies was strong while a majority of the respondents (91.9%) disagreed (Table 7.5). The combined mean value for two items remained at 3.47.

Table: 7.5: Split of Purchaser and Provider

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The principle of separation of policy with that of operational functions is appropriate and workable in Nepal. | 2.90 | 94 | 40.0 | 71 | 30.2 |
| The coordination between government agencies is strong. | 4.07 | 11 | 4.7 | 217 | 91.9 |

Research Question Four: Will the decentralization of management authority improve performance in the government in Nepal?

Four items were used to measure the decentralization of management authority. The respondents (77.2%) agreed that devolution of authority increases the efficiency and economy in the government while 10.6% opposed it (M=2.20). The 'don't know' respondents were 12.2 percent. The majority of the respondents (87.8%) agreed that flexibility and operational authority would improve the performance in the government (M=1.96), while 8 percent disagreed in a case of Nepal. The combined mean value for first two items, which are more closely related to answer the theoretical question, showed at 2.08.

About seventy six percent (75.6%), however, reported that the authority and power was not decentralized against the twenty one percent (21%) who said it was decentralized. About 26 percent agreed that there was a system of formal consultation with concerned officials on matters of decision making while the 58 percent disagreed (Table 7.6). About 15 percent of respondents rated 'don't know' on the issues of consultation for making policy decisions.

Table: 7.6: Decentralization of Management Authority

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Devolution of power and authority to sub-national levels increases the efficiency and economy in the government in Nepal. | 2.20 | 183 | 77.2 | 25 | 10.6 |
| Performance will improve in Nepal when managers are given flexibility and operational authority to carry out their assigned responsibilities. | 1.96 | 209 | 87.8 | 19 | 8.0 |
| The authority and power is not decentralized in practice in Nepal. | 2.30 | 180 | 75.6 | 50 | 21.0 |
| There is an acceptable system of formal consultations with concerned official (s) within each agency for making policy decisions. | 3.36 | 62 | 26.4 | 137 | 58.3 |

Research Question Five: Is it necessary for the government in Nepal to introduce market-based mechanisms in the public sector to make service competitive and cost effective?

There were twelve (12) items used in studying the introduction of market mechanisms in the public sector. The study was mainly concerned with (a) the need for privatization (b) the role of government (c) capacity of the private sector, and (d) commercialization and introducing market mechanisms in the public sector. A reliability test was conducted and the Cronbach value was recorded at .71, which confirmed the consistency of the scale.

Eighty one percent (81%) of the respondents recorded that the government performs less effectively compared to the private sector ($M=2.16$) and therefore felt that privatization was essential, while about 12 percent disagreed. About ninety three percent (92.9%) agreed that state-owned public enterprises have failed to deliver the services expected from these organizations ($M=1.80$).

The study tried to find out the political desirability, political feasibility and the credibility of the government. These were important for the successful privatization of the state owned organizations (World Bank, 1995). The percentage of respondents that agreed that there was a political desirability, political feasibility and the political credibility was sixty two percent (62%), forty four percent (44%) and eleven percent (11%) respectively. Those who disagreed were twenty seven percent (27%), thirty seven percent (37%) and about seventy six percent (75.9%) respectively. The mean score for political desirability, political feasibility and credibility of the government was 2.57, 2.95 and 3.78 respectively. The 'don't know' response for three items was 10.6 percent, 18.6 percent, and 12.9 percent respectively (Table 7.7).

Respondents (73.5%) reported that the government should commercialize its business-oriented functions to the private sector ($M=2.34$) and must use market mechanisms (89.1%), such as the user choice for making the service competitive and cost effective ($M=2.01$). Almost all (97.3 %) agreed that the role of the government was to encourage

the private sector to grow and participate in the national economy (M=1.60). The respondents (93.6%) agreed that the government should be responsible for the core functions (M=1.62) and leave those functions to the private sector (96.2%) that can be handled by them (M= 1.64;Table 7.7).

Table: 7.7: Introducing Market Mechanisms

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Privatization in Nepal is essential because the government performs less effectively than the private sector. | 2.16 | 192 | 81.0 | 28 | 11.9 |
| In Nepal, state owned enterprises have low productivity and have failed to deliver the expected services. | 1.80 | 225 | 92.9 | 13 | 5.5 |
| There exists a strong political desirability for the privatization of the state owned enterprises in Nepal. | 2.57 | 146 | 62.1 | 64 | 27.2 |
| The privatization of state-owned enterprises is politically feasible in Nepal. | 2.95 | 105 | 44.5 | 87 | 36.9 |
| The government of Nepal has a high degree of credibility that has helped in the task of privatization of state owned enterprises. | 3.78 | 26 | 11.2 | 177 | 75.9 |
| The government of Nepal must commercialize its services to make the government cost-effective. | 2.34 | 175 | 73.5 | 44 | 18.4 |
| The government must use the market disciplines such as user pay and user choice, to make the services competitive and cost effective. | 2.01 | 212 | 89.1 | 16 | 6.7 |
| The role of the government should be to encourage the private sector to grow and participate in the national economy. | 1.60 | 231 | 97.5 | 5 | 2.1 |
| The government should be responsible for the core functions which it can perform effectively and economically. | 1.62 | 221 | 93.6 | 9 | 3.8 |
| The government must leave those functions that can be handled by the private sector. | 1.64 | 228 | 96.2 | 6 | 2.5 |
| The service provided by the private sector is more effective and efficient than the public sector in Nepal. | 2.41 | 168 | 70.9 | 37 | 15.6 |
| The private sector in Nepal is capable of taking over the commercial functions, which the government is desirous to release to the private sector. | 2.41 | 163 | 68.8 | 37 | 15.6 |

The capability and the quality of the service provided by the private sector were explored. The study revealed that about 68.8 percent of respondents believed that the private sector could take over the functions while 15.6 percent disagreed ($M=2.31$). The 'don't know' response rate was 13.5 percent. The majority of the respondents (70.9%) believed that the service provided by the private sector was more effective than the public sector in Nepal ($M= 2.41$). The 'don't know' response rate was 15.6 percent.

Research Question Six: Are the concepts of performance management applicable in the public sector in Nepal?

There were six items used to measure performance management. The responses to the items relating to the applicability of a performance management system in Nepal showed that about half of the respondents (52%) agreed that the mission of each agency was clearly defined in the Constitution or in other Laws of the government whereas 36.9 percent recorded that it was not clearly defined ($M=2.83$). About 11 percent of the respondents used 'don't know' response to this item measuring the clarity of mission of government agencies.

About 64 percent (63.7%) of the respondents recorded that there were no Acts that direct the agencies to prepare an annual performance plan, while about 26 percent (25.6%) disagreed ($M=2.53$). About 30 percent of respondents observed that each agency had an annual performance plan that guided their operations while 60 percent argued that the government agencies did not have any performance plan ($M=3.36$).

Only 16.2 percent of respondents observed that each employee's activity was guided by an annual performance plan whereas 74 percent disagreed ($M=3.65$). However, the respondents (65.7%) were optimistic that management principles and practices applied by the private sector could be used in the public sector while 22 percent argued that it couldn't be used in Nepal ($M=2.52$). About 12.3 percent of respondents were indecisive as to whether performance management could be useful in the public sector in Nepal and therefore rated it 'don't know'. More than half of the respondents (52.9%) observed that

the concepts and principles of performance management were difficult to implement in Nepal against the 42 percent who reported that it was not difficult ($M=2.88$) (Table 7.8). The combined mean value for all items showed at 3.11.

Table: 7.8: Performance Management

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The mission of each agency of the government is clearly defined in the Constitution or in other established laws and regulations of the country. | 2.83 | 124 | 52.5 | 87 | 36.9 |
| There is no Acts that directs the agencies to prepare annual performance plans. | 2.53 | 141 | 63.7 | 61 | 25.8 |
| The management principles and practices applied by the private sector can be used in the public sector in Nepal. | 2.52 | 155 | 65.7 | 52 | 22.0 |
| Each agency of the government has their performance plan that includes mission statement, objectives, programs, output and outcome measures to guide their operations. | 3.36 | 72 | 30.4 | 143 | 60.4 |
| Each employee's activity is guided by an agreed performance plan. | 3.65 | 38 | 16.2 | 174 | 74.1 |
| The principles of performance management are difficult to implement in the public sector in Nepal. | 2.88 | 126 | 52.9 | 108 | 42.0 |

Research Question Seven: Are the new changes introduced in personnel system (SES and performance based pay) applicable in Nepal?

Four items were used to study the personnel management systems. The study revealed that 63.6 percent of respondents supported the establishment of a Senior Executive Service in Nepal while 28 percent of respondents voiced against it ($M=2.54$). Hiring of senior officials on contracts was supported by 49.4 percent and opposed by 44.3 percent ($M=2.97$). Performance based pay system was supported by 81.4 percent of respondents while 13.9 percent opposed this concept ($M=2.08$). Most of the respondents (91.9%) believed that recruitment at all levels should be based on merit principles ($M=1.69$) (Table 7.9). The combined mean value on all items showed to be 2.32.

Table: 7.9: New Personnel System

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| A senior executive service (SES) usually means an elite top level, which may or may not operate with contracts. Do you agree that there is a need to establish a separate SES service to improve the public service systems in Nepal? | 2.54 | 140 | 63.6 | 66 | 28.0 |
| Many reform-oriented countries hire Senior Executives on contracts. Do you agree that establishing contracts with Senior Executives is necessary to improve the public service system in Nepal? | 2.97 | 116 | 49.4 | 104 | 44.3 |
| The public management in Nepal must move away from a standard pay system to a performance based pay system. | 2.08 | 193 | 81.4 | 33 | 13.9 |
| The recruitment system should be based on merit principles at all levels of the government. | 1.69 | 216 | 91.9 | 13 | 5.6 |

Research Question Eight: Is it useful to establish service standards to improve the quality of services provided by the government in Nepal?

Seven (7) items were used to explore the above question. The researcher explored whether the concepts of service standards would improve the quality of services in Nepal. Most of the respondents (94.1%) agreed that the establishment of service standards would improve the quality of customer services ($M=1.72$). The respondents (94.1%) believed that government would be effective if services are responsive to local needs ($M=1.74$). About 94 percent of respondents agreed that decentralization of power to lower levels would help in improving the quality of services.

About 85 percent of respondents agreed that the quality of service provided by the government in Nepal was poor ($M=2.06$). About 73 percent noted that the government did not have any specific plans for improving the quality of customer service while 22 percent believed that government had plans ($M=2.37$). About 91 percent of respondents reported that the professionalism required for improving the quality customer service was lacking in the public service ($M=1.91$). The respondents (81.1%) argued that the subject of customer service was an issue of least priority in the minds of the civil service employees while about 19 percent did not think so (Table 7.10).

The first three items were to test the theoretical proposition of implementing quality improvement programs in the public sector. The remaining four items were to understand the problems associated with it. The combined mean value for first three items showed to be 1.72. For the remaining four items it was 2.11.

Table: 7.10: Quality and Customer Responsiveness

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Many countries have established "service standards" to improve the quality of services to the taxpayers. Do you agree that such "service standards" must be established in the public service in Nepal? | 1.72 | 224 | 94.1 | 6 | 2.5 |
| The government becomes effective and efficient when the services are more responsive to local needs. | 1.74 | 224 | 94.1 | 11 | 4.7 |
| Performance improves when citizens are empowered to participate more in decision-making. | 1.71 | 224 | 94.1 | 8 | 3.3 |
| The quality of services provided by the government to its citizens is very poor. | 2.06 | 201 | 85.2 | 30 | 12.8 |
| The government does not have any specific plan for improving service quality and customer responsiveness. | 2.37 | 175 | 73.5 | 53 | 22.3 |
| There is a lack of professionalism in the public service that accounts for, and adheres to, service standards. | 1.91 | 217 | 91.2 | 15 | 6.3 |
| A client and service orientation is a topic of least priority in the minds of the public service employees. | 2.16 | 193 | 81.1 | 45 | 18.9 |

Research Question Nine: Is the bureaucratic environment supportive to the applicability of NPM elements in Nepal?

The bureaucratic environment of the government is classified into seven major points for the purpose of discussion. These are (a) centralization/decentralization (b) accountability (c) transparency (d) motivation and ethics in the public service (e) financial management system (f) corruption, and (g) the reform implementation and evaluation. The results on each of these issues are given in the following section.

(a) Centralization/Decentralization

The participants (86.9 %) reported that the bureaucracy in Nepal was influenced by the principle of command and control while 8.1 percent disagreed ($M=2.03$). The respondents (68.2%) believed that the government in practice was fully centralized while 27.1 percent disagreed ($M=2.50$; Table 7.11).

Table 7.11: Centralization/Decentralization

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The bureaucracy in Nepal is characterized by traditional principle of command and control. | 2.03 | 205 | 86.9 | 19 | 8.1 |
| The government of Nepal in practice is fully centralized in its operations. | 2.50 | 161 | 68.2 | 64 | 27.1 |

(b) Accountability in the government

Seven items were used to measure the accountability in the government. The reliability test of the scale to measure the accountability (Table 7.12) recorded the Cronbach alpha coefficients of .77, which meant that the scale was reliable and consistent. The results on accountability in the government showed that about seventy six percent (75.6%) of the respondents disagreed that employees at all levels in the government were accountable for their work while 21.1 percent agreed ($M=3.68$). Similarly, about seventy one percent (70.7%) disagreed that each agency had clear publicly stated objectives while about 22 percent agreed that each agency had clear objectives ($M=3.56$). Forty seven percent (47.3%) reported that there existed rules and regulations to enforce accountability in the government whereas about 48 percent (47.7%) disagreed ($M=3.05$). About 69 percent (68.9%) disagreed that the government distributes information on objectives, services and resources of each agency while 21 percent agreed ($M=3.54$). About 75 percent (74.7%) disagreed that performance measure and standards were being used to clarify accountability while about 17 percent argued that performance measured and indicators were used to clarify accountability ($M=3.70$). The use of performance agreement or

contracting to enforce accountability in the government was agreed by about 13 percent of respondents compared to 71 percent who disagreed ($M=3.71$). About 60 percent (59.8%) disagreed that each agency was responsible and accountable for the work while 34 percent agreed ($M= 3.30$; Table 7.12).

The overall mean score for items measuring the accountability system was 3.50, which indicated the poor accountability in the government.

7.12: Accountability in the Government

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Employees at all levels of the government are accountable for their work. | 3.68 | 50 | 21.1 | 180 | 75.9 |
| Each agency has clear publicly stated objectives. | 3.56 | 51 | 21.6 | 167 | 70.7 |
| There exist adequate rules and regulations to enforce accountability in the government. | 3.05 | 112 | 47.3 | 113 | 47.7 |
| The government distributes information on objectives, services, resources, and expected results of each agency. | 3.54 | 49 | 20.7 | 163 | 68.8 |
| Performance measures and indicators are being established to clarify accountability in the government. | 3.70 | 40 | 16.9 | 177 | 74.7 |
| The government is using the concept of performance contracting or performance agreements to establish accountability. | 3.71 | 30 | 12.7 | 169 | 71.3 |
| Each agency is accountable and responsible for its work. | 3.30 | 80 | 34.2 | 140 | 59.8 |

(c) Transparency in Operations

Five items were used to measure the transparency in operations in Nepal. About 69 percent (69.3%) of respondents reported that there was no transparency of information in the government whereas 27 percent disagreed ($M=2.49$). Forty percent (40%) reported that major documents were easily available to public while 56 percent voiced that documents were not available ($M=3.17$). Fifty three percent (53%) reported that government publishes major administrative decisions whereas 42 percent disagreed

(M=2.88). Only 24 percent of respondents agreed that administrative decisions included reasoning for such decisions whereas 68 percent reported that no such reasoning for decision was published (M=3.50). Only 19.3 percent agreed that there was a full degree of transparency except when a document was classified as confidential while 71 percent scored against the practice of full transparency (M=3.59, Table 7.13).

Table 7.13. Transparency in Operations

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| There is no transparency of information in the government. | 2.49 | 165 | 69.3 | 65 | 27.3 |
| Major documents such as official reports, new legislation, budget are easily available to the public. | 3.17 | 95 | 40.1 | 133 | 56.1 |
| The government publishes major administrative decisions. | 2.88 | 126 | 53.4 | 99 | 41.9 |
| The government publishes major administrative decisions including the reasoning for decisions. | 3.50 | 57 | 24.1 | 162 | 68.3 |
| There is a full degree of transparency of information, except that specifically classified as confidential. | 3.59 | 46 | 19.3 | 169 | 71.0 |

(d) Motivation and Ethics in the Public Service

Eleven (11) items were used to measure the motivation and ethical environment in the public service in Nepal (Table 7.14). A reliability test was conducted for the consistency of the scale and the Cronbach alpha was recorded at .70. It meant that the scale was consistent. The study showed that the motivation level of employees in the public sector was low (86.9 %) while 12.7 percent did not agree (M=1.96). About 89 percent agreed that the ethical environment in Nepal was poor (M=1.90). About 76 percent of respondents disagreed that there was a strong political commitment to enforce the ethical behavior in the government whereas about 17 percent agreed (M=3.81). About 56 percent of respondents agreed that there existed a legal framework that defined the expected behavior from the civil service employees whereas 36 percent did not agree (M=2.81). The respondents (51.1%) agreed that the accountability was defined in the administrative policies and procedures whereas 41.4 percent disagreed (M=2.92). The participants were

found to be divided ($M=3$) when they were asked whether administrative policies and procedures controlled their conduct in offices. The respondents (67.1 %) agreed that a code of conduct defined the expected ethical behavior and conduct for the public service employees while 24 percent did not agree ($M=2.56$). About 64 percent of the respondents reported that a civil service condition of service did not cover all aspects of ethical behavior while 25 percent believed that it covered all ($M=3.43$).

Table 7.14: Motivation & Ethics in the Public Service

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The motivation level of the employees in the public sector is low. | 1.96 | 206 | 86.9 | 30 | 12.7 |
| The ethical environment in the government is poor. | 1.90 | 210 | 88.6 | 23 | 9.8 |
| There is a strong political commitment to enforce ethical behavior in the government of Nepal. | 3.81 | 40 | 16.9 | 179 | 75.8 |
| There is a legal framework that sets the standards of behavior for the public service employees in Nepal. | 2.81 | 133 | 55.9 | 85 | 35.7 |
| Accountability for the public service employees is defined through administrative policies and procedures. | 2.92 | 121 | 51.1 | 98 | 41.4 |
| Administrative policies and procedures control the day-to-day conduct of public service employees. | 3.0 | 111 | 46.6 | 108 | 45.4 |
| A code of conduct defines the expected behavior and conduct for public service employees. | 2.56 | 157 | 67.1 | 56 | 24.0 |
| The civil service conditions of service covers all aspects of ethical issues for the employees. | 3.43 | 60 | 25.3 | 151 | 63.8 |
| Education and training on ethical issues and behavior are provided to public service employees to make them aware of ethical behavior and good conduct. | 3.28 | 73 | 30.8 | 133 | 56.2 |
| There exists an independent institution (s) to guide, counsel and advise the public service employees on ethical issues. | 3.77 | 30 | 12.6 | 178 | 74.8 |
| Unions inhibit improvement in the public sector in Nepal. | 2.79 | 120 | 51.5 | 97 | 41.6 |

Fifty six percent (56%) of respondents disagreed that education and training on ethical conduct and behavior were provided to employees while about 31 percent agreed that training was provided to the public service employees ($M=3.28$). About 76 percent of respondents disagreed that there existed an independent institution to guide and counsel

them about their conduct and ethical behavior whereas about 13 percent agreed ($M=3.77$) (Table 7.14). About 13 percent of respondents responded 'don't know' in both the cases. The role of the union was explored and about 51 percent agreed that unions inhibit the improvement in the public sector in Nepal whereas about 41 percent disagreed.

(e) **Financial Management System**

There were twelve (12) items measuring the financial management system. The respondents (93.3%) agreed that fiscal discipline in the government was low ($M=1.78$). Forty seven percent (47.2%) disagreed that the allocation of resources was made based on the national priorities whereas 49 percent agreed ($M=2.97$). Most of the respondents (94.5%) did agree that the allocated resources were not properly utilized ($M=1.87$). The response on three items measuring the applicability of program budgeting instead of line items budgeting was positive, ($M=1.76$, $M=1.67$ and $M=2.22$; Table 7.15). About 48 percent of respondents agreed that there was full devolution of authority to execute budgets to each agency whereas 42 percent disagreed ($M=2.91$). About 62 percent of respondents disagreed that each agency had flexibility in transferring funds from one line item to another whereas about 25 percent agreed ($M=3.41$). About 68 percent felt that each agency's Head was accountable for the use or misuse of funds whereas about 27.3 percent of respondents disagreed ($M=2.52$). The participants (60.5%) agreed that each agency submits reports on a quarterly basis while 24 percent disagreed ($M=2.60$). About 81 percent recorded that agencies had no computerized system to provide accurate and reliable information ($M=3.81$). About fifty two percent (51.7%) of respondents did not agree that government conducts a periodical expenditure review whereas about 36 percent agreed that government conducts such reviews ($M=3.19$; Table 7.15).

Table 7.15: Financial Management System

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The fiscal discipline in the government is low. | 1.78 | 217 | 92.3 | 14 | 6.0 |
| The allocation of available resources is determined by national priorities. | 2.97 | 115 | 49.4 | 110 | 47.2 |
| The allocated resources in programs or projects are not properly utilized. | 1.87 | 225 | 94.5 | 11 | 4.6 |
| The budget formulation must be based on programs of work rather than by departments and line items. | 1.76 | 210 | 93.2 | 12 | 5.0 |
| The budget allocation should be linked to results. | 1.67 | 224 | 94.5 | 9 | 3.8 |
| The government should adopt a separate multi-year capital budget rather than an annual budget. | 2.22 | 164 | 69.5 | 31 | 13.1 |
| The authority to execute budgets has been fully devolved to each agency. | 2.91 | 112 | 47.9 | 98 | 41.9 |
| Each agency has flexibility to transfer funds among line items. | 3.41 | 59 | 24.8 | 147 | 61.7 |
| Each agency submits reports on a quarterly basis indicating the status of spending against the budget authorization to central budget agencies. | 2.60 | 141 | 60.5 | 56 | 24.0 |
| Each agency head is accountable for the use/misuse of funds. | 2.52 | 165 | 67.6 | 65 | 27.3 |
| Each agency has adopted a computerized system to provide reliable and up-to-date budget and accounting information. | 3.81 | 28 | 11.9 | 192 | 81.4 |
| The government conducts a detailed expenditure review, periodically, on certain programs or departments to ensure the worth of such expenditure. | 3.19 | 86 | 36.4 | 122 | 51.7 |

(f) Corruption

The respondents (68%) reported that government officials were required to disclose their personal assets whereas about 27 percent (26.7%) disagreed (M=2.45). They (70.6%) noted that there were regulations establishing sanctions for controlling corruption while 25 percent disagreed (M=2.54). About 80 percent of respondents reported that government was not enforcing anti-corruption regulations strictly (M=3.80). About 90 percent reported that the institutions established for investigation and control of corruption were not effective in performing their jobs (M=4.14). About fifty-one (51.5%) percent disagreed that government had established procedures for whistle blowing, while

about 11 percent agreed. About 37 percent rated 'don't know' about whistle blowing procedures. About 61 percent of respondents agreed that the transparency in the system would control the corruption whereas about 36 percent disagreed with (Table 7.16).

Table: 7.16: Corruption

| Measure(s) | Agree | | | Disagree | |
|---|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| Government officials are required to disclose personal assets. | 2.45 | 161 | 68.2 | 63 | 26.7 |
| There are regulations establishing sections to control the corruptions. | 2.54 | 166 | 70.6 | 59 | 25.3 |
| The government strictly enforces the anti-corruption regulations. | 3.80 | 36 | 15.1 | 191 | 80.2 |
| The government provides training and education to public service employees to create awareness about corruption implications. | 3.58 | 50 | 21.0 | 173 | 72.7 |
| The government institutions established for investigation and control of corruption are effective and efficient in performing their work. | 4.14 | 19 | 8.0 | 215 | 90.3 |
| The government has established procedures for whistle blowing. | 3.46 | 24 | 10.6 | 116 | 51.5 |
| Transparency in the operations controls corruption. | 2.65 | 146 | 61.3 | 85 | 35.7 |

(f) Reform Implementation and Evaluation

The study revealed that about sixty-four percent of respondents (63.9%) disagreed that the government had detailed plans to implement public management reform programs while about 20 percent agreed that the government have plans for reforms. About 16.4 percent reported 'don't know'. Only 29 percent of respondents accepted that the government has the institutional capacity for the implementation of reform programs while 61.4 percent disagreed (M=3.33). The respondents (67.8%) agreed that the government would require support from the international donor agencies to help them plan the reform programs whereas about 25 percent observed that they would not require the support from international agencies (M=2.54). They (74.9%) agreed that the

government lacked the established systems and procedures for monitoring and evaluating the reform programs while about 22 percent disagreed (Table 7.17).

Table: 7.17: Reform Implementation and Evaluation

| Measure(s) | Agree | | | Disagree | |
|--|-------|-----|------|----------|------|
| | Mean | No. | (%) | No. | (%) |
| The government has a detailed plan and programs for implementing public management reform programs. | 3.48 | 47 | 19.7 | 152 | 63.9 |
| The government has the institutional capacity to implement the reform programs. | 3.33 | 69 | 29.2 | 145 | 61.4 |
| The government requires the support of external international agencies in planning and implementing public management reform programs. | 2.54 | 150 | 67.8 | 58 | 24.5 |
| There are no established systems and procedures for monitoring and evaluating the reform programs. | 2.41 | 176 | 74.9 | 52 | 22.1 |

Research Question Ten: Does the political system (factor) restrain the applicability of NPM elements in Nepal?

The political factor is measured by government commitments for reform, political influence in the public service, and how citizens viewed the overall public management in Nepal. The study revealed that 23.7 percent of respondent believed that people have confidence in the government whereas 65.2 percent disagreed (M=3.52). It revealed that only 10.9 percent of respondents believed that public management was effective and efficient in Nepal while 85.5 percent disagreed (M=3.87). About 83 percent of respondents viewed that delivery of services to citizens was not satisfactory (Table 7.18).

Most of the respondents (94.1%) agreed that political interference in the public service was excessive compared to 4.7 percent who disagreed (M=1.61). The respondents (69.7%) agreed that public management reform was a national priority for the government of Nepal while about 22 percent disagreed (M=2.34). The participants (55.3%) disagreed that government is committed to implementing reform programs whereas 28.7 percent agreed (M=3.29).

Table: 7.18: Political System

| Measure | Agree | | Disagree | | |
|--|-------|-----|----------|-----|------|
| | Mean | No | (%) | No | (%) |
| People have confidence in the government. | 3.52 | 56 | 23.7 | 154 | 65.2 |
| The political interference in the public service is excessive. | 1.61 | 222 | 94.1 | 11 | 4.7 |
| Public management reform is a national priority for the government of Nepal. | 2.34 | 166 | 69.7 | 53 | 22.3 |
| The government is committed to implementing reform programs. | 3.29 | 68 | 28.7 | 131 | 55.3 |
| The public management is effective and efficient in Nepal. | 3.87 | 26 | 10.9 | 206 | 86.5 |
| The delivery of services to citizens is satisfactory. | 3.81 | 34 | 14.7 | 197 | 82.8 |

7.4.2. Relationship between two groups of respondents on research questions

An investigation was made to find any significant differences in responses between the civil servants (referred to as ‘government’) and non-governmental employees and respondents (referred to as ‘stakeholders’) in their responses. An independent t-test (2 tailed) analysis was conducted and mean values of two groups were compared. The following showed the results of this study.

Research Question One: Are the concepts of cost cutting and downsizing relevant to Nepal?

Differences between the two groups on the seven items measuring cost cutting and downsizing were tested using the t-test analysis. The test revealed a significant difference on only one (Sig. value = .026) ‘the government in Nepal is excessively overstaffed’. The mean scores for ‘government’ and ‘stakeholders’ recorded at 1.95 (SD = .96) and 1.67 (SD = .84) respectively meant that stakeholders affirmed more strongly that the government in Nepal was excessively overstaffed (Table 7.19) than the government

officials. For other items, the test recorded highly significant alpha value of .05 and more, and that meant that both government and stakeholders probably held similar views.

Table 7.19: The t-value, mean, and standard deviation on items measuring the ‘cost cutting and downsizing’.

| Items | t-value | Sig. value | Government | | Stakeholders | |
|----------------------|---------|------------|------------|-----|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Govt. is overstaffed | 2.234 | .026 | 1.95 | .96 | 1.67 | .84 |

Research Question Two: Is it appropriate to introduce the concept of ‘agency’ in Nepal?

The t-test revealed a significant difference (Sig. value = .032) on one item ‘should services be provided from a single point or one stop shop, rather than from different agencies, at the district and regional levels?’ The mean scores recorded at 2.24 (SD = 1.02) and 2.57(SD=1.20) for government and stakeholders respectively meant that government employees were more positive than stakeholders to introducing the concept of a one stop shop (Table 7.20). No significant differences were recorded on other items.

Table 7.20: The t-value, mean, and standard deviation on items measuring the ‘introducing agencies’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|------------------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Application of one-stop shop | -2.166 | .032 | 2.24 | 1.02 | 2.57 | 1.20 |

Research Question Three: Is the principle of separation of policy and operational functions workable in Nepal?

The t-test analysis showed no significant difference in responses between the government and stakeholders for the items measuring the split of purchaser and provider. The mean and standard deviation for two items were 2.89 (SD= .95) and 4.05 (SD= .62) for the government and 2.91 (SD= .85) and 4.10 (SD= .74) for stakeholders respectively (Table

7.21). This meant that both groups held similar views on issues relating to the split of purchaser and provider.

Table 7.21: The t-value, mean, and standard deviation on items measuring the ‘split of purchaser and provider’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|--|---------|------------|-------|-----|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Appropriateness of split of purchaser and provider | -.205 | NS | 2.89 | .95 | 2.91 | .85 |
| Coordination among agencies. | -.488 | NS | 4.05 | .62 | 4.10 | .74 |

Research Question Four: Will the decentralization of management authority improve performance in the government in Nepal?

The t-test revealed no significant difference on items measuring the decentralization of management authority. The mean and standard deviation for four items for government were recorded at 2.34 (SD=1.09), 2.18 (SD=. 87), 3.32 (SD=. 87) and 1.95 (SD=. 82) respectively. Similarly, the mean and standard deviation for stakeholders were 2.25 (SD=.84), 1.98 (SD= .84), 3.33 (.87) and 2.23 (.96) respectively (Table 7.22). This meant that both government employees and stakeholders probably had similar opinions regarding the issues on decentralization of management authority (Table 7.22).

Table 7.22: The t-value, mean, and standard deviation on items measuring ‘decentralization of management authority’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|---|---------|------------|-------|------|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Level of Decentralization | .833 | NS | 2.34 | 1.09 | 2.23 | .96 |
| Power devolution (Useful) | -.663 | NS | 2.18 | .87 | 2.25 | .84 |
| System of consultation | -.080 | NS | 3.32 | .87 | 3.33 | .86 |
| Performance improves by devolution of power | -.193 | NS | 1.95 | .82 | 1.98 | .84 |

Research Question Five: Is it necessary for the government in Nepal to introduce market-based mechanisms in the public sector to make the service competitive and cost effective?

Twelve items were used to measure the applicability of market-based mechanisms in the public sector in Nepal. The t-test analysis showed a significant difference on four items. These were: (a) privatization in Nepal is essential because the government performs less effectively than the private sector (Sig. value = .04); (b) the government of Nepal must commercialize its services to make the government cost effective (Sig. value = .03); (c) the government should be responsible for the core functions which it can perform effectively and economically (Sig. value = .03); and (d) the private sector in Nepal is capable of taking over the commercial functions, which the government is desirous to release to the private sector (Sig. value = .01).

The mean scores for above items recorded at 2.75 (SD = .91), 2.24 (SD = .89), 1.55 (SD = .70) and 2.50 (SD = .91) respectively for government. Similarly, the means scores for stakeholders were 2.00 (SD =.91), 2.51(SD =.99), 1.76 (SD =.79) and 2.23 (SD =.77) respectively (Table 7.23). A comparative study of mean and standard deviation values suggested that the stakeholders rated higher the need for privatization in Nepal and the capability of the private sector to take over the commercial functions carried out by the government. In contrast the government employees rated strongly that the government should be responsible for the core functions and should 'commercialize the services' compared to the stakeholders.

Table 7.23: The t-value, mean, and standard deviation on items measuring the introduction of market-based mechanisms.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|---------------------------|---------|------------|-------|-----|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Need for Privatization | 2.060 | .040 | 2.75 | .91 | 2.00 | .91 |
| Service commercialization | -2.096 | .038 | 2.24 | .89 | 2.51 | .99 |
| Retain core functions | -2.107 | .036 | 1.55 | .70 | 1.76 | .79 |
| Private sector capability | 2.423 | .016 | 2.50 | .91 | 2.23 | .77 |

Research Question Six: Are the concepts of performance management applicable in the public sector in Nepal?

There were six items (Table 7.24) used to measure the applicability of performance management. The t-test results revealed no significance differences between government and stakeholders on items measuring the applicability of performance management in the public sector (Table 7.24). This meant that both government and stakeholders probably shared the same opinion on issues of introducing performance management in the public sector.

Table: 7.24: The t-value, mean, and standard deviation on items measuring the ‘performance management’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|-----------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Mission clarity | -.093 | NS | 2.83 | 1.06 | 2.84 | 1.03 |
| Laws for PM | -1.457 | NS | 2.46 | 1.08 | 2.67 | 1.02 |
| Uses of managerialism | -1.323 | NS | 2.45 | .88 | 2.63 | 1.05 |
| Performance plans | -.624 | NS | 3.33 | 1.05 | 3.42 | .95 |
| Work on targets | -.192 | NS | 3.64 | .97 | 3.66 | .86 |
| Difficulties of PM | .836 | NS | 2.92 | 1.12 | 2.80 | 1.06 |

Research Question Seven: Are the new changes introduced in the personnel systems (senior executive service and performance based pay) applicable in Nepal?

Four items were used to explore the applicability of new personnel systems. The study showed a significant difference between government and stakeholders on items ‘do you think that there is a need to establish a separate Senior Executive Service (SES) to improve the public service systems in Nepal’ (Sig.value = .026), and ‘do you agree that establishing contracts with Senior Executives is necessary to improve the public service system in Nepal’ (Sig. value = .001). The mean scores for government recorded at 2.65 and 3.17 respectively. Similarly, the mean scores for stakeholders were 2.33 and 2.59 respectively. A comparative study of mean and standard deviation on items between

government and stakeholders suggested that stakeholders were more optimistic as to the introduction of a Senior Executive Service and the hiring of executives on contract service than the government officials (Table 7.25).

Table: 7.25: The t-value, mean, and standard deviation on items measuring the ‘new personnel system’

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|---------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Establish SES | 2.237 | .026 | 2.65 | 1.22 | 2.33 | .99 |
| Hiring on contracts | 3.977 | .001 | 3.17 | 1.19 | 2.59 | 1.01 |

Research Question Eight: Is it useful to establish service standards to improve the quality of services provided by the government in Nepal?

The results of the t-test showed a significant difference between the government and stakeholders on the items (a) ‘there is a lack of professionalism in the public service that accounts for, and adheres to, service standards’, and (b) ‘a client and service orientation is a topic of least priority in the minds of the public service employees’. The mean score for government was 1.99 (SD = .81) and 2.30 (SD = .92) respectively whereas it was 1.76 (SD = .55) and 1.89 (SD = .71) respectively for stakeholders. The study of mean value indicated that the stakeholders rated higher that there was a lack of professionalism in the public service that accounts for service standards, and that the task of customer service was a least priority in the minds of the civil service employees compared to government employees (Table 7.26).

Table: 7.26: The t-value, mean, and standard deviation on items measuring the ‘quality and customer responsiveness’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|---------------------------------------|---------|------------|-------|-----|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Professionalism for customer service. | 2.278 | .024 | 1.99 | .81 | 1.76 | .55 |
| Customer service priority | 3.789 | .001 | 2.30 | .92 | 1.89 | .71 |

Research Question Nine: Is the bureaucratic environment supportive to the applicability of NPM elements in Nepal?

(a) Centralization/Decentralization

The results of the t-test on items measuring the centralization /decentralization showed no significant difference between government officials and stakeholders. It meant that both government and stakeholders probably viewed the issues similarly (Table 7.27).

Table: 7.27: The t-value, mean, and standard deviation on items measuring the 'centralization /decentralization'.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|-----------------------------------|---------|------------|-------|------|--------------|-----|
| | | | Mean | SD | Mean | SD |
| Centralized bureaucracy | -1.565 | NS | 1.97 | .74 | 2.13 | .75 |
| Centralized government operations | .824 | NS | 2.54 | 1.03 | 2.42 | .99 |

(b) Accountability

The t-test revealed a significant difference on item 'there exist adequate rules and regulations to enforce accountability in the government' (Sig, value = .001). The mean value for that item for the government was 2.82 whereas for the stakeholders it was 3.47. This indicated that stakeholders disagreed more strongly that there were adequate rules and regulation to enforce accountability in the government compared to the public service employees (Table 7.28). For other six items, the alpha value recorded was not significant higher than .05, and that indicated that both groups probably held similar views.

Table 7.28: The t-value, mean, and standard deviation on items measuring the ‘accountability’ in the government.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|--|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Rules and regulation to enforce accountability | -4.463 | .001 | 2.82 | 1.05 | 3.47 | 1.05 |

(c) Transparency in the Government

There were five items measuring the transparency of information. The t-test results showed no significant difference between the two groups on all these items. It meant that both groups probably had the same views on issues relating to transparency in the government in Nepal (Table 7.29).

Table 7.29: The t-value, mean, and standard deviation on items measuring the ‘transparency in the government’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|--------------------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| No transparency | 1.327 | NS | 2.55 | 1.02 | 2.37 | 1.02 |
| Availability of documents | .537 | NS | 3.20 | 1.01 | 3.12 | 1.15 |
| Publish decisions | -.154 | NS | 2.87 | 1.06 | 2.89 | 1.07 |
| Publish decisions with reasons | .928 | NS | 3.54 | .99 | 3.42 | 1.02 |
| Full transparency | -.755 | NS | 3.56 | .96 | 3.65 | .91 |

(d) Motivation and Ethics in the Public Service

The t-test study revealed a significant difference as to (a) ‘there is a legal framework that sets the standards of behavior for the public service employees in Nepal’; (b) ‘a code of conduct defines the expected behavior and conduct for public service employees’. An inspection of the mean values indicated that stakeholders disagreed more strongly that there exists rules and regulations and a code of conduct that sets and defines the ethical behavior for the civil service employees (Table 7.30).

Table: 7.30: The t-value, mean, and standard deviation on items measuring the 'motivation and ethics in the public service'.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|----------------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Legal framework for ethics | -2.237 | .026 | 2.69 | 1.02 | 3.01 | 1.09 |
| Code of conduct | -2.464 | .015 | 2.45 | .90 | 2.78 | 1.00 |

(e) Financial Management System

The t-test showed a significance difference between government and stakeholders on three items. They were (a) 'the allocated resources in programs or projects are not properly utilized' (Sig. value .03); (b) 'each agency Head is accountable for the use/misuse of funds' (Sig. value .016); and (c) 'each agency has adopted a computerized system to provide reliable and up-to-date budget and accounting information' (Sig. value .043). The mean scores for government on these three items were 1.94 (SD = .77), 2.39 (SD = 1.95) and 3.91 (SD = .77) respectively whereas for the stakeholders the scores were 1.73 (SD = .65), 2.76 (SD = 1.21) and 3.62 (SD = 1.14) respectively. An inspection of mean values between the two groups indicated that stakeholders rated higher that the resources in programs was not properly utilized and disagreed more strongly that each agency Head is accountable for the use or misuse of funds compared to government employees. The government officials disagreed more strongly that each agency has adopted a computerized system to provide reliable and up-to-date financial information compared to the stakeholders (Table 7.31).

Table: 7.31: The t-value, mean, and standard deviation on items measuring the 'financial management system'.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|----------------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Resource utilization | 2.180 | .030 | 1.94 | .77 | 1.73 | .65 |
| Funds accountability | -2.440 | .016 | 2.39 | 1.95 | 2.76 | 1.21 |
| Reliability of information | 2.046 | .043 | 3.91 | .77 | 3.62 | 1.14 |

(f) Corruption

The t-test revealed a significant difference on 'there are regulations establishing sanctions to control the corruption' (Sig. value=.001). The mean and standard deviation indicated that stakeholders disagreed more strongly that there were regulations establishing sanctions to control corruption compared to government employees (Table 7.32). For other items, both groups' views were similar.

Table: 7.32: The t-value, mean, and standard deviation on items measuring the 'corruption'.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|--|---------|------------|-------|-----|--------------|------|
| | | | Mean | SD | Mean | SD |
| Regulations establishing sanctions to control corruption | -4.124 | .001 | 2.33 | .84 | 2.93 | 1.17 |

(g) Reform Implementation and Evaluation

The t-test showed no significant difference on the capacity to implement reform and evaluation as the alpha value on all items recorded higher than the cut off mark of .05 (Table 7.33). This meant that both government employees and stakeholders probably shared similar views on these issues.

Table 7.33: The t-value, mean, and standard deviation on items measuring the 'reform implementation and evaluation'.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|----------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Plans for reforms | -.804 | NS | 3.45 | .91 | 3.55 | .97 |
| Capacity for reforms | .289 | NS | 3.35 | .98 | 3.31 | 1.03 |
| External supports | 1.399 | NS | 2.61 | 1.07 | 2.42 | .95 |
| Evaluation capacity | 1.830 | NS | 2.49 | 1.00 | 2.26 | .87 |

Research Question Ten: Does the political system (factor) restrain the applicability of NPM elements in Nepal?

The t-test on items measuring the political influence in the public service, commitment and interest for reform, and level of confidence towards the government revealed no significant difference between ‘government’ and stakeholders. This meant that both groups probably held similar opinions as to political factor and its influence in the public service (Table.7.34).

Table 7.34: The t-value, mean, and standard deviation on items measuring the ‘political system’.

| Items | t-value | Sig. value | Govt. | | Stakeholders | |
|----------------------------|---------|------------|-------|------|--------------|------|
| | | | Mean | SD | Mean | SD |
| Confidence in government | -1.554 | NS | 3.44 | 1.06 | 3.66 | .97 |
| Political interference | .976 | NS | 1.64 | .77 | 1.54 | .69 |
| Public mngt. effectiveness | -.942 | NS | 3.83 | .75 | 3.93 | .79 |
| Reform priority | -1.556 | NS | 2.26 | 1.02 | 2.49 | 1.11 |
| Reforms commitment | -.253 | NS | 3.28 | 1.03 | 3.31 | .96 |
| Delivery of services | -1.715 | NS | 3.63 | .75 | 3.79 | .62 |

7.4.3. Influence of position levels, education and age of the respondents on research questions

Was there any significant difference as to the applicability of NPM influenced by the demographic variables? To understand this phenomenon, chi-square tests were conducted. The data were analyzed taking into accounts the position levels, age, and education of the respondents. The following section describes the findings.

(a) **Relationships between levels (position) of respondents and NPM measuring variables**

A chi-square, test of significance between the position levels of respondents showed a significant difference on some of the items. The study revealed a significant relationship as to (a) 'the government must cut down its expenditure' (*cost cutting and downsizing*); (b) 'should services be provided from a single point or one stop shop, rather than from different agencies at the district and regional levels'? (*Introducing agencies*); (c) 'the coordination between government agencies is strong' (*split of purchaser and provider*); (d) 'there exist adequate rules and regulations to enforce accountability in the government' (*accountability*); (e) 'there is a legal framework that sets the standards of behavior for the public service employees in Nepal' (*motivation and ethics*); (f) 'accountability for the public service employees is defined through administrative policies and procedures' (*motivation and ethics*); (g) 'administrative policies and procedures control the day-to-day conduct for public service employees' (*motivation and ethics*) (h) 'each agency submits reports on a quarterly basis indicating the status of spending against the budget authorization to central budget agencies' (*financial management system*); (i) Each agency head is accountable for the use/misuse of funds (*financial management system*); (j) 'there are regulations establishing sanctions to control the corruption' (*corruption*); (k) 'the government strictly enforces the anti-corruption regulations' (*corruption*); (l) 'the government provides training and education to public service employees to create awareness about corruption implications' (*corruption*); (m) 'Privatization in Nepal is essential because the government performs less effectively than the private sector' (*introducing market mechanism*). The chi-square values and the significance values of these items were shown in Table 7.35.

Table 7.35: Relationships between position levels and NPM measuring variables

| Position Levels* variables relationship | | |
|--|------------------|----------------------|
| Variables | Chi-Square Value | Sig. value (2-sided) |
| Cutting down expenditure | 17.074 | .029 |
| Introducing one stop shops | 20.284 | .009 |
| Coordination among the departments | 19.880 | .011 |
| Existence of rules to enforce accountability | 17.102 | .029 |
| Legal framework for ethics | 16.917 | .031 |
| Accountability clarity in PS rules | 17.395 | .026 |
| Policies for employees conduct | 18.948 | .015 |
| Reporting systems | 17.199 | .028 |
| Accountability for use/misuse of funds | 18.631 | .017 |
| Regulations to control corruption | 23.549 | .003 |
| Enforcement of anti-corruption regulations | 16.899 | .031 |
| Education to control corruption | 16.512 | .036 |
| Need for Privatization | 17.886 | .022 |

Since the significance level for each item mentioned above was found to be less than $p < .05$, it indicated a significant relationship between the levels on these items. The following table (Table 7.35a) presented the level-wise percentage of response, which showed how different position levels influenced the variables.

Cost cutting and downsizing

The executive level (special class) recorded the highest percentage of agreement (94.7 %) for cutting down the expenditure while the lowest percentage of agreement was from first class officers (76.5%). The disagreement ranged 5.3 percent (executive class) to 20.5 percent (third class).

Introducing agencies

The executive level endorsed strongly for a one-stop shop (84.2%) with the lowest percentage for first class officers (54.9%). The disagreement percentage was between 14.3 percent (others) to 39.2 percent (first class officers).

Split of purchaser and provider

The respondents (100%) of the 'others' category disagreed that coordination between government agencies was strong. More than 80 percent of all the respondents disagreed that coordination between the government agencies was strong.

Accountability

Third class officers (55.6 %) reported that there exist rules to enforce accountability compared to the 'others' category (18.5 %) followed by the executive level (26.3 %). The disagreement percentage ranged between 41.2 percent (first class) to 70.4 % (others). About 68.4 percent of the executive class disagreed that there exist rules and regulations to enforce accountability.

Motivation and ethics

Only 35.7 percent of respondents on the 'others' category reported that there existed a legal framework to guide the behavior and conduct of civil service employees compared to 62.7% of first class officers who agreed. The disagreement on this issue ranged between 27.5% (first class) and 52.6% (Executive level). This showed that executive level more strongly rated that there was no legal framework to guide the ethical conduct and behavior. First class officers (64.7%) agreed that accountability for the public service employees was defined by administrative rules and regulations whereas the lowest rating on agreement was 31.6 percent from the executive level. Similarly a difference on disagreement was revealed between these two levels (63.2 percent (Executive level); 25.5 percent (first class). The executive level (52.6%) disagreed more strongly that administrative policies and procedures control employee's daily activities compared to first class officers (35.3 %). The percentage of agreement ranged between 55.6 % (second class) to 32.1 % (others class).

Financial management system

The second class (70.4%) reported that a financial reporting system was in place compared to the least rating from 'others' (37.0%). The second class officers (75.3%) rated strongly to agree that each agency Head was accountable for the use or misuse of

funds whereas the 'others' class (42.9%) was least to believe it. The executive level (47.4) disagreed more strongly that each Head is accountable for the use/misuse of funds compared to the first class officers (21.6%).

Table: 7.35a: Relationships between position levels and NPM measuring variables

| Variables | Position Levels* Variables relationships | | | | | | | | | |
|--|--|------|------|------|------|------|------|------|------|-------|
| | 1 | | 2 | | 3 | | 4 | | 5 | |
| | A | D | A | D | A | D | A | D | A | D |
| Cutting down expenditure | 94.7 | 5.3 | 76.5 | 13.7 | 82.7 | 16.0 | 79.5 | 20.5 | 92.9 | 7.1 |
| Introducing one stop shops | 84.2 | 15.8 | 54.9 | 39.2 | 77.8 | 16.0 | 69.8 | 27.9 | 67.9 | 14.3 |
| Departmental Coordination | 0.0 | 83.3 | 8.0 | 88.0 | 4.9 | 93.8 | 4.4 | 95.6 | 0.0 | 100.0 |
| Existence of rules to enforce accountability | 26.3 | 68.4 | 54.9 | 41.2 | 53.1 | 42.0 | 55.6 | 42.2 | 18.5 | 70.4 |
| Legal framework for ethics | 47.4 | 52.6 | 62.7 | 27.5 | 61.7 | 29.6 | 60.0 | 40.0 | 35.7 | 46.4 |
| Accountability clarity in PS rules | 31.6 | 63.2 | 64.7 | 25.5 | 55.6 | 40.7 | 42.2 | 51.1 | 39.3 | 42.9 |
| Policies for employees conduct | 36.8 | 52.6 | 52.9 | 35.3 | 55.6 | 43.2 | 42.2 | 53.3 | 32.1 | 46.4 |
| Reporting systems | 61.1 | 16.7 | 64.0 | 18.0 | 70.4 | 19.8 | 48.8 | 39.5 | 37.0 | 37.0 |
| Accountability for use/misuse of funds | 52.6 | 47.4 | 68.6 | 21.6 | 75.3 | 22.2 | 71.1 | 26.7 | 42.9 | 46.4 |
| Regulations to control corruption | 63.2 | 31.6 | 70.6 | 25.5 | 82.7 | 16.0 | 69.8 | 27.9 | 35.7 | 53.6 |
| Enforcement of anti-corruption regulations | 5.3 | 73.7 | 13.7 | 82.4 | 16.0 | 79.0 | 17.8 | 82.2 | 17.9 | 82.1 |
| Education to control corruption | 15.8 | 63.2 | 19.6 | 72.5 | 14.8 | 81.5 | 28.9 | 68.9 | 25.0 | 75.0 |
| Need for Privatization | 84.2 | 0.0 | 86.0 | 8.0 | 82.7 | 7.4 | 75.6 | 24.4 | 75.0 | 17.9 |

Note: 1=Special Class; 2= First Class; 3= Second Class; 4= Third Class; and 5= Others

Corruption

The second-class officers (82.7%) strongly believed that there are regulations to control corruption whereas the 'others' class (35.7%) was least to believe it. The highest disagreement percentage was between second class (16.0%) and 'others' (53.6 %). Only 5.3 percent of executive level agreed that government strictly enforces the anti-corruption regulations. The percentage for disagreement ranged from 73.7 percent (executive level) to 82.4 percent (first class). Only 14.8 percent of second-class officers agreed that education was provided to the public servants on corruption whereas about 28.9 percent

third class officers agreed to it. The percentage of disagreement ranged between 63.2% (executive level) and second class (81.5%).

Introducing market mechanisms

The first class officers (86%) strongly confirmed the need for privatization compared to third class (75.6%) and 'other' (75.0) levels. The third class (24.4%) showed the most disagreement on a need of privatization whereas the executive level rate of disagreement was recorded nil (0%).

(b) Relationships between education and NPM measuring variables

Was there a significant relationship between the educational levels of respondents and the NPM measuring items? To understand this issue, a chi-square test was conducted. The educational levels were grouped under (1) Ph.D. (2) M.A or equivalent (3) BA or equivalent and (4) Less than BA. Since there was one respondent in less than BA category, it was excluded in this study.

The study revealed a significant difference as to (a) 'the role of the government should be to encourage the private sector to grow and participate in the national economy' (*introducing market mechanisms*); (b) 'the service provided by the private sector is more effective and efficient than the public sector in Nepal' (*introducing market mechanisms*); (c) 'the government must cut down its expenditure' (*cost cutting and downsizing*); (d) 'there exists duplication of functions among the government agencies' (*cost cutting and downsizing*); (e) 'government offices are being established at the regional or district levels just to show the agency's representation' (*introducing agencies*); (f) 'employees at all levels of the government are accountable for their work' (*accountability*); (g) 'there exist adequate rules and regulations to enforce accountability in the government' (*accountability*); (h) 'performance measurements and indicators are being established to clarify accountability in the government' (*accountability*); (i) 'the authority and power is not decentralized in practice in Nepal' (*devolution of management authority*); (j) 'a code of conduct defines the expected behavior and conduct for public service employees'

(*motivation and ethics*); (k) 'do you agree that establishing contracts with Senior Executives is necessary to improve the public service system in Nepal'? (*new personnel systems*); (l) 'the government in Nepal is excessively staffed' (*cost cutting and downsizing*); (m) 'the authority to execute budgets has been fully devolved to each agency' (*financial management systems*); (n) 'there are regulations establishing sanctions to control corruption' (*corruption*); (o) 'The government has established procedures for whistle blowing' (*corruption*); (p) 'privatization in Nepal is essential because the government performs less effectively than the private sector' (*introducing market mechanisms*); (q) 'in Nepal, state-owned enterprises have low productivity and have failed to deliver the expected services' (*introducing market mechanisms*); (r) 'the government does not have any specific plan for improving service quality and customer responsiveness' (*quality and customer responsiveness*) (s) 'do you agree that service standards must be established in the public service in Nepal'? (*Quality and customer responsiveness*); and (t) 'there are no established systems and procedures for monitoring and evaluating the reform programs' (*implementation and evaluation*). The chi-square value, significance value and the percentages of agreement and disagreement were presented in Table 7.36.

Table: 7.36: Relationships between education and NPM measuring variables

| | | Education *Variables relationship | | | | | | | |
|---|-------------------|-----------------------------------|------|------|------|------|-------|------|--|
| | | Education (%) | | | | | | | |
| | | | | 1 | | 2 | | 3 | |
| Variables | Chi. Square Value | Sig. value (2-sided) | A | D | A | D | A | D | |
| Govt. roles to encourage private sector | 26.376 | .001 | 83.3 | 16.7 | 99.0 | .05 | 100.0 | 0.0 | |
| Effectiveness of Private/public sector | 10.643 | .031 | 45.8 | 33.3 | 72.3 | 15.2 | 76.9 | 0.0 | |
| Cutting down expenditure | 10.083 | .039 | 58.3 | 33.3 | 83.2 | 14.1 | 92.3 | 7.7 | |
| Duplication of functions | 11.204 | .024 | 79.2 | 4.2 | 95.3 | 1.6 | 100.0 | 0.0 | |
| Significance of regional offices | 17.558 | .002 | 29.2 | 50.0 | 59.8 | 36.5 | 69.2 | 30.8 | |
| Employees accountability | 9.792 | .044 | 20.8 | 66.7 | 21.5 | 76.4 | 7.7 | 92.3 | |
| Rules to enforce accountability | 9.660 | .047 | 25.0 | 66.7 | 49.7 | 46.6 | 53.8 | 30.8 | |
| Measures to clarify accountability | 9.679 | .046 | 4.2 | 87.5 | 19.8 | 72.4 | 0.0 | 75.0 | |
| Accountability for work | 10.353 | .035 | 25.0 | 54.2 | 34.2 | 61.1 | 36.4 | 63.6 | |
| Authority not decentralized | 14.002 | .007 | 66.7 | 17.7 | 76.6 | 21.4 | 76.9 | 23.1 | |
| Code of conduct | 10.330 | .035 | 50.0 | 25.0 | 70.5 | 22.1 | 53.5 | 38.5 | |
| Establishing contracts in PS | 11.646 | .020 | 41.7 | 41.7 | 50.5 | 45.3 | 46.2 | 30.8 | |
| Govt. overstaffed | 10.640 | .031 | 79.2 | 8.3 | 88.0 | 10.5 | 84.6 | 15.4 | |
| Devolution of financial authority | 14.582 | .006 | 50.0 | 41.7 | 51.6 | 38.4 | 7.7 | 92.3 | |
| Regulations to control corruption | 14.582 | .006 | 75.0 | 12.5 | 72.1 | 24.7 | 53.8 | 46.2 | |
| Procedures for whistle blowing | 11.235 | .024 | 26.1 | 56.5 | 8.3 | 52.5 | 25.0 | 50.0 | |
| Need for privatization | 20.057 | .001 | 62.5 | 8.3 | 82.7 | 12.0 | 76.9 | 23.1 | |
| SOE productivity poor | 10.087 | .039 | 79.2 | 12.5 | 93.8 | 5.2 | 100.0 | 0.0 | |
| No plan for customer service | 11.853 | .018 | 70.8 | 12.5 | 72.4 | 25.0 | 76.9 | 15.4 | |
| Establishing service standards | 24.775 | .001 | 95.8 | 4.2 | 94.8 | 1.0 | 76.9 | 23.1 | |
| No systems for evaluation | 11.061 | .026 | 75.0 | 12.5 | 73.5 | 24.3 | 92.3 | 7.7 | |

Note: 1=Ph.D; 2=MA equivalent; 3= BA equivalent

Table 7.36 presented the significant differences between educational levels of respondents and on items measuring the applicability of NPM. The significant differences are as follows:

Cost cutting and downsizing

Respondents (92.3%) with BA or equivalent education strongly agreed that the government needs to cut down its expenditure where as the Ph.D. holders were (58.3%) least to believe it. Similarly respondents (100%) with BA education believed that there

are duplication of functions in the government agencies, whereas the Ph.D. holders (79.2%) were least to believe it. MA holders (88 percent) agreed strongly that the government is overstaffed and needs to be downsizing compared to BA holders (85%) and Ph.D. holders (79%).

Introducing market mechanisms

The significant differences were on four items (government roles to encourage private sector; the service provided by public sector is more effective than the public sector; the need for privatization; and state owned enterprises have failed to provide expected services) related to introducing market mechanisms in the public sector. In all these four items, Ph.D. holders' percentage of agreement was lowest compared to other respondents. 83.3 percent of Ph.D. holders agreed that the government role is to encourage the private sector compared to 100 percent of respondents with BA education; only 45.8 of the Ph.D. holders agreed that the service provided by the private sector was effective than the public sector compared to 72.3% (MA holders) and 76.9% (BA holders). The need for privatization was agreed by 62.5 % of Ph.D. holders compared to 83% (MA) and 77% (BA) of respondents. Only 79 percent of the Ph.D. holders agreed that state-owned enterprises have shown poor performance compared to 93 % and 100 % of respondents with MA and BA education respectively.

Introducing agencies

On an issue that regional offices are there 'just to show agency's representation', the PhD holders disagreed more strongly compared to other respondents. While 69 % (BA) and 60 % (MA) agreed to above point, it was only 29% of the Ph.D. holders to agree it.

Accountability

On issues of accountability in the public service, 92.3 percent of BA holders disagreed that employees are accountable for their work compared to 66.7 percent of PhD holders. Only 25 percent of PhD holders agreed that there exist rules and regulations to enforce accountability in the government compared to 49.7 percent (MA holders) and 53.8 percent (BA holders). All respondents with BA degree disagreed that government uses

the concept of performance contracts or agreements to clarify accountability followed by 87.5 percent (PhD holders) and 72.4 percent (MA holders). About 54 percent of PhD disagreed that each agency is accountable for its work followed by 61.1 percent and 63.6 percent for MA and BA holders respectively.

Devolution of management authority

A significant difference was also revealed as to 'authority and power is not decentralized' by 66.7 percent of PhD holders agreeing to it compared to 76.9 percent of BA holders.

Motivation and ethics

50 percent of PhD holders agreed that code of conduct defines the expected behavior of civil service employees compared to 70.5 percent of MA holders.

New personnel system

There was a significant difference between educational levels of respondents on hiring employees on contractual arrangement, as the percentage of disagreement among three groups was 41.7 percent (PhD holders), 45.3 percent (MA holders) and 30.8 percent (BA holders). The highest percentage of agreement for hiring officials on contracts was 50.5 percent from MA holders.

Financial management systems

Only 7.7 percent of BA holders agreed that financial authority has been devolved compared to 50 percent PhD holders and 51.6 percent MA holders. It was the BA holders (92.3%) to strongly disagree that financial authority was devolved.

Corruption

About 54 percent of BA holders agreed that there exist regulations establishing sanctions to control the corruption compared to 75 percent of PhD respondents who agreed. About 46 percent of BA holders disagreed to having corruption-related regulations compared to 12.5 percent of PhD holders. Only 8.3 percent of MA holders agreed that there are procedures for whistle blowing compared to 26.1 percent of PhD holders.

Quality and customer responsiveness

The educational levels of respondents also showed significant differences on 'government does not have specific plans for improving service quality and customer responsiveness'. About 71 percent of PhD holders agreed that government does not have plans followed by 72 percent (MA holders) and 77 percent (BA holders). On the use of service standards to improve the quality of services, both PhD (95.8%) and MA (94.8%) holders strongly agreed compared to BA holders (76.9%). About 23 percent of BA holders indicated that establishing service standards might not improve the quality of service in Nepal.

Reform implementation and evaluation

As to systems and procedures for monitoring and evaluation of reform program, 93 percent of respondents with a BA degree agreed that there was no such systems compared to 75 percent of PhD holders and 73 percent of MA holders.

(c) Relationships between age and NPM measuring variables

Was there a relationship between the age of the respondents and items of research? The study recorded a significant relationship on some items. The relationship was found on items (a) 'the role of the government should be to encourage the private sector to grow and participate in the national economy' (*introducing market mechanisms*); (b) 'the government must cut down its expenditure' (*cost cutting and downsizing*); (c) 'the government is using the concept of performance contracting to establish accountability' (*accountability*); (d) 'the government publishes major administrative decisions including the reasoning for decisions' (*transparency in government*); (e) 'there is a strong political commitment to enforce ethical behavior in the government in Nepal' (*motivation and ethics*); (f) 'there is no Act that directs the agencies to prepare annual performance plans' (*introducing performance management*); (g) 'each agency has flexibility to transfer funds among line items' (*financial management systems*); (h) 'the government has a detailed plan and programs for implementing public management reform programs' (*implementation and evaluation*). The following Table 7.37 showed the significance value on items.

Table 7.37 showed that there was a significant relationship between age and items, as the alpha value for the above items was smaller than the cut off mark of $p < .05$. The following presents the difference on the elements of NPM.

Introducing market mechanisms

It revealed that almost all employees in different age groups agreed that government roles are to encourage the private sector to grow in the economy with some marginal difference shown by respondents aged 56 years and above (agree=90.9%; disagree=9.1%).

Cost cutting and downsizing

The young respondents (25-30 years) fully agreed (100%) that government should cut down its expenditure. It was agreed too by 72.7 percent of respondents in age band of 56 years and above followed by 41-45 years (76.9%).

Accountability

The most aged (56 years and above) employees (45.5%) agreed that the government is using performance contracts to enforce accountability while it was only agreed to by 5.7 percent of employees in the age band of 36-40 years. The highest disagreement (81%) on this issue was from the aged group of 46-50 years.

Transparency

The most aged (56 years and above) employees (63.4%) agreed that the government publishes decisions with reasoning while 15.1 percent of respondents in the age band 41-45 years only agreed. The highest percentage (75.5 %) of disagreement on ensuring transparency practices by publishing decisions with reasoning was from 36-40 year group respondents.

Motivation and ethics

A significant difference was seen on an issue of political commitment to enforce ethical conduct in the public service. About 45.5 percent of most aged (56 years and above) employees agreed that there is a strong political commitment to enforce ethical conduct

whereas it was only agreed by 8.3 percent of young employees (25-30 years). The respondents in the age bracket of 31-35 years disagreed most (87.5%).

Performance management

More than 50 percent of respondents of all age categories agreed that there are no Acts that directs the agencies to prepare annual performance plan. The agreement on no Acts ranged from 54.5 percent (56 years and above) to 75.5 percent (36-40 years). However, respondents (ranged between 8%, 25-30 years- 45.5%, 56 years and above) do feel that there are Acts that direct the agencies to prepare performance plans.

Financial management system

On the issue of flexibility for transferring funds among line items, the general finding is more a negative than positive one. About 77 percent of 36-40 years of respondents disagreed that there was flexibility to transfer funds while 50 percent of respondents aged 31-35 years disagreed. Some respondents do feel that there is flexibility in transferring funds among line items. The percentage for this agreement ranged between 17% (41-45 years) to 43.8% (31-35 years).

Reform implementation and evaluation

75 percent of young employees (25-30 years) disagreed that there was plan for public management reforms. However about 36 percent of most aged group (56 years and above) respondents believed that government has plans for reform implementation.

Table 7.37: Relationships between age and NPM measuring variables

| Age | Age * Variables relationships (%) | | | | | | | | | | | | | | | | | |
|--|-----------------------------------|----------------------|-------|------|------|------|-------|------|-------|------|-------|------|------|------|-------|------|------|------|
| | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | | | | |
| Variables | Chi-square value | Sig. value (2-sided) | A | D | A | D | A | D | A | D | A | D | A | D | | | | |
| Govt. roles to encourage private sector | 25.125 | .013 | 100.0 | 0.0 | 87.5 | 6.3 | 100.0 | 0.0 | 100.0 | 0.0 | 100.0 | 0.0 | 92.9 | 7.1 | 100.0 | 0.0 | 90.9 | 9.1 |
| Cut down expenditure | 24.810 | .016 | 100.0 | 0.0 | 81.3 | 18.7 | 81.1 | 18.9 | 76.9 | 23.1 | 83.7 | 14.0 | 82.9 | 4.9 | 82.9 | 4.9 | 72.7 | 18.2 |
| Performance contracting for accountability | 22.640 | .031 | 16.7 | 50.0 | 18.8 | 68.8 | 5.7 | 77.4 | 13.2 | 75.5 | 7.1 | 81.0 | 7.1 | 73.2 | 7.1 | 73.2 | 15.5 | 16.4 |
| Transparency of decisions with reasons | 21.371 | .045 | 33.3 | 66.7 | 31.3 | 68.8 | 18.9 | 75.5 | 15.1 | 73.6 | 25.6 | 72.1 | 17.5 | 70.0 | 63.6 | 63.6 | 45.5 | 36.4 |
| Political commitment to enforce ethical conduct | 25.646 | .012 | 8.3 | 75.0 | 12.5 | 87.5 | 13.5 | 82.7 | 11.5 | 84.6 | 23.3 | 74.4 | 17.1 | 65.9 | 45.5 | 45.5 | 51.5 | 45.5 |
| Acts for annual performance plans | 21.152 | .048 | 58.3 | 8.3 | 75.0 | 18.8 | 60.4 | 30.2 | 65.4 | 32.7 | 69.8 | 20.9 | 58.5 | 22.0 | 51.5 | 22.0 | 51.5 | 45.5 |
| Flexibility in transferring funds among line items | 25.001 | .015 | 25.0 | 33.3 | 43.8 | 50.0 | 17.0 | 77.4 | 17.0 | 73.6 | 30.2 | 51.2 | 31.7 | 53.7 | 27.3 | 53.7 | 27.3 | 63.6 |
| Plans for reform implementation | 28.535 | .005 | 16.7 | 75.0 | 12.5 | 75.0 | 11.3 | 75.5 | 30.2 | 54.7 | 14.0 | 67.4 | 14.6 | 56.1 | 63.6 | 63.6 | 36.4 | 36.4 |

Note: 1=25-30 years; 2= 31-35 years; 3= 36- 40 years; 4 = 41-45 years; 5=46-50 years; 6=51=55 years; 7= 56 years and above

7.4.4. Relationships between variables

With a view to analyzing the relationships among, and in between the independent and moderating variables, the following procedures were adopted.

- (a) An exploratory factor analysis was conducted using the software SPSS 10.0 to extract the key factors of the independent and moderating variables.
- (b) The Cronbach's alpha value of each factor was calculated to measure the consistency of each scale. Only those factors that had an internal consistency and alpha value greater than .06 were used for the purpose of testing the relationships between moderating and independent variables. Other factors that had alpha value less than .6 were excluded from the analysis.
- (c) The theoretically constructed factors were tested using the software AMOS 4.0 for structural equation modeling to ensure that the model best fit the data.
- (d) A simple correlation was used to test the relationship among the factors of independent and moderating variables.
- (e) Multiple regression was then used to analyze the relationships between independent and dependent variables.

7.4.4.1. Extraction of factors of independent variables

The following section explains the process used to ensure the factorability of data and how factors for the independent variables were extracted for the purpose of analyzing the relationship among the factors.

This initial exploratory factor analysis (EFA) was conducted among the 101 items to assess the suitability of the data for factor analysis. Since the factor analysis is based on correlation between variables, the factorability of data was ascertained by three important tests. First, an inspection of correlation matrix for coefficients of .3 and above was observed. The correlation matrix showed sufficient items to justify the factorability of data. Second, a Kaiser-Meyer-Olkin (KMO) measure of sample adequacy was calculated. If the KMO measure is greater than 0.6, then the factorability of data is assumed

(Tabachnick & Fidell, 1989). This test revealed a .650 of KMO measure of sampling adequacy (Table 7.38), bigger than 0.6, which meant that data was appropriate for EFA. Third, if the Barlett's Test of Sphericity (BTS) value is significant, i.e., 0.05 or smaller ($p < .05$), then the factorability is assumed (Pallant, 2001). The table (7.38) showed the significance value of $p < .000$, and this meant the data was appropriate for EFA.

Table: 7.38: KMO and Bartlett's Test

| | | All items |
|----------------------------------|--------------------|-----------|
| KMO Measure of sampling Adequacy | | .650 |
| Barlett's Test of Sphericity | Approx. Chi-Square | 9105.367 |
| | df | 4950 |
| | Sig. | .000 |

Having confirmed the reliability of data for EFA on all items, first a factor analysis was conducted with the items that measured each construct. Factors that accounted for value ($\alpha > 0.6$) were retained and some single item factors were eliminated. Then it was decided to separate items of independent and dependent variables to ensure the validity of the underlying structure proposed in the theoretical framework. Accordingly, the initial factor analysis was conducted among the selected items related to the independent variables using the principle component analysis for factor extraction and the criterion 'eigenvalue greater than 1' for determining factors. This process produced .671 KMO Measure of Sampling Adequacy, BTS value of $p < .000$ and 15 factors with an eigenvalue greater than 1. Since the factors were many, to serve the purpose of data reduction a scree plot was then used to extract the required number of factors. The scree plot (Figure 7.1) showed a first curve at the fifth factor and a second one at the eighth factor. So the eighth factor solution was initially used for factor rotation.

The factor rotation was conducted using the orthogonal (varimax) method of rotation. While using the factor rotation, factor loadings below 0.40 were suppressed. This process produced a clear rotated component matrix, but there were items that did not have a loading over 0.4 on any of the factors. Each item that did not have a loading of .04

was reviewed in terms of its content. These items were deleted and factor rotation was conducted again. This process was continued until it produced a clean loading structure. But the scree plot of the clear loading structure showed a slope that turn to a horizontal line at seventh factor (Figure 7.2). Therefore, a seven-factor rotation was conducted. The seven-factor solution (Table 7.39) was used as the final solution of exploratory factor analysis of independent variables. The seven-factor solution explained about 59.044 percent of the total variance.

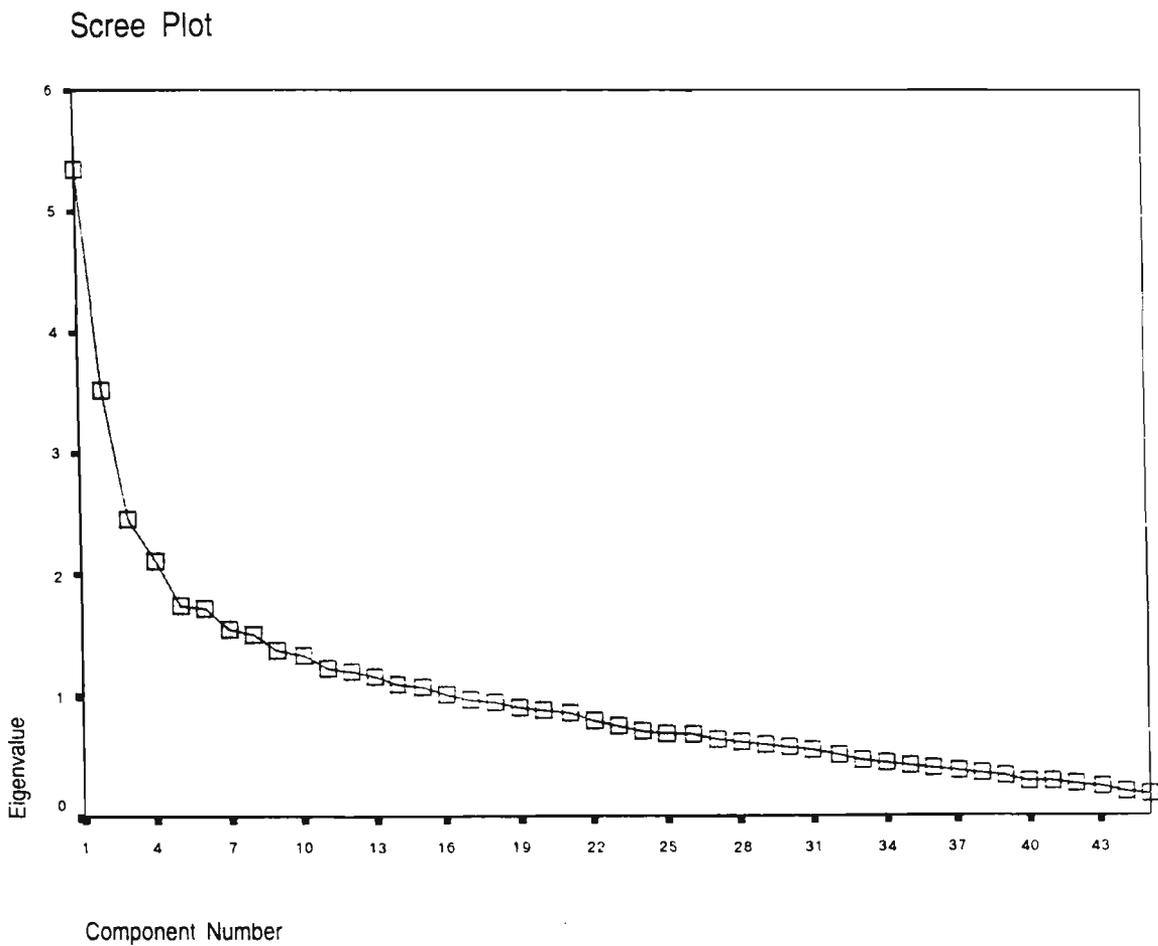


Figure 7.1: Scree Plot of Initial Factor Solution

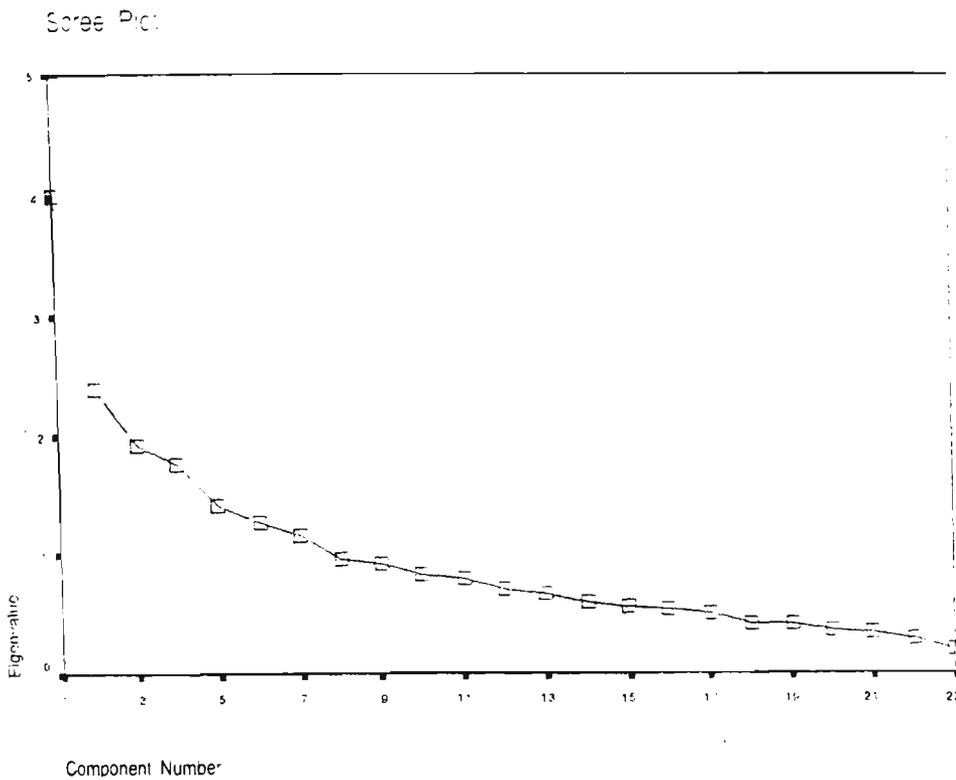


Figure 7.2: Scree Plot of Final Factor Rotation

The descriptions of the factor items of independent variables are as follows:

Factor 1: Cost cutting and Downsizing (Cronbach's alpha= .8120: Standardized item alpha =. 8180)

- G16 The government in Nepal is excessively overstaffed.
- G17 Do you agree that the government must downsize the number of employees?
- C1 The size of the government of Nepal needs to be downsized
- C2 The government must reduce the size and scope of operations
- C3 The government must cut down its expenditure

The first factor of independent variable included five items (G16, G17, C1, C2, and C3) and showed a Cronbach alpha value of .8120. This meant that the construct of these items was reliable. These items were originally intended to measure the theoretical framework

of cost cutting and downsizing. Therefore, this factor is named as **Cost cutting and Downsizing (CD)**.

Table 7.39: Final Factor Solution (Rotated)

Rotated Component Matrix^a

| | Component | | | | | | |
|-----|-----------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| G16 | .828 | | | | | | |
| G17 | .791 | | | | | | |
| C1 | .779 | | | | | | |
| C2 | .675 | | | | | | |
| C3 | .646 | | | | | | |
| K3 | | .803 | | | | | |
| K4 | | .771 | | | | | |
| K6 | | .653 | | | | | |
| K7 | | .492 | | | | | |
| B5 | | | .849 | | | | |
| B6 | | | .724 | | | | |
| J1 | | | .682 | | | | |
| B3 | | | | .835 | | | |
| B2 | | | | .736 | | | |
| B4 | | | | .660 | | | |
| H4 | | | | | .849 | | |
| H5 | | | | | .768 | | |
| J5 | | | | | .458 | | |
| K1 | | | | | | .736 | |
| F4 | | | | | | .718 | |
| F2 | | | | | | .494 | |
| G12 | | | | | | | .828 |
| G13 | | | | | | | .804 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Note: cumulative % of variance explained by the above rotated matrix: 59.042

Factor 2: Quality and Customer Responsiveness (Cronbach's $\alpha = .6647$; Standardized item $\alpha = .6638$)

- K3 The quality of services provided by the government to its citizens is very poor.
- K4 The government does not have any specific plan for improving service quality and customer responsiveness.
- K6 There is a lack of professionalism in the public service that accounts for, and adheres to, service standards.
- K7 A client and service orientation is a topic of least priority for the government in Nepal.
- K5 Many countries have established 'service standards' to improve the quality of services to the taxpayers. Do you agree that such 'service standards' must be established in the public service in Nepal?

The factor analysis (Table 7.39) showed four items (K3, K4, K6 and K7) in the construct of the second factor. The cronbach alpha was $\alpha = .6728$, and a standardized item alpha was $\alpha = .6770$. It was decided to add one item (K5), which was originally proposed as a measure of the same theoretical construct of 'service quality and customer responsiveness' because that item was important for measuring this theoretical construct, and its inclusion did not show a negative influence on the factor as the Cronbach's alpha with its inclusion was $.6647$. Since the alpha value inclusive of this item was acceptable for this research, it was decided to include one item in the construct of second factor. This factor is named as **Service Quality and Customer Responsiveness (SQCR)**.

Factor 3: Introducing Market Mechanisms (Cronbach's $\alpha = .6948$; Standardized item $\alpha = .6947$)

- B5 The service provided by the private sector is more effective and efficient than the public sector in Nepal.
- B6 The private sector in Nepal is capable of taking over the commercial functions, which the government is desirous to release to the private sector.

- J1 Privatization in Nepal is essential because the government performs less effectively than the private sector.

Alpha value for the following items (Cronbach's alpha = .6914; Standardized item alpha = .6914)

- B3 The government should be responsible for the core functions, which it can perform effectively and economically.
- B2 The role of the government should be to encourage the private sector to grow and participate in the national economy.
- B4 The government must leave those functions that can be handled by the private sector.

The factor analysis showed three items (B5, B6, and J1), in factor three and three items (B2, B3, and B4) in factor four. The alpha value in both factors was .69. These items were originally intended to measure 'introducing market mechanisms'. A reliability test of six items was conducted to ensure whether these two factors could be grouped together, and the study showed the Cronbach's alpha value of .6928 and the standardized item alpha value of .7006. Therefore, it was decided to group them together, and the factor was named as '**Introducing Market Mechanisms (IMM)**'.

Factor 4: Introducing Performance Management (Cronbach's alpha = .6908; Standardized alpha = .6922)

- H4 Each agency of the government has their performance plan that includes mission statement, objectives programs, and output and outcome measures to guide their operations.
- H5 Each employee's activity is guided by an agreed performance plan.

The rotated factor matrix (Table 7.39) showed factor five comprised of three items (H4, H5, and J5). The alpha value for these three items was .6203. It was revealed that deletion

of one item (J5) would increase the alpha value to .6908 with a standardized item value of .6922. It was therefore decided to delete one item (J5) so that the construct becomes theoretically justifiable and a meaningful interpretation of the factor could be possible. Items H4 and H5 were originally intended to measure 'performance management'. This factor is named as **Introducing Performance Management (IPM)**.

Other factors did not record an alpha value greater than .60, and therefore were excluded from the analysis.

The following four factors (Figure 7.3) are used to analyze the relationship. These four factors are representatives of the independent variables. Theoretically it was assumed that these factors are interrelated to each other, as shown in the Figure (7.3).

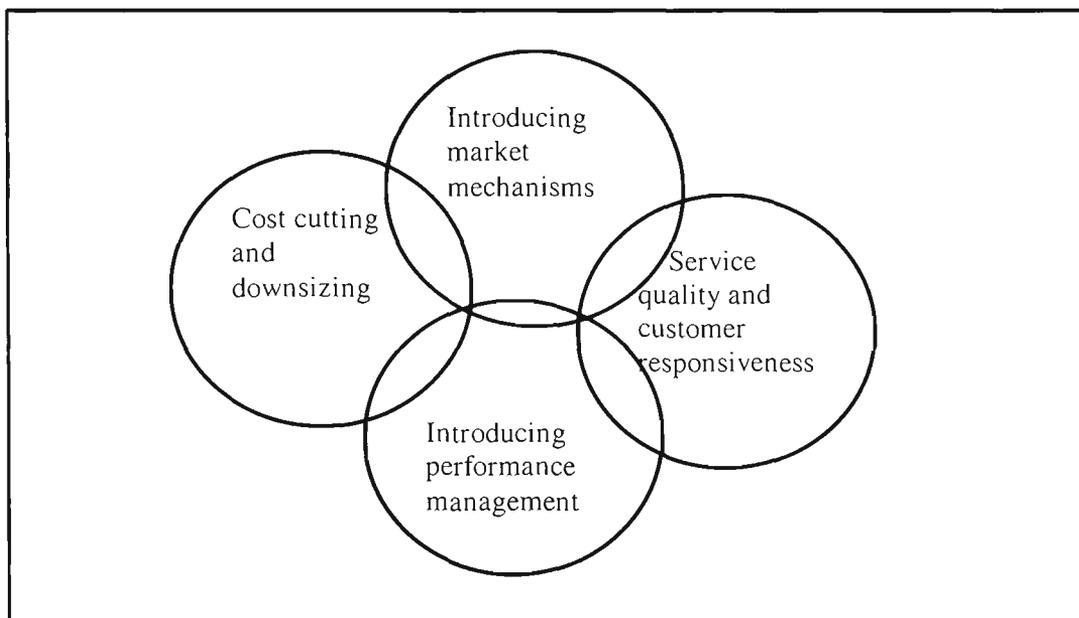


Figure 7.3: Summary of the Factors Describing the Independent Variables

7.4.4.2. Extraction of factors of moderating variables

The theoretical framework established two moderating variables. One was a bureaucratic system and another was the political system. Since the items relating to political system were few, they were excluded from the factor analysis. The other items measuring the bureaucratic variable were subjected to factor analysis. The same process, using the

principle component analysis for factor extraction and the criterion 'eigenvalue greater than 1, was followed to extract the factors of bureaucratic moderating variable. Fifty-three items were subjected to EFA and the initial run produced 17 factors with an eigenvalue greater than 1 and KMO at .756. Since the numbers of factors were many, to appropriately serve the purpose of data reduction, a scree test was then used to extract the required number of factors. The scree test (Figure 7.4) showed a curve at the second and fifth factor. Therefore, a five-factor solution was initially used for factor rotation. Using the varimax method of rotation, it produced a clean factor structure. However there were items which did not have loading of .4 on any of the factors. These items were deleted and the remaining items were analyzed using the principle component, scree test and orthogonal (varimax) rotation. This process was continued until a clean factor structure was produced. The scree plot (Figure 7.5) was different and showed a curve at fourth factor. So a four factor rotation was conducted and this process produced a factor solution as shown in Table 8.41, which was used as a final solution of exploratory factor analysis for a bureaucratic moderating variable. This four-factor solution explained about 49 percent of the total variance.

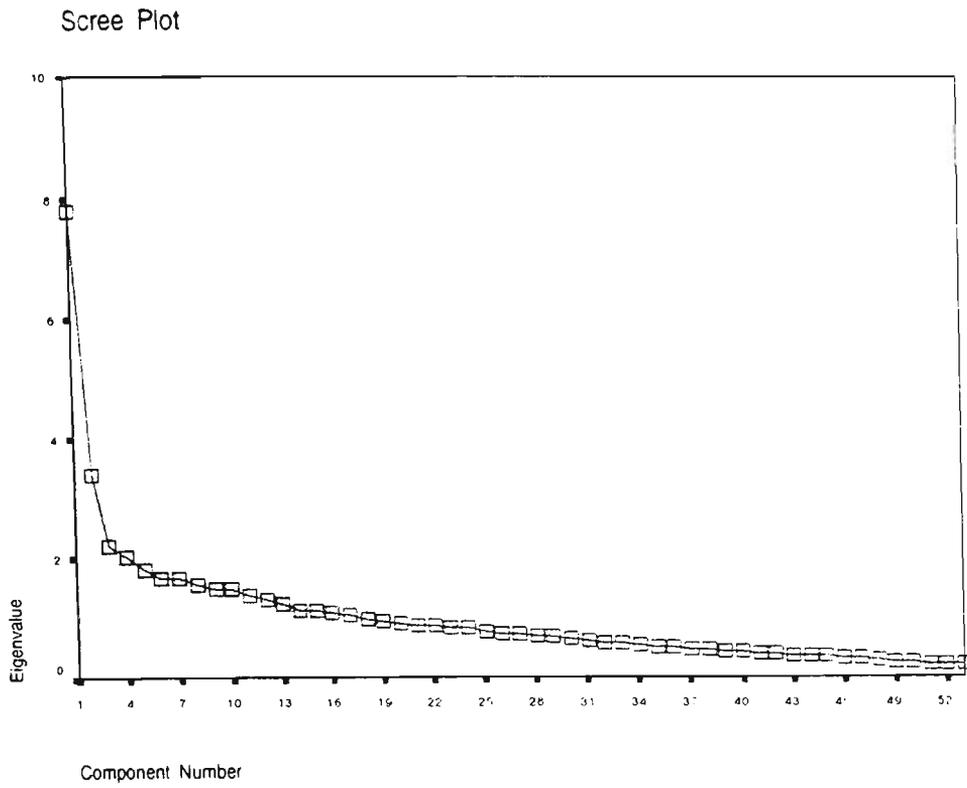


Figure 7.4: Scree Plot of Initial Factor Rotation

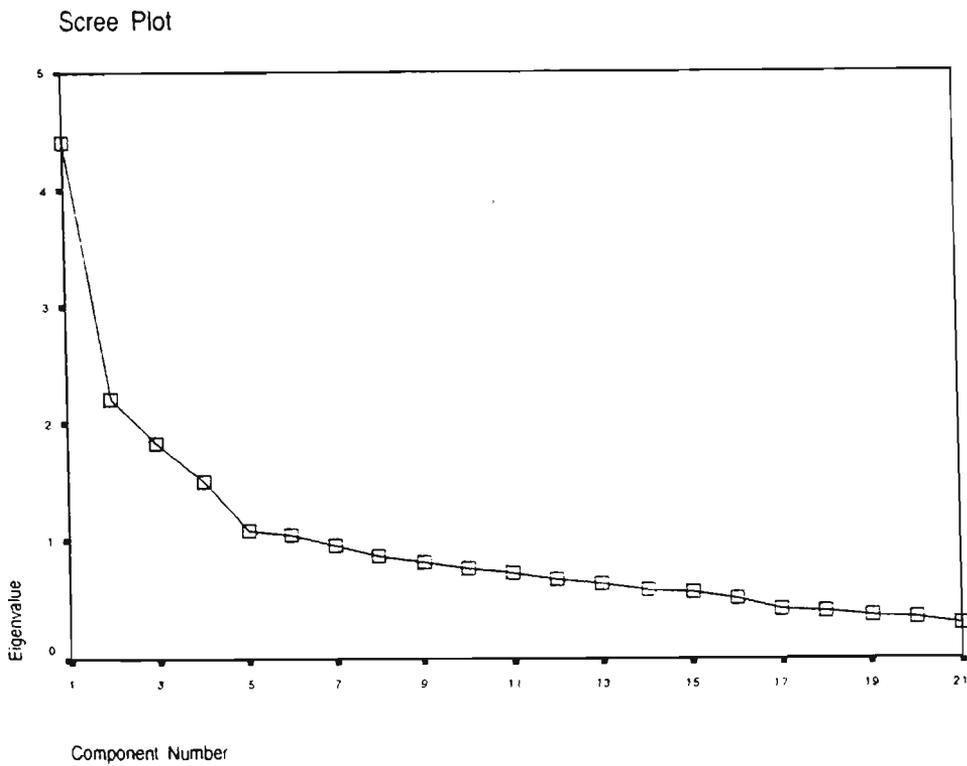


Figure 7.5: Scree Plot of Final Factor Rotation

Table 7.40: Final Factor Solution (Rotated)

Rotated Component Matrix ^a

| | Component | | | |
|-----|-----------|------|------|------|
| | 1 | 2 | 3 | 4 |
| D4 | .689 | | | |
| D3 | .684 | | | |
| D7 | .657 | | | |
| D1 | .604 | | | |
| D2 | .590 | | | |
| D5 | .588 | | | |
| D6 | .528 | | | |
| I17 | | .770 | | |
| I16 | | .654 | | |
| I20 | | .621 | | |
| I13 | | .607 | | |
| G8 | | .578 | | |
| E4 | | | .771 | |
| E3 | | | .693 | |
| E5 | | | .675 | |
| E2 | | | .649 | |
| G3 | | | .481 | |
| I4 | | | | .794 |
| I5 | | | | .779 |
| K2 | | | | .575 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Note: The above matrix explained 48.786 percent of the total variance.

The descriptions of items of moderating variables of each factor are as follows:

Factor 5: Accountability System (Cronbach's alpha = .7664; Standardized item alpha = .7672)

- D4 The government distributes information on objectives, services, resources and expected results of each agency.
- D3 There exist adequate rules and regulations to enforce accountability in the government.

- D7 Each agency is accountable and responsible for its work.
- D1 Employees at all levels of the government are accountable for their work.
- D2 Each agency has clear publicly stated objectives.
- D5 Performance measurements and indicators are being established to clarify accountability in the government.
- D6 The government is using the concept of performance contracting or performance agreements to establish accountability.

Factor 5 included all seven items originally intended to measure the accountability system in the government. The construct of these items in one factor was consistent as Cronbach's alpha recorded at .7664. This factor is named as **Accountability System (AS)**.

Factor 6: Corruption and Ethics (Cronbach's alpha = .6999; Standardized item alpha = .7042)

- I17 The government provides training and education to public service employees to create awareness about corruption implications.
- I16 The government strictly enforces the anti-corruption regulations.
- I20 The government has established procedures for whistle blowing.
- I13 The government conducts a detailed expenditure review, periodically, on certain programs or departments to ensure the worth of such expenditure.
- G8 Education and training on ethical issues and behavior are provided to public service employees to make them aware of ethical behavior and good conduct.

Factor 6 included five items (I17, I16, I20, I13, and G8), of which three items were originally intended to measure corruption, one item was used to measure ethics and one item measured the financial management system. A careful review of contents of these items suggested that these items could also be used in measuring ethics and corruption. The construct of all these items in one factor was valid as the Cronbach's alpha showed

.6999. As these items were intended to measure the corruption and ethics in the government, this factor is named as **Corruption and Ethics (CE)**.

Factor 7: Transparency in Operations (Cronbach's alpha = .7004; Standardized item alpha = .7076)

- E4 The government publishes major administrative decisions including the reasoning for decisions.
- E3 The government publishes major administrative decisions.
- E5 There is a full degree of transparency of information, except that specifically classified as confidential.
- E2 Major documents, such as official reports, new legislation, budget are easily available to the public.
- G3 There is a strong political commitment to enforce ethical behavior in the government of Nepal.

Factor 7 included five items (E4, E3, E5, E2 and G3), of which four items were related to transparency system in the government. The internal consistency of scale was validated as the Cronbach's alpha showed .7004. Therefore this factor is named as **Transparency in Operations (TO)**.

Factor 8: Financial Management System (Cronbach's alpha = .6853; Standardized item alpha = .6853)

- I4 The budget formulation must be based on programs of work rather than by departments and line items.
- I5 The budget allocation should be linked to results.

The rotated factor matrix grouped three items (I4, I5, and K2) in a factor. The alpha value of three items showed .6214. However, the deletion of one item (K2) showed an alpha

value of .6853. It was decided to delete item K2, so that the construct of a factor is theoretically interpretable. This factor is named as **Financial Management System (FMS)**

Factor 9: Political System (Cronbach alpha = .6781; Standardized item alpha = .6804)

- A3 People have confidence in the government.
- A5 The political interference in the public service is excessive.
- L1 Public management reform is a national priority for the government of Nepal.
- L3 The government is committed to implementing the reform programs.
- A1 The public management is efficient and effective in Nepal.
- A2 The delivery of services to citizens is satisfactory.

Factor nine is taken theoretically to describe the political system construct in the theoretical framework. It was assumed theoretically that the political commitment, interest, the degree of political influence in the public service and the citizens' views on public management situations measure political effectiveness, which influences the applicability of NPM reforms. The above items measure the political interest, commitment and their influence in the public service. It also seeks to address how citizens viewed public management in Nepal. This factor is named as **Political System (PS)**.

In summary, there were political and bureaucratic systems as moderating variables in the construct of the theoretical framework. With the purpose of analyzing the relationship between the variables, four factors as shown in Figure 7.6 were used, which were representative of the bureaucratic variable. Only one factor represented the political system. It was assumed that the political and bureaucratic variables are interrelated to each other in the theoretical construct as shown in Figure 7.6.

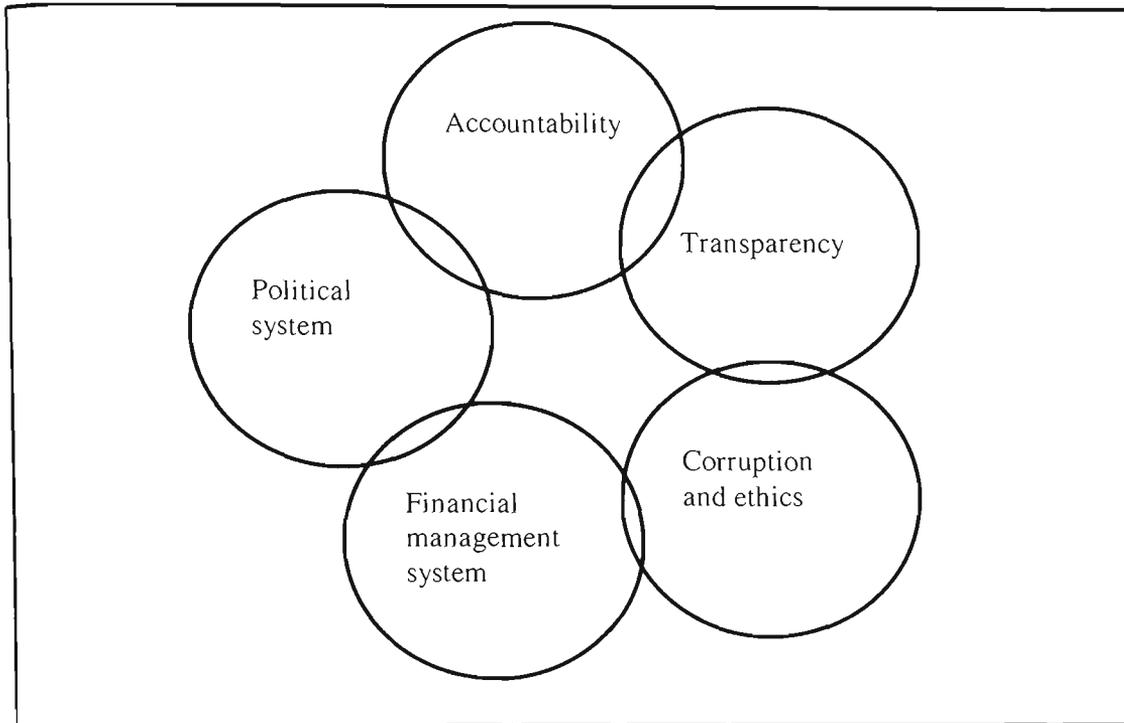


Figure 7.6: Summary of the Factors Describing the Moderating Variables

The construction of the factors met two purposes. One was to reduce the number of items, and another was to build a consistent scale for the purpose testing the relationships through the application of correlation, multiple regression and structural equation modeling. A factor should also represent a theoretical construct and must be interpretable. It was not possible to find a 100 percent clear factor structure through EFA that represented the theoretical constructs underlying this research. The researcher had to use multiple techniques, that included analysis of the factor structure within each heading, use of scree plot, addition and deletion of items, and use of theoretically constructed variables in the process of finding the most representative and parsimonious sets of factors.

7.4.4.3 Confirmation of the Models of independent and moderating factors

It was discussed in the methodology chapter that the construct of each factor is to be examined using the AMOS 4.0 software for structural equation modeling to assess that the theoretically constructed factor, (referred to as model) was sound and confirmed the

best fit of data. Accordingly, the following presents the construction of models of independent and moderating factors.

(a) Cost cutting and Downsizing

Five items (G16, G17, C1, C2, and C3) formed this factor. The contents of these items emphasized the reduction in staffing levels, reduction in the scope of government operations, and cutting down the expenditure of the government. These issues are theoretically sound, as governments have used these measures in cost cutting and downsizing the public service.

The standardized estimation* of the initial model reflecting the above theoretical grouping of the items showed a chi-square value of 53.624 with the probability (p) value of chi-square 0.000, smaller than the 0.05 level, indicating the potential for model modification. Hair et al (1998,p.654) noted that “the most fundamental measure of overall fit is the likelihood-ratio chi-square statistic, the only statistically based measure of goodness-of-fit available in SEM” and noted that “the researcher is looking for *nonsignificant differences* because the test is between actual and predicted matrices”. The model was then modified based on the modification indices produced by AMOS, and measurement errors were allowed to be correlated. Theoretically, the improvement of the model caused by measurement error correlation is acceptable provided it does not mask a true underlying structure of the model (Gerbing and Anderson, 1984). Since the study showed a positive error correlation between G16 and G17, it was clear that overstaffing would lead to downsizing. The modified model (Figure 7.7) produced chi-square value=7.477; probability (p) =0.113; GFI =0.98; RMSEA=0.06; RMSR=. 02;TLI =0.98; NFI=. 98; AGFI= 0.95; and CMIN/DF=1.8. All these measures are within the range of recommended level for validating the construct of a best-fit model structure.

* In this thesis, all the models are standardized estimation.

Model Structure for Cost Cutting and Downsizing

Chi-square = 7.477
 Degree of freedom = 4
 Probability level = 0.113
 CMIN/DF = 1.8
 GFI = 0.98
 AGFI = 0.95
 NFI = 0.98
 TLI = 0.98
 RMSEA = 0.061
 RMSR = .02

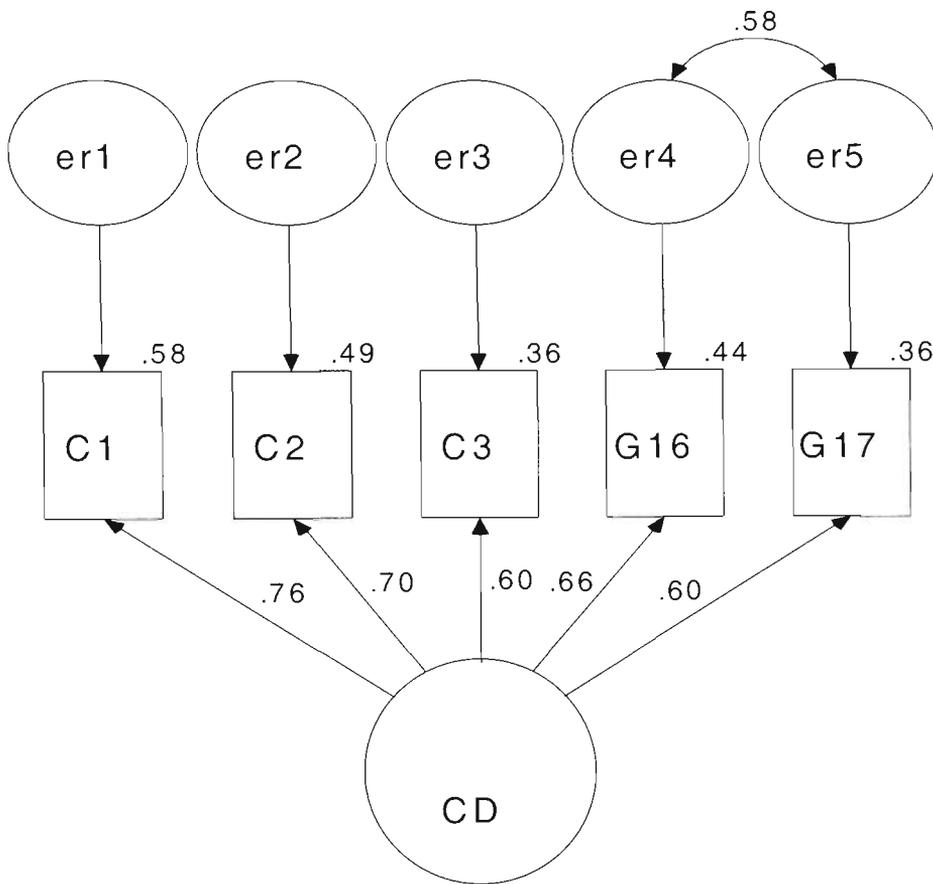


Figure 7.7: Final Model Structure of Cost-cutting and Downsizing

(b) Introducing Market Mechanisms

The factor was constructed of six (B2, B3, B4, B5, B6 and J1) variables. All these variables were used to explore the issues of effectiveness of the private sector, capability of the private sector, need for privatization, minimalist role of the government, and the role of government towards private sector. The variables, to explore the issues of introducing market mechanisms in the public sector in this factor, were theoretically sound.

Model Structure for Introducing Market Mechanisms

Chi-square = 7.622
 Degree of freedom = 3
 Probability level = 0.055
 CMIN/DF = 2.5
 GFI = 0.99
 AGFI = 0.92
 NFI = 0.97
 TLI = 0.91
 RMSEA = 0.08
 RMSR = .02

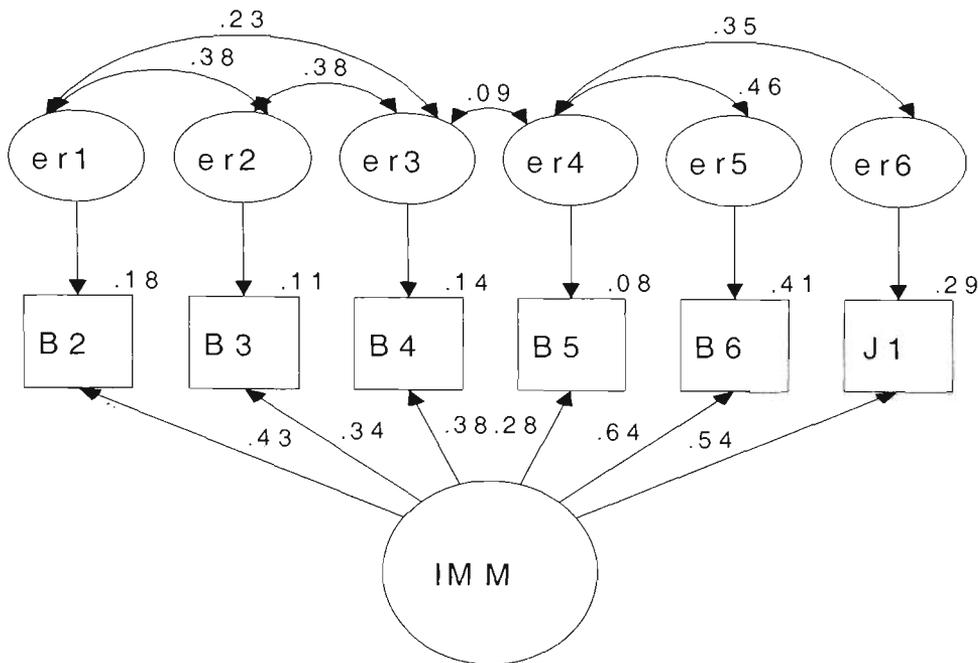


Figure 7.8: Final Model Structure of Introducing Market Mechanisms

A model reflecting the above theoretical grouping of variables was established and estimated. The initial model, which was not allowed to correlate the measurement errors, showed Chi-square = 105.821, probability = 0.000, degree of freedom = 9, GFI = 0.85, AGFI = 0.65, RMSEA = 0.213, TLI = 0.419, and NFI = 0.639. All these measures indicated that this model should be rejected. In a modified model, the measurement errors were allowed to be correlated and this showed all the goodness-of-fit measures reached an acceptable level (Figure 7.8). The revised model showed Chi-square = 7.622, degree of freedom = 3, CMIN/DF = 2.5, GFI = 0.99, AGFI = 0.92, NFI = 0.97, TLI = 0.91,

RMSEA = 0.08 and RMSR = .02. All the parameters of this final model were in the expected direction.

(c) Quality and Customer Responsiveness

The construct of quality and customer responsiveness factor included five (K3, K4, K5, K6, K7) items. Establishment of service standards was a major focus of the study. A model with the above items was constructed and the relationships tested. Initially the model did not show a satisfactory result. The results were: chi-square = 23.104, degree of freedom = 5, significance level = 0.000, GFI = 0.964, AGFI = 0.892, NFI = 0.875, TLI = 0.792 and RMSEA = 0.124. The modification indices produced by AMOS showed potential for connecting the measurement errors. The measurement errors were allowed to be correlated, and this improved the model. It produced GFI = 0.99, AGFI = 0.967, CMIN/DF = 1.3, RMSEA = 0.03, NFI = 0.97, TLI = 0.98, and RMSR = .02. All these measures suggested the acceptance of the model (Figure 7.9).

Model Structure for Quality and Customer Responsiveness

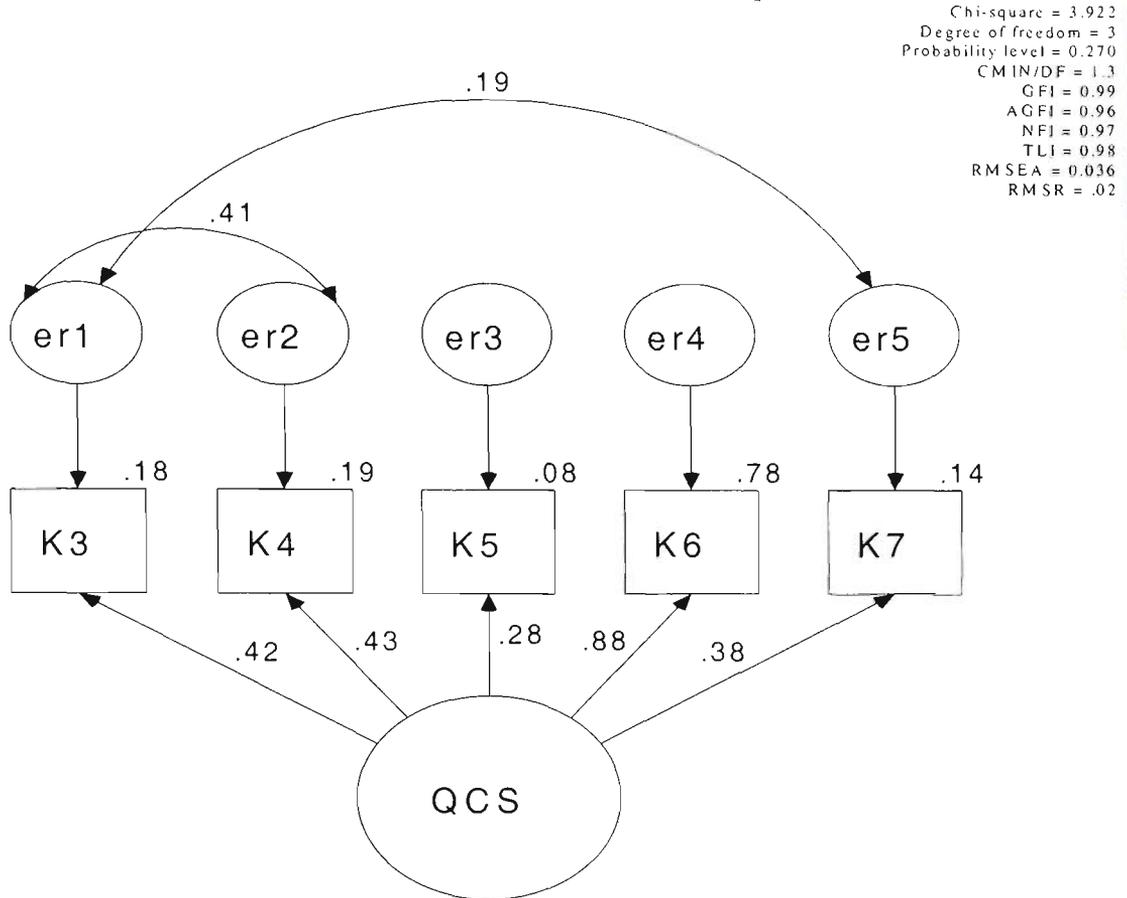


Figure 7.9: Final Model Structure of Quality and Customer Responsiveness

(d) Accountability Systems

The accountability factor included seven (D4, D3, D7, D1, D2, D5, and D6) variables. The contents of these variables explored the distribution of information on objectives, services, resources and expected results; adequacy of rules and regulations to enforce accountability; levels of accountability in the government; establishment of performance contracts and performance measurements to clarify accountability in the government. Theoretically, these issues are key elements for measuring accountability in the government.

Structure Model of Accountability Systems

Chi-Square Value = 17.777
 Degree of Freedom = 10
 Probability = 0.059
 CMIN/DF = 1.7
 GFI = 0.98
 AGFI = 0.945
 NFI = 0.95
 TLI = 0.95
 RMSEA = 0.057
 SRMR = .03

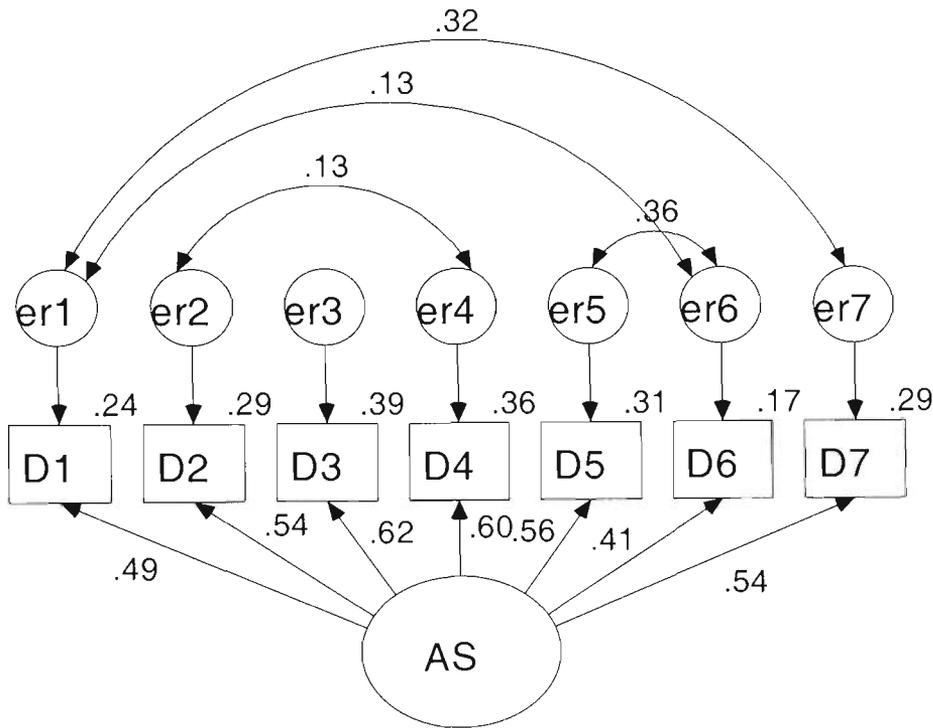


Figure 7.10: Final Model Structure of Accountability Systems

The initial model comprising of the above theoretical variables showed an insignificant result. The results were: chi-square = 70.866, probability = 0.00, CMIN/DF = 5.06, GFI = 0.92, AGFI = 0.84, NFI = 0.80, TLI = 0.75 and RMSEA = 0.131. Though GFI was within the recommendable level, all other parameters were not satisfactory to accept the model. The model was then modified based on the modification indices produced by AMOS, in which the measurement errors were allowed to be correlated. The model improved and all parameters reached a recommendable level (Figure 7.10). The parameters of the modified model were Chi-square = 17.777, degree of freedom = 10, Probability level = 0.059.

CMIN/DF = 1.77, GFI = 0.98, AGFI = 0.945, RMSEA = 0.05, RMSR = .03, TLI = 0.95, and NFI = 0.95, and this was considered the final model of accountability system.

(e) Transparency in Operations

This factor included five (E4, E3, E5, E2, and G13) variables. One way of measuring transparency is to explore the degree of access of information by the general public. The variables addressed the degree of freedom of information and thus assumed a theoretically sound construct for measuring transparency in operations in the government.

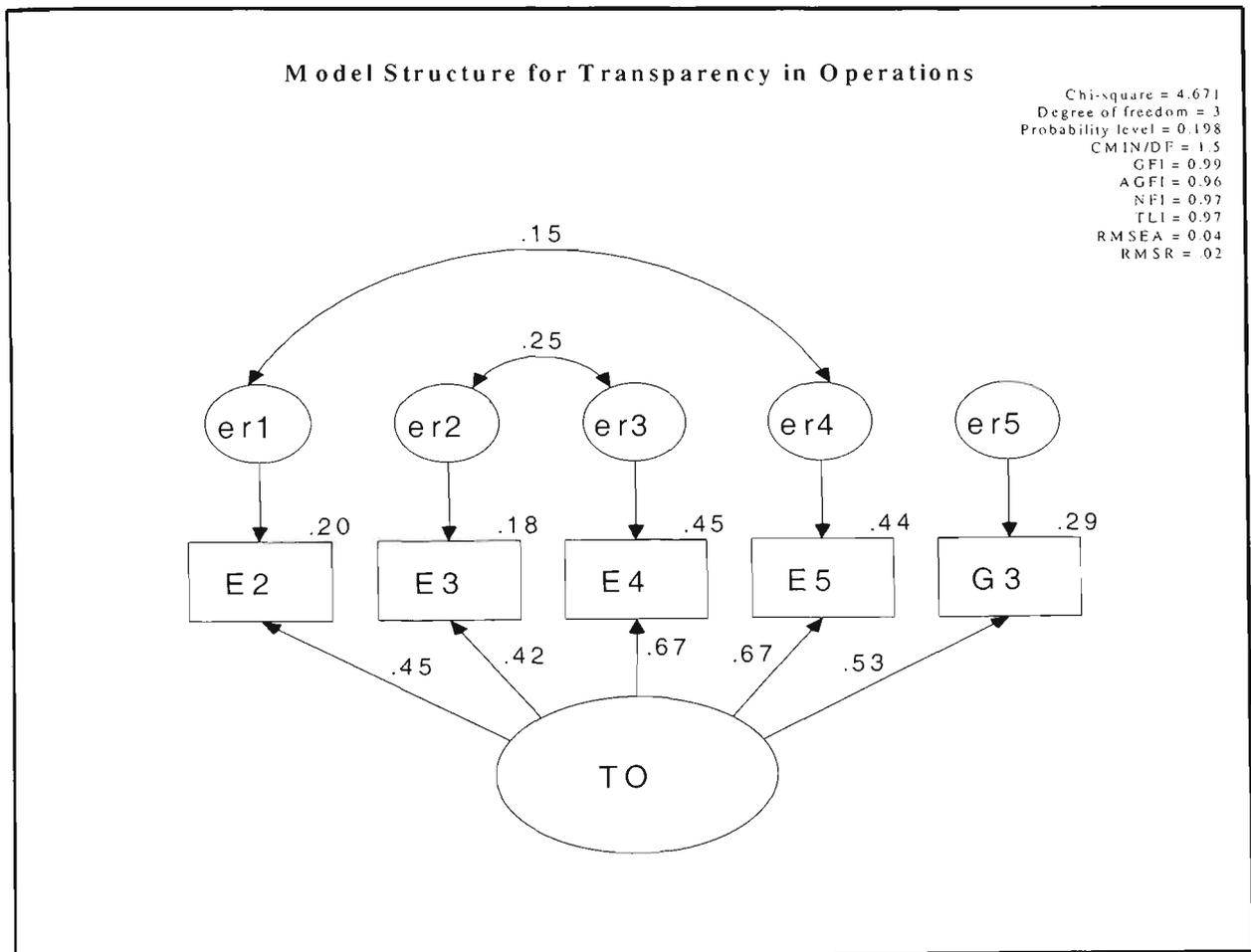


Figure 7.11: Final Model Structure of Transparency in Operations

A model of the above variables was constructed and the parameters examined. The initial model showed chi-square value of 16.786 with probability 0.005. The other parameters

were: GFI = 0.97, AGFI = 0.91, RMSEA = 0.10, CMIN/DF = 3.35, NFI = 0.91, and TLI = 0.88. Although many of the parameters (GFI, AGFI, and NFI) were satisfactory for the construction of a theoretical model, some other parameters such as the chi-square significance (p) value and RMSEA were not satisfactory. The model was modified to best fit the data based on the modification indices produced by the AMOS output and correlation of measurement errors were allowed. The revised model was examined and proved to be theoretical sound as it showed chi-square value of 4.671 with its significance level at 0.198 (Figure 7.11). GFI was 0.99, which was very close to perfect fit parameter of 1.0. Other parameters were: CMIN/DF = 1.55, AGFI = 0.96, RMSEA = 0.48, NFI = 0.97, TLI = 0.97, and RMSR = 0.02. All these parameters were appropriate to finalize the construction of a sound model representing the theoretical conception of transparency.

(f) **Corruption and Ethics**

This factor included five (G8, I13, I16, I17, and I20) theoretically supported variables that explored corruption and ethics in the public service. Education and training, enforcement of rules and regulations, establishment of procedures for whistle blowing, periodically review of programs and expenditure details were some of the measures used to enforce ethical behavior and control corruption.

A model of the above variables was constructed and the initial result showed a satisfactory model structure. The chi-square value was 7.919, degree of freedom = 5, and 0.161 significance level. The other parameters were: GFI = 0.98, AGFI = 0.95, CMIN/DF = 1.58, RMSEA = 0.50, NFI = 0.96, TLI = 0.97 and RMSR = 0.03. There were no offending estimates. All these parameters were within the recommendable level and were sufficient to accept the model (Figure 7.12).

Model Structure for Corruption and Ethics

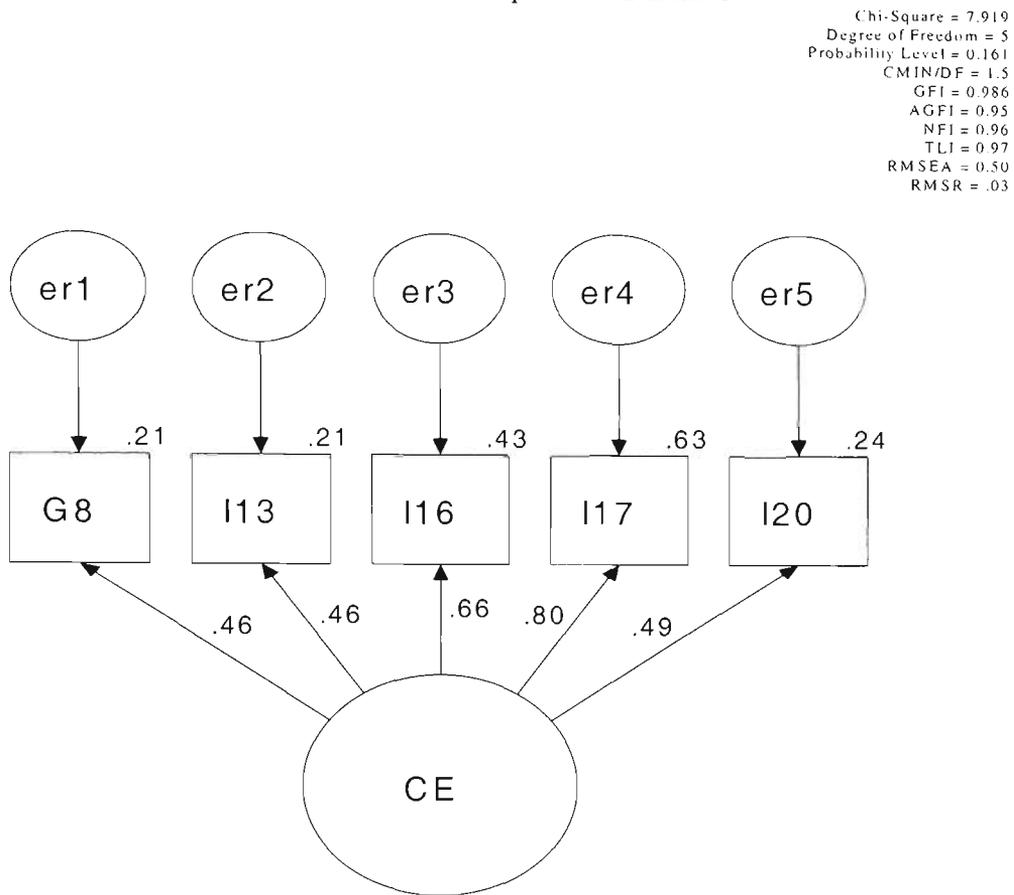


Figure 7.12: Final Model Structure of Corruption and Ethics

(g) Political System

Items representing the political commitment, interest, political influence in the public service and the citizens views about the effectiveness of the public management, such as confidence towards the government, were combined together to measure the political relationships with other factors. A modified model showed (Figure 7.13) a good fit of data. The results were: Chi-square = 8.581, degree of freedom = 6, significance level = 0.199, CMIN/DF = 1.4, GFI = 0.98, AGFI = 0.95, NFI = 0.96, TLI = 0.97, RMSEA = 0.04 and RMSR = .0261. All these parameters suggested the acceptance of a good fit model.

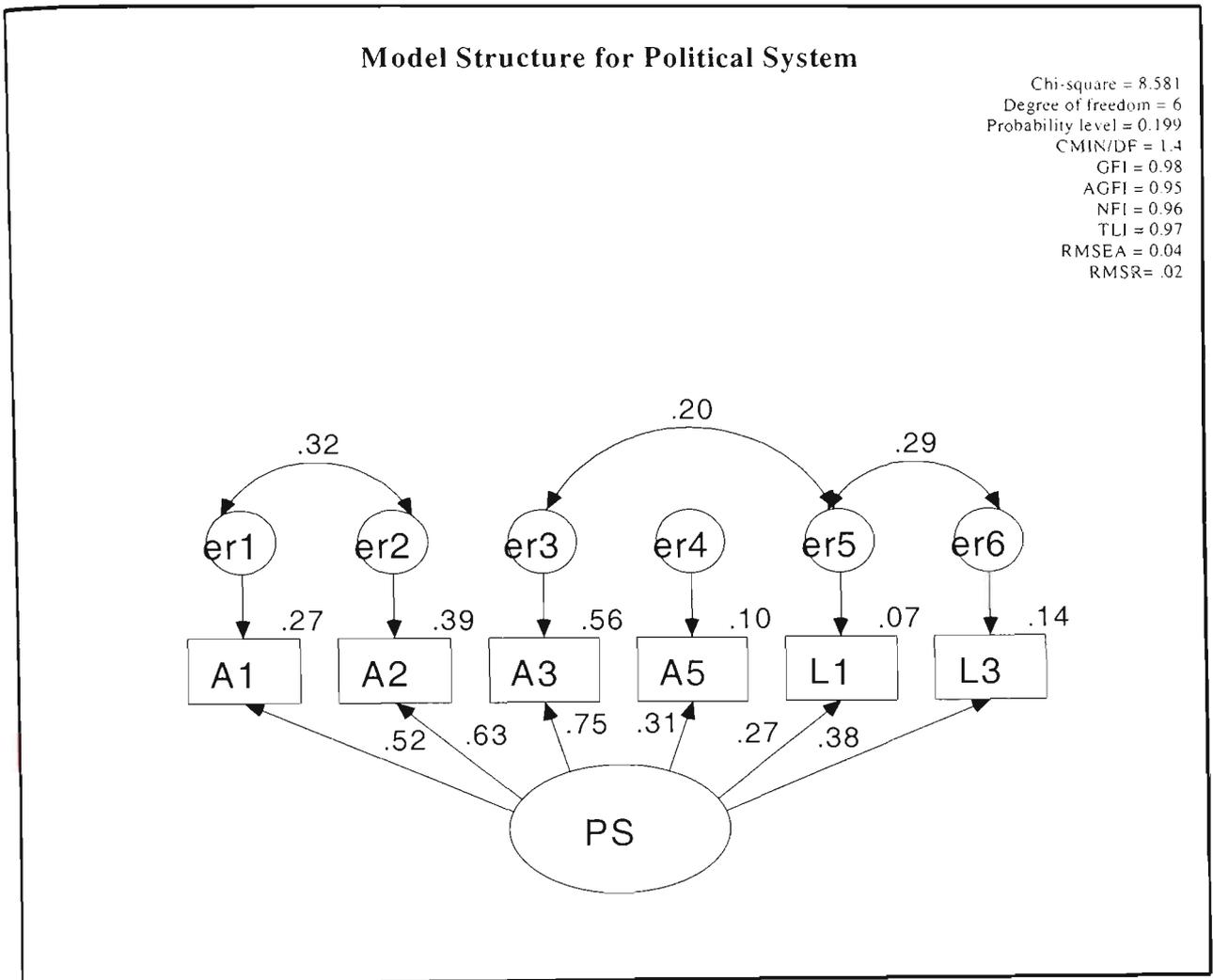


Figure 7.13: Final Model Structure of Political System

The above analysis confirmed that each factor constructed to test the relationship were sound and best fit the data.

7.4.4.4. Relationships between independent factors

The relationship between factors of independent variables was investigated using Pearson product-moment correlation coefficient. It revealed that cost cutting and downsizing had a significant correlation with factors of 'introducing market mechanisms' and 'quality and customer responsiveness' and vice versa (Table 7.41). The factor 'quality and customer responsiveness' also showed a negative correlation with 'performance management system'. The study did not show any significant relationship between 'performance management system' and 'cost cutting and downsizing' and 'introducing market mechanisms'.

Table: 7.41: Pearson correlation between factors of independent variables

| Factors | Cost-cutting and downsizing | Introducing market mechanisms | Quality and customer responsiveness | Performance management systems |
|-------------------------------------|-----------------------------|-------------------------------|-------------------------------------|--------------------------------|
| Cost-cutting and downsizing | 1.000 | | | |
| Introducing markets mechanisms | .317** | 1.000 | | |
| Quality and customer responsiveness | .249** | .141* | 1.000 | |
| Performance management | -.041 | -.023 | -.291** | 1.000 |

Number = 238; ** correlation is significant at the 0.01 level (2-tailed); * correlation is significant at the 0.05 level (2-tailed)

7.4.4.5. Relationships between moderating factors

A test of the relationship between the five factors of the moderating variables was conducted using a Pearson correlation coefficient. The results showed that the accountability system had a significant relationship with factors 'transparency in operations' ($p < .01$), 'ethics and corruption' ($p < .01$) and political systems ($P < .01$) and vice versa. Accountability did not show any significant relationship with financial management systems. The factor 'transparency in operations' showed a negative correlation with financial management systems. The financial management factor did not

show any significant relationship with other factors, with the exception of the factor 'transparency in operations' (Table 7.42).

Table: 7.42: Pearson correlation between factors of moderating variables

| Factors | Accountability systems | Ethics and corruption | Transparency in Operations | Financial Management System | Political system |
|-----------------------------|------------------------|-----------------------|----------------------------|-----------------------------|------------------|
| Accountability systems | 1.000 | | | | |
| Ethics and corruption | .436** | 1.000 | | | |
| Transparency in operations | .294** | .303** | 1.000 | | |
| Financial Management system | -.009 | -.085 | -.138* | 1.000 | |
| Political system | .506** | .442** | .340** | -.041 | 1.000 |

Number = 238; ** correlation is significant at the 0.01 level (2-tailed); * correlation is significant at the 0.05 level (2-tailed)

7.4.4.6. Relationships between independent and moderating factors

The theoretical framework suggested that there exist relationships between the independent and the moderating variables. The theoretical framework assumed that moderating and independent variables are interrelated to each other. In simple term, the following figure explains the hypothesized relationships.

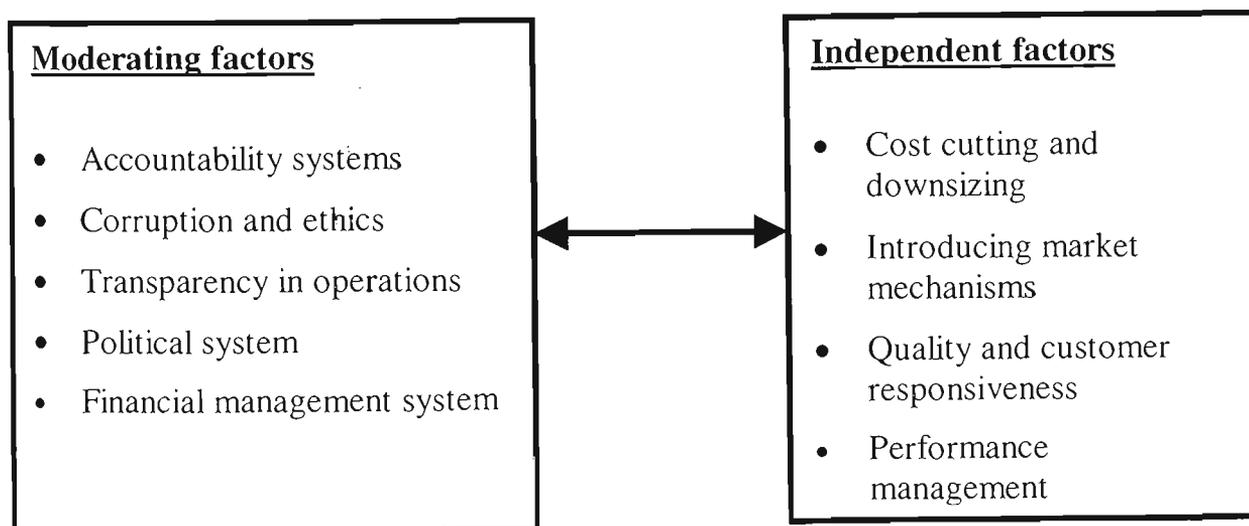


Figure: 7.14: Relationships Between Independent and Moderating Variables

The relationship between moderating and independent variables was explored by using multiple regression. The theoretical reason for using multiple regression was to test whether the moderating variables influence the outcome of independent variables. In other words, it was to test whether the bureaucratic systems (i.e., accountability, transparency, ethics and corruption, and financial management systems) and the political factor significantly contribute to the outcome of cost-cutting and downsizing, introducing market mechanisms, quality and customer responsiveness and performance management. Each of the independent factors was treated as a dependent variable and the factors of moderating variables as predictors. The influence of the political factor was shown separately as the theoretical framework has treated bureaucratic and political factors separately.

(a) Cost cutting and downsizing, and bureaucratic and political system

The multiple regression between cost cutting and downsizing (dependent variable) and the predicting factors measuring bureaucratic systems (accountability systems, ethics and corruption, transparency in operations and financial management system) showed no significant relationship (sig. value = .074). The R Square (.036) value suggested that only about 3.6 percent of variance were explained by the predictor factors. The coefficient values of each predicting factor suggested that the financial management system makes the strongest contribution to explaining the cost cutting and downsizing (Beta = .190) and makes a significant contribution (sig. value = .004) among the other factors (Table 7.43). The higher coefficient tolerance values suggested that the assumption of multicollinearity was not violated. The Mahalanobis distance maximum value of 28.8 was higher than the prescribed critical value of 18.47 for a model of four independent factors (Pallant, 2000), which meant the presence of some outliers. An inspection of the extra file created by the SPSS on Mahalanobis showed three cases exceeding the suggested critical value. Given the size of 238 data size, it would not be unusual for a few outliers to appear.

Table: 7.43: Relationships between cost-cutting and downsizing and factors of moderating variables**Dependent Variable: Cost cutting and downsizing**

Multiple R = .189; R. Square = .036; Adjusted R. Square = .019; Standard Error = .6929; Sig. level = .074; Mahalanobis distance values = minimum=205, maximum=28.8; Mean score = 1.90

| Predicting factors | Analysis of Variance | | | |
|-----------------------------|----------------------|-------|--------------|-----------|
| | Beta | t | Significance | Tolerance |
| Accountability systems | -.029 | -.403 | .687 | .778 |
| Ethics and corruption | .016 | .220 | .826 | .773 |
| Transparency in operations | .048 | .698 | .486 | .862 |
| Financial management system | .190 | 2.919 | .004 | .976 |

The above analysis examined the relationship between moderating variables and the dependent variable, cost cutting and downsizing. Another question was whether the combined moderating variables, political plus bureaucratic systems, would have a greater effect on the dependent variable, i.e., whether the cost cutting and downsizing would be influenced by an addition of a moderating 'political system' factor? To understand this phenomenon, the political factor was included and the results of multiple regression showed a significant relationship (Sig =.021) with cost cutting and downsizing (Table 7.43a). The standardized coefficient (Beta value) suggested that financial management system (beta = .191) and the political system (beta = -.172) contributed strongly to the outcome of cost cutting and downsizing compared to other predictors.

Table: 7.43a: Relationships between cost-cutting and downsizing and factors of moderating variables (including the political factor)**Dependent Variable: Cost cutting and downsizing**

Multiple R = .235; R. Square = .055; Adjusted R. Square = .035; Standard Error = .6873; Sig. level = .021; Mahalanobis distance values = minimum.382, maximum=30.319; Mean score = 1.90

| Predicting factors | Analysis of Variance | | | |
|-----------------------------|----------------------|--------|--------------|-----------|
| | Beta | t | Significance | Tolerance |
| Accountability systems | .032 | .407 | .685 | .678 |
| Ethics and corruption | .057 | .762 | .447 | .725 |
| Transparency in operations | .077 | 1.097 | .274 | .833 |
| Financial management system | .191 | 2.955 | .003 | .976 |
| Political system | -.172 | -2.193 | .029 | .660 |

(b) The relationships between 'Quality and customer responsiveness' and moderating factors

Table 7.44 suggested that there exists a significant relationship (Sig. value = 000) between 'quality and customer responsiveness' and other factors describing the bureaucratic moderating variables. Among the factors, financial management system showed a strong positive relationship predicting 27 percent of the outcome of the dependent factor. It means that the stronger the financial management system, the greater the quality and responsive of services. The study also showed that ethics and corruption factor (sig. value = .004), contributed significantly to the outcome of quality and customer responsiveness, while the accountability (sig. value = .084) and transparency (sig. value = .067) did not show a significant relationship with quality and customer responsiveness factor (Table 7.44).

Table: 7.44: Relationships between quality and customer responsiveness and factors of moderating variables

Dependent Variable: Quality and customer responsiveness

Multiple R = .445; R. Square = .198; Adjusted R. Square = .184; Standard Error = .4976; Sig. level = .000; Mean score = 2.03

| Predicting factors | Analysis of Variance | | |
|------------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Accountability systems | -.116 | -1.738 | .084 |
| Ethics and corruption | -.194 | -2.907 | .004 |
| Transparency in operations | -.116 | -1.840 | .067 |
| Financial management systems | .273 | 4.590 | .000 |

When the political factor was added in the model (Table 7.44a), it showed that the model explained 25 percent (R Square = .257) of variance of the quality and customer responsiveness. The standardized coefficient Beta value suggested that the political factor (Beta = -.29) contributed strongly to the outcome of quality and customer responsiveness followed by financial management systems (Beta = .27). The ethics and corruption factor did not show significant contribution when the political factor was included in the model.

This meant that the political factor played a significant role in explaining the outcome of quality and customer responsiveness.

Table: 7.44a: Relationships between quality and customer responsiveness and factors of moderating variables (including the political factor)

Dependent Variable: Quality and customer responsiveness
 Multiple R = .507; R. Square = .257; Adjusted R. Square = .241; Standard Error = .4799; Sig. level = .000; Mean score = 2.03

| Predicting factors | Analysis of Variance | | |
|-----------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Accountability systems | -.010 | -.141 | .888 |
| Ethics and corruption | -.123 | -1.846 | .066 |
| Transparency in operations | -.067 | -1.082 | .280 |
| Financial management system | .274 | 4.783 | .000 |
| Political system | -.299 | -4.296 | .000 |

(c) The relationships between moderating variables and ‘introducing market mechanisms’

Table 7.45 suggested that that there exists a significant relationship (sig. value = .012) between moderating factors and the dependent factor, i.e., introducing market mechanisms. The results suggested that financial management system had the strongest influence (Beta = .148) compared to other factors. Accountability (sig. value = .493), ethics and corruption (sig. value = .231) and transparency in operations (sig. value = .075) did not show significant relationship with ‘introducing market mechanisms’.

Table: 7.45: Relationships between introducing market mechanisms and factors of moderating variables

Dependent Variable: Introducing market mechanisms
 Multiple R = .231; R. Square = .054; Adjusted R. Square = .037; Standard Error = .4952; Sig. level = .012; Mean score = 1.95

| Predicting factors | Analysis of Variance | | |
|-----------------------------|----------------------|-------|--------------|
| | Beta | t | Significance |
| Accountability systems | .050 | .687 | .493 |
| Ethics and corruption | .087 | 1.201 | .231 |
| Transparency in operations | .123 | 1.791 | .075 |
| Financial management system | .148 | 2.295 | .023 |

When the political factor was added to the model, the combined moderating variables also contributed significantly (Sig. value = .018) to the outcome of introducing market mechanisms in the public sector. Only the financial management factor contributed significantly while other factors did not show any significant contribution to the prediction of introducing market mechanisms (Table 7.45a).

Table: 7.45a: Relationships between introducing market mechanisms and factors of moderating variables (including the political factor)

Dependent Variable: Introducing market mechanisms

Multiple R = .238; R. Square = .057; Adjusted R. Square = .036; Standard Error = .4954; Sig. level = .018; Mean score = 1.95

| Predicting factors | Analysis of Variance | | |
|-----------------------------|----------------------|-------|--------------|
| | Beta | t | Significance |
| Accountability systems | .025 | .324 | .746 |
| Ethics and corruption | .071 | .942 | .347 |
| Transparency in operations | .112 | 1.596 | .112 |
| Financial management system | .148 | 2.289 | .023 |
| Political system | .069 | .882 | .379 |

(d) Relationships between performance management and moderating variables

The multiple regression analysis between moderating factors and the factor 'performance management' showed a significant relationship (sig. value = .000). The R square value of .205 suggested that the moderating factors explained about 20.5 percent of the variance in the dependent factors. Ethics and corruption showed the strongest relationship (Beta=.227) followed by accountability (Beta = .203) and financial management system (Beta = -.136). Transparency in operations did not show any significant relationship with performance management (Table 7.46)

Table: 7.46: Relationships between performance management and factors of moderating variables**Dependent Variable: Performance management**

R = .453; R. Square = .205; Adjusted R. Square = .191; Standard Error = .7607

Sig. level = .000; Mean score = 3.50

| Predicting factors | Analysis of Variance | | |
|-----------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Accountability systems | .203 | 3.068 | .002 |
| Ethics and corruption | .227 | 3.413 | .001 |
| Transparency in Operations | .116 | 1.845 | .066 |
| Financial management system | -.136 | -2.300 | .022 |

When an addition of the political factor was made to the model, it also showed that the moderating variables contributed significantly to the outcome of performance management. The analysis of the standardized coefficient beta value suggested that accountability (Beta = .210), ethics and corruption (Beta = .232) and financial management system (Beta = -.136) contributed significantly in explaining the variance of performance management (Table 7.46a). The political system did not contribute significantly to the outcome of performance management.

Table: 7.46a: Relationships between performance management and factors of moderating variables (including the political factor)**Dependent Variable: performance management**

Multiple R = .453; R. Square = .205; Adjusted R. Square = .188; Standard Error = .7622; Significant level = .000; Mean score = 3.50

| Predicting factors | Analysis of Variance | | |
|-----------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Accountability systems | .210 | .2957 | .003 |
| Ethics and corruption | .232 | .3368 | .001 |
| Transparency in operations | .119 | .1860 | .064 |
| Financial management system | -.136 | -2.294 | .023 |
| Political system | -.020 | -.277 | .782 |

The above analysis showed that moderating variables (factors) do have a significant relationship with independent factors. It meant that accountability, ethics and corruption,

transparency in operations, financial management systems, and political systems influence the outcome of cost cutting and downsizing, quality and customer responsiveness, introducing market mechanisms and the performance management.

The theoretical framework assumed that there exists a two-way relationship between the moderating and independent factors. In other words, do cost cutting and downsizing, quality and customer responsiveness, introducing market mechanisms, and performance management influence the outcome of political system, accountability, transparency, ethics and corruption and financial management systems? With a view to understanding the relationships between independent and moderating factors, multiple regression was performed treating each of the moderating factors as first a dependent factor and second independent factors as predicting factors. The following presents the analysis of multiple regression.

(e) The relationships between independent factors and the political system

The study showed a significant relationship (sig. value = .000) between independent factors and a moderating factor of political system (Table 7.47). It meant that the political system is influenced by the NPM variables. The study of the coefficient value of each predictor suggested that cost cutting and downsizing had no significant relationship, while the other three factors contributed significantly to the outcome of political system. The higher collinearity tolerance suggested that the assumption of multicollinearity was not violated, but the mahalanobis distance value of 30.254 suggested the appearance of outliers. An inspection of mahalanobias file created by SPSS showed only two cases higher than the 18.47 value (the suggested value for four independent factors), which was not unusual given the size of the data base.

Table: 7.47: Relationships between independent factors and political system**Dependent Variable: Political System**

R = .465; R. Square = .217; Adjusted R. Square = .203; Standard Error = .5058; Significant level = .000; Mahalanobis distance value: minimum = .237, maximum = 30.254; Mean score = 3.53

| Predicting factors | Analysis of Variance | | | |
|-------------------------------------|----------------------|--------|--------------|-----------|
| | Beta | t | Significance | Tolerance |
| Cost cutting and downsizing | -.089 | -1.416 | .158 | .856 |
| Quality and customer responsiveness | -.364 | -5.808 | .000 | .855 |
| Introducing market mechanisms | .227 | 3.708 | .000 | .895 |
| Performance management systems | .130 | 2.147 | .033 | .914 |

(f) The relationships between independent factors and the 'accountability system'

Table 7.47a showed that NPM elements (independent factors) contributed significantly (Sig. value = .000) to the outcome of bureaucratic factor, accountability. The beta value of the predicting factors showed that performance management (beta value = .290), introducing market mechanisms (beta value = .155) and quality and customer responsiveness (beta value = -.173) contributed significantly to the outcome of accountability, by explaining 29 percent, 15 percent and 17 percent of the variance respectively.

Table: 7.47a: Relationships between independent factors and the accountability system**Dependent Variable: Accountability Systems**

R = .397; R. Square = .158; Adjusted R. Square = .143; Standard Error = .5858
Significant level = .000; Mean score = 3.50

| Predicting factors | Analysis of Variance | | | |
|-------------------------------------|----------------------|--------|--------------|-----------|
| | Beta | t | Significance | Tolerance |
| Cost cutting and downsizing | -.004 | -.058 | .953 | .856 |
| Quality and customer responsiveness | -.173 | -2.660 | .008 | .855 |
| Introducing market mechanisms | .155 | 2.432 | .016 | .895 |
| Performance management systems | .290 | 4.618 | .000 | .914 |

(g) The relationships between independent factors and the financial management system

Table 7.47b showed that independent factors contributed significantly (Sig. value = .000) to the outcome of bureaucratic variables 'financial management system'. The results of the multiple regression showed that quality and customer responsiveness factor of the independent variable only contributed significantly to the outcome of financial management system and explained about 25 percent of the total variance of the financial management factor.

Table 7.47b: Relationships between independent factors and the financial management system

Dependent variable: Financial management system

R = .342; R. Square = .117; Adjusted R. Square = .102; Standard Error = .6299; Sig. level = .000; Mean score = 1.71

| Predicting factors | Analysis of Variance | | |
|-------------------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Cost cutting and downsizing | .100 | 1.498 | .136 |
| Quality and customer responsiveness | .245 | 3.685 | .000 |
| Introducing market mechanisms | .055 | .844 | .399 |
| Performance management systems | -.096 | -1.494 | .137 |

(h) The relationships between independent factors and 'ethics and corruption'

Table 7.47c showed that independent factors contributed significantly (Sig. value = .000) to the outcome of ethics and corruption. The results showed that 'quality and customer responsiveness', 'introducing market mechanisms' and performance management system showed a significant relationship to the outcome of dependent variable, ethics and corruption. Performance management system contributed strongly by explaining 29 percent of the total variable, followed by quality and customer responsiveness (beta value = .24) and introducing market mechanisms (beta value = .18)

Table 7.47c: Relationships between independent factors and ethics and corruption**Dependent Variable: Ethics and corruption**

R = .451; R. Square = .204; Adjusted R. Square = .190; Standard Error = .5937; Sig. level = .000; Mean score = 3.46

| Predicting factors | Analysis of Variance | | |
|-------------------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Cost cutting and downsizing | .022 | .348 | .728 |
| Quality and customer responsiveness | -.246 | -3.886 | .000 |
| Introducing market mechanisms | .168 | 2.712 | .007 |
| Performance management systems | .295 | 4.827 | .000 |

(i) The relationships between independent factors and transparency in operations

Table 7.47d showed that independent factors contributed significantly (Sig. value = .000) to the bureaucratic factor, transparency in operations. The results showed that 'quality and customer responsiveness', 'introducing market mechanisms', and performance management system showed a significant relationship with transparency in operations. The factor, quality and customer responsiveness showed a strong relationship compared to other factors contributing 21 percent of the variance.

Table: 7.47d: Relationships between independent factors and transparency in operations**Dependent Variable: Transparency in Operations**

R = .364; R. Square = .132; Adjusted R. Square = .117; Standard Error = .6634; Sig. level = .000; Mean score = 3.38

| Predicting factors | Analysis of Variance | | |
|-------------------------------------|----------------------|--------|--------------|
| | Beta | t | Significance |
| Cost cutting and downsizing | .027 | .411 | .681 |
| Quality and customer responsiveness | -.217 | -3.295 | .001 |
| Introducing market mechanisms | .170 | 2.637 | .009 |
| Performance management systems | .205 | 3.207 | .002 |

The above analysis showed that independent factors (cost cutting and downsizing, quality and customer responsiveness, introducing market mechanisms, and performance management systems) collectively contributed significantly to the outcome of moderating factors (political and bureaucratic systems). This evidence suggested that there exist a two-way relationship between moderating and independent factors. This confirmed the assumption made in the theoretical framework that moderating variables influence the outcome of independent variables and vice versa.

Looking at the contribution made by the individual independent factor, one interesting finding was that cost cutting and downsizing did not show any significant relationship with any of the moderating factors (political system, accountability, transparency, ethics and corruption and financial management system). Whereas the 'quality and customer responsiveness', 'introducing market mechanisms' and 'performance management' showed significant relationships with the political system, accountability systems, ethics and corruption and transparency in operations.

7.5 Conclusions

This chapter presented the results of the study. It disclosed that 408 questionnaires were distributed and 238 respondents participated in this research. The response rate was 58 percent. It presented the demographic profiles of the respondents.

The main objective of this research was to find the applicability of NPM to developing countries. To address this important phenomenon, this research analyzed the data using descriptive statistics, means, frequencies and percentages. Items that answered each research question were grouped together and analyzed. The results of the study supported the following conclusions:

1. Cost cutting and downsizing is relevant to Nepal because the respondents showed its usefulness and need for the government of Nepal. The overall mean value of items

measuring cost cutting and downsizing (1.90) indicated strong support for downsizing and cost cutting.

2. The concept of agency is an appropriate policy intervention that could be introduced in Nepal. However, there is a need for creating an awareness among the people of the country about the usefulness of an agency model structure.
3. The use of separation of policy from operation did not receive support from the respondents. The mean score was 3.47.
4. Decentralization of management authority should be used to improve performance in the government. The mean score for items answering the theoretical question established in the theoretical framework was 2.08.
5. This study found support for the contention that the government should introduce market mechanisms in the public sector.
6. The performance management system was found to be less useful because of its practical difficulties, such as defining mission, performance measures and indicators.
7. While there appeared to be support for establishing a Senior Executive Service, a performance-based pay structure and hiring officials on the basis of merit principles, this study showed that respondents did not fully support hiring senior officials on a contractual basis.
8. The use of service standards was supported and found to be helpful in improving performance.

Furthermore, a t-test analysis was performed to find out any significant differences in responses between government employees and stakeholders. The t-test analysis further added strength to the above findings. Some of the important findings of the t-test was as follows.

- The stakeholder group, compared to the government officials, strongly believed that the government is overstaffed and needs downsizing.

- The government employees showed stronger support for introducing one-stop shops compared to stakeholders.
- The stakeholders compared to government employees strongly supported the need for privatization and believed that the service provided by the private sector is more efficient than the public sector. In contrast, the government employees rated strongly that the role of the government should be providing the core functions and that services that can be better handled by the private sector should be commercialized.
- The stakeholders were found to be more enthusiastic for establishing a Senior Executive Service and hiring those officials on contracts than the employees of the government.
- The stakeholders compared to the employees of government more strongly rated that quality of services provided by the government as poor.

A chi-square test was conducted to find any significant differences in responses because of differences in demographic variables. This study gave some important findings, which are worth summarizing here.

- The special class officer (executive level) recorded strong support for cost cutting and downsizing and introducing one-stop shops compared to other employees. They also argued more strongly than other employees that there is no legal framework to guide the ethical conduct and behavior of public service employees; and that administrative rules and regulations do not define the accountability of the public service employees.
- The third class officer (52%) argued strongly that there exists rules and regulations to enforce accountability in the government, whereas this was only agreed with by 26 percent of the special class officers.
- The employees grouped under 'others' (comprising employees other than government employees) category opined more strongly than employees of other position levels, that coordination among the government agencies was weak; there is no legal framework that guides the behavior and conduct of the public service employees.

Respondents in this category were also least likely to believe that Agency Heads are accountable for the use/misuse of funds. This group gave the lowest agreement to the belief that the government has rules and regulation to control corruption.

- The special class and first class officers were more in support of privatization than other levels employees.

This research also explored the significant relationship between the educational levels of respondents and the NPM measuring items. The findings of this study are summarized below.

- The Ph.D holders were found to have less agreement with introducing market mechanisms in the public sector compared to the respondents of BA and MA holders. On issues of downsizing and cost cutting, the Ph.D holders disagreed more than other employees. Similarly, on an issue that regional offices are there 'just to show agency's representation', the Ph.D holders disagreed more strongly compared to other employees.
- While the results of the study showed a general consensus that the accountability system was weak in the country, fewer Ph.D. holders believed that there exist rules and regulations to enforce accountability in the government compared to other employees.
- On issues of introducing contractual arrangement in the higher level positions, the Ph.D. holders disagreed more strongly compared to other employees.
- On issues of ethics and corruption, more Ph.D. holders were found to believe that there exist regulations establishing sanctions to control corruption compared to other employees.
- On issues of improving quality and customer responsiveness, the Ph.D holders strongly believed that introducing service standards would improve the quality of service compared to other employees.

One of the main aims of the research was also to evaluate the inherited bureaucratic and political environment in the country. Some of the important findings are as follows:

- The government in practice was found to be more centralized than decentralized in its operations.
- The accountability system was found to be poor. The overall mean score for items measuring the accountability system was found at 3.50, which showed the poor accountability in the government.
- The study revealed a lack of transparency in the government. Mean value for items measuring the transparency stood at 3.38; showing that ensuring a transparent system is a problem in Nepal.
- The ethical environment in Nepal was found to be poor. The problems confirmed by this research for this outcome were lack of political commitment to enforce ethical behavior in the government, lack of education and training of public service employees on ethical issues, absence of an independent institution to guide and counsel the public service employees on ethical behavior and the lack of clarity in the administrative rules and regulations on matters of ethical behavior.
- The measures controlling the corruption in Nepal was also found to be poor. The major problems were lack of strict enforcement of anti-corruption regulations, training and education on corruption implications, and ineffectiveness of government institutions responsible for curbing corruption.
- The results of the study found support for a results-based budgeting system in Nepal. However, the existing financial management system was found to be poor in Nepal. This study confirmed that there are weaknesses in the planning, implementation and reporting mechanisms.
- It was also found that the capacity of the government to implement reform programs is weak and endorsed the need for external donor agencies to support planning and implementing the reform programs.
- The political system was found to be a constraint for the implementation of NPM reforms. The results of the study revealed the lack of confidence in the government,

excessive political intervention in the public service, lack of commitment, poor service quality and an ineffective public management system.

Another important area of research was to test the relationships between the variables. Factor analysis was used to help construct a consistent scale for the purpose of exploring relationships among theoretical construct factors. Four factors of independent variables and five factors of moderating variables were extracted for the purpose of testing the relationships in this study. The extracted factors were valid and consistent and met the minimum cronbach alpha ($\alpha > .60$) requirements prescribed in the academic literature. The factors were tested using the structural equation modeling to ensure that the data best fit the model, and this confirmed that the models were sound and workable.

A simple Pearson correlation was used to measure the relationships among the factors of the independent variable. The results of the study showed that 'cost cutting and downsizing', 'introducing market mechanisms', 'quality and customer responsiveness' are inter-related to each other. Factors 'performance management system' and 'quality and customer responsiveness' are also interrelated to each other. These findings confirmed the theoretical proposition that NPM elements are interrelated to each other. In other words, it confirmed that there exists a significant relationship among the factors of the independent variable.

Similarly, a simple Pearson correlation was used to measure the relationships among the factors of the moderating variables. It was found that the factors, 'accountability system', 'ethics and corruption', 'transparency in operations' and 'political system' are inter-related to each other. The 'financial management system' factor showed a relationship with the factor 'transparency in operations'. The results of this study confirmed the theoretical proposition that moderating variables are inter-related to each other. This confirmed that there exists a significant relationship among the factors of the moderating variables.

Having confirmed the relationships among the variables of independent and moderating factors, another important theoretical proposition was to test the relationships between independent and moderating variables. This study was important to confirm whether the moderating variables influence the outcome of independent variables. In other words, it was to address whether the 'political system', 'accountability system', 'transparency system', 'ethics and corruption' and the 'financial management system' influence the outcome of 'cost cutting and downsizing', 'introducing market mechanisms', 'quality and customer responsiveness' and 'performance management'.

Multiple regression was used to explore the relationship between independent and moderating factors. Each of the independent factors was treated as a dependent variable and the moderating variables as predictors. This analysis showed that the factors of the moderating variables significantly contribute to the outcome of 'cost cutting and downsizing', 'quality and customer responsiveness', 'introducing market mechanisms' and 'performance management'. This confirmed that there exist a significant relationship between the factors of moderating and independent variables.

Was there a one-way or two-way relationship between independent and moderating factors? In other words, whether 'cost cutting and downsizing', 'introducing market mechanisms', 'quality and customer responsiveness' and 'performance management' influences the outcome of 'political system', 'transparency system', 'accountability system', 'ethics and corruption' and the 'financial management system'. To investigate this relationship, a multiple regression was used. Each moderating factor was treated as dependent variable and factors of independent variable as predictors. The results of this study found that 'political system', 'financial management system', 'accountability system', 'ethics and corruption', and 'transparency in operations' are also influenced by the factors of independent variable. This confirmed that there exists a two-way relationship between the factors of independent and moderating variables.

A combination of statistical techniques helped in analyzing the data and drawing conclusions about the research questions. The results are substantial, as they have

confirmed the theoretical propositions established in the theoretical framework of this study. The results also provided substantial practical significance, because the results addressed many practical aspects of public management reforms that are relevant and useful for future reforms in Nepal.

A detailed discussion on the results of the study is presented in the next chapter.

CHAPTER VIII

DISCUSSION

8.1. Introduction

The previous chapters II, III, and IV reviewed literature on the research subject. Chapter V presented the theoretical framework followed by the research design and methodology in VI. Chapter VII presented the results of the research. This chapter aims at discussing the findings of the research.

The discussion concentrates on two major issues. First, the practical aspects of the results are discussed. How did respondents feel about the public management systems in Nepal? What do the results mean to the government of Nepal? What conclusions can be reached from the results? These issues are explored. Second, the discussion concentrates on the contribution of this study to knowledge. The results are compared with existing theories on the subject and analyzed. A relationship between the existing theories and the results is established and explained. Since the aim of this research is to test the applicability of NPM theories to developing countries, based on the findings of this study, the study drew some conclusions about the applicability of these theories.

This chapter is organized into 14 sections. Section 8.2 discusses the sample population. Section 8.3 discusses the findings on 'cost cutting and downsizing' followed by 'introducing agencies' in section 8.4. The findings related to 'decentralization of management authority' and 'split of purchaser and provider' are discussed in sections 8.5 and 8.6 respectively. The results on 'introducing market mechanisms' (section 8.7), 'performance management (section 8.8)', 'new personnel systems (section 8.9)', and 'quality and customer responsiveness (section 8.10)' are then presented and discussed. Section 8.11 presents the results on each element of bureaucratic systems, and section 8.12 discusses the political systems. Section 8.13 discusses the theoretical framework and

established relationships among the variables. Section 8.14 presents the lessons and recommendations and section 8.15 makes some concluding remarks on this chapter.

8.2. Description of sample population

The analysis of occupation, levels, education, experience and age of the respondents revealed a 'respectable' composition of the sample population. The occupational distribution of 65 percent civil servants and 35 percent stakeholders including politicians was a desired composition for this study. Since the middle and senior level employees accounted for about 67 percent of the total respondents, it could be argued that the sample population represented mostly senior mature high level employees. More than 90 percent of respondents were composed of masters and above degrees (masters (83.5%) and Ph.D (10.4%) degrees), and that indicated that the sample population was composed of knowledgeable individuals. Only 11 percent of respondents had service experience of less than 10 years, and that indicated that most of the respondents had long experience in their profession. The mean age was 40-45, which again showed the maturity of the sample population.

Looking at the demographic characteristics of the sample population, it could be concluded that sample population was composed of qualified, experienced and matured senior level employees and individuals representing government and non-government organizations. The sample population could be considered 'respectable' or 'good' for the type of research pursued. Responses received from such a 'respectable' sample population can be accounted sufficient evidence for us to believe in the quality of the results of this study.

8.3. Cost cutting and downsizing

The study revealed a general consensus that the government was overstaffed; there was a need to streamline the size of the government; and expenditure needs to be reduced. It

was revealed that there was duplication of functions among the various government agencies. It was also revealed that the government was involved in activities that, in the opinion of the respondents need not necessarily be provided by the government (refer Table 7.3). The overall mean value for downsizing and cost cutting factor (factor used to test the relationship) based on five items was 1.90 (Table 7.43), and this showed that there was an overall consensus from respondents that downsizing was necessary in Nepal.

These results seemed to be agreed by both government employees and stakeholders because the t-test analysis showed no significant difference on six out of seven items measuring the issues of cost cutting and downsizing. The t-test analysis showed a significant relationship on only one item, 'the government in Nepal is excessively overstaffed'. An inspection of mean values indicated that stakeholders rated more highly (M=1.67) that the government was overstaffed compared with civil servants (M=1.95; Table 7.19).

Was there any significant difference in response influenced by the position levels, education and age of the respondents? The chi-square test showed a significant relationship between position levels and one item, 'the government must cut down its expenditure' (Table 7.35). An inspection of the percentage distribution between various levels of respondents showed that 76 percent of first class officers agreed to cutting down government expenditure compared to 95 percent of special class (executive level) officers (Table 7.35a). This suggested that the senior executives held stronger views that the expenditure of government needs to be reduced compared to first, second and third class officers.

The age of the respondents also showed a significant relationship with the same item. The range of percentages for agreement was found to be between 72.7 (56 years and above) – 100 percent (25-30 years), and for disagreement it was 0.0 percent (25-30 years) – 23 percent (41-45 years). This showed that young respondents felt that government should cut down its expenditure more than the respondents who were in the age bracket of 41-45

years. The education of respondents did not show any significant relationship, which meant that respondents probably viewed it similarly.

These findings were consistent with official reports (ARC, 1992; DFID, 1997; Mahat, 2001) that have concluded that the public sector in Nepal was overstaffed and needs downsizing. They also confirmed the overall belief among the bureaucrats that government needs downsizing. These results are in agreement with Agrawal (2000) that human resources in Nepalese organizations have remained grossly underutilized. These findings suggest that downsizing and cost cutting should be an important policy measure for reforming the public sector in Nepal. It was also an indication that government would receive support for this policy from its employees and stakeholders, as they agreed to it.

The bloated bureaucracy in Nepal was the result of the 'welfare state' conception that prevailed in the 1960s and 70s in developed and developing countries. With a view to providing services to citizens, government in Nepal virtually intervened in all sectors of the economy as in all other countries. A total of 59 state owned enterprises (SOEs) were established by the end of Fifth Plan (1975-80), and these organizations became predominantly active actors in industrial and commercial sectors (Basyal, 2001). Government was thought to be the first job provider. The public sector also became a ground for rewarding political patronage in Nepal. All these contributed to expanding the size of public sector, and the number of civil service in Nepal expanded enormously and exceeded 100 thousands by 1991 (ARC, 1992). It was the Eighth Plan (1992-97) that shifted the focus to sustained economic development through the adoption of a market-oriented liberal economic system, a realization that government roles need to be revisited and the belief that downsizing was important to make government effective and efficient.

Thereafter, cost cutting and downsizing was realized as an important tool for streamlining the public sector. For example, the report of Administrative Reform Commission in Nepal (1992) noted the need for reducing 25 percent of civil service. In a same way, the Public Expenditure Review Commission (2000) questioned the existence of many regional and district level offices including some central level ministries on the ground of

duplication of functions between ministries and agencies and suggested abolition of many district and regional offices. Some results have also been achieved as well. The reduction of ministries from 26 to 21, amalgamation of departments, elimination of more than 1000 positions, introduction of a buyout scheme to reduce the number of employees and costs (MOF, 2001), and incorporation of recommendations of Expenditure Review Commission in the annual budget of 2001-2002 for further streamlining and restructuring the government were some examples of downsizing in Nepal. The results showed that the initiatives taken by the government towards downsizing were correct.

The literature reviewed suggested that cost cutting and downsizing was one of the elements of NPM (Armstrong, 1998a; Atreya, 2000a; Hood, 1991; Pollitt, 1995). The justification for it came from the budgetary pressures and the needs for governments to 'do more with less' (Hood, 1991). As a result many countries including United Kingdom, USA, Australia, New Zealand used this reform measure and downsized their governments by reducing the number of employees, ministries and departments (Boston et al., 1996; Gore, 1993; Kemp, 1998a; NPR, 1999; Wilson, 1999). This study confirmed support for the downsizing activities that have been done in developing countries as well and the theoretical justifications forwarded for cost cutting and downsizing for making governments effective. This is in agreement with the principle of the World Bank and the International Monetary Fund that downsizing the public service was important in developing countries to make government effective (Lienert and Modi, 1997). The findings of this study endorsed the downsizing and cost saving component of the 'first generation of reform' and 'second generation of reform' led by the donor agencies in an attempt to strengthening the public service in developing countries since the 1980s.

Even though the governments of developed and developing countries have implemented downsizing and cost cutting measures to strengthen the public service and reduce budget deficits, there are many problems with this policy measure. The literature reviewed showed some success stories of downsizing such as in Uganda, Ghana (McCourt, 1998a) and Jamaica (Tindigarukayo and Chadwick, 1999) but at the same time some countries, such as Kenya and Zambia had little success from downsizing (Lienert and Modi, 1997;

Wescott, 1999a). It was also argued that the results of downsizing increased social costs and inequality (Halligan, 1997b), lost morale, prestige and respect of employees, and promoted insecurity in the public service (Savoie, 1998). The economic benefits from downsizing are only achieved when the surplus manpower are utilized in other sectors of the economy, either by employment in the private sector or by self involvement in income generating activities. The problem of downsizing is severe in developing countries because the private sector may not be able to absorb the redundant employees. Therefore, downsizing needs to be planned properly taking into account the social and economic benefits derived from downsizing.

Despite the many operational difficulties of downsizing, it has to be acknowledged that the situation in developing countries is often characterized by an overly bloated bureaucracy and that downsizing is important to improve the productivity and morale of employees as overstaffing has lowered the capacity of the government to provide public servants with adequate salaries and facilities. Making governments right-sized is important in developing countries, including Nepal. This study, therefore, has shown a general consensus that downsizing has to be an important instrument in public management reforms.

All these explanations support the conclusion that the concepts of cost cutting and downsizing are relevant to Nepal.

8.4. Introducing agencies

The overall findings on the issue of introducing an agency structure in Nepal are positive. The conclusion of this study could be summarized as follows:

The concept of an agency structure is an appropriate policy intervention that could be introduced in Nepal. However the government needs to familiarizing its concepts and usefulness to the stakeholders. Both stakeholders and government employees (the majority) were in agreement on the applicability of an agency model in Nepal. The

government employees showed stronger support for introducing one-stop shops compared to stakeholders. Differences among the position levels of employees showed that the special class officers (executive level), compared with other position levels, exhibited stronger support for the introduction of one-stop shops at the regional and district levels. The majority of the respondents questioned the value of having separate offices for central level departments at the regional and district levels. Only the 29 percent of the Ph.D holders agreed. The mean score on items measuring the applicability of agency structure was 2.44.

The above findings provided a significant message to the government that the numerous offices in district and regional levels could be brought under the umbrella of an agency (office) to streamline the operations of the government. The support for agency also suggested a desire for more autonomy. These findings revealed congruence with the report of the Public Expenditure Review Commission (2000), that suggested consolidation of various offices providing similar types of services into an agency or one-stop type of organization.

The results of the study endorsed the philosophy of establishing agencies and their merits addressed by Kettl, (2000b), Laffin (1997), Osborne & Gaebler (1992) and White (1985), as discussed in Chapter 2.8.2. They also supported the argument that large bureaucratic organizations were to be disintegrated into smaller organizations, so that each organization could be 'mission driven, decentralized and entrepreneurial' (Osborne & Gaebler, 1992).

The findings of this study supported the economic principle that work in the organization could be viewed as the relationship between the employer (principal) who has work to be done, and the employees (agent) that agreed to perform the job in exchange for compensation (Kettl, 2000b). Economic principles argue that both parties would be driven by their self-interests, and this could create problems of information asymmetry, as both would behave opportunistically to their benefits (Laffin, 97; White, 1985). Therefore, one way to address this problem was to organize work in a contractual

arrangement, in which performance was to be measured against desired output and quality of services defined in the terms of a contractual agreement. These were major concerns in developed countries, such as in UK, New Zealand, Australia and Scandinavian countries where there were many examples of government machinery structured in the form of an agency.

The literature review found some isolated examples of agency practices in developing countries (refer Chapter 3.3.2). Some African countries have experimented with some sort of agency structure in an attempt to improve their performance notably in health, tax and revenue sectors (Larbi, 1998; Nickson, 2000; Tindigarukayo and Chadwick, 1999; Polidano, 1999a). With the exception of a few isolated experiments, no examples of the agency reforms of UK or New Zealand types were found in developing countries. Probably, the developing countries are weak in meeting some of the prerequisites (such as devolution of authority, introducing market mechanisms, and performance management), which are required for the success of an agency structure. This has limited the developing countries in using an agency structure.

In Nepal, the direction of support for introducing agency concepts seemed to be positive. However, an experiment with such a structure has yet to materialize, in spite of its need addressed in official reports (ARC, 1992; ERC, 2000). However, support for introducing an agency model structure is appearing. For example, this study showed support for the devolution of authority, introduction of market-based mechanisms and performance management (refer Tables 7.6, 7.7 and 7.8). At present, the government is trying to consolidate similar functions to ensure functional clarity among the departments. Once functional clarity is achieved, then a second step would be to think about devolving authority and setting performance targets that hold individuals accountable against agreed targets.

The results of this study also revealed that the bureaucratic characteristics (such as accountability, transparency, ethics and corruption and financial management system) were found to be weak (refer Table 7.11 to 7.16). Therefore, before devolving authority

and introducing an independent agency structure, it is essential that proper bureaucratic capacity and institutional mechanisms to control and supervise the decoupled structure be in place. This study has also shown that some respondents (18 percent) were not aware of how an agency structure works. Developing knowledge about the uses of agency structure is another important task.

The introduction of agency model may have the negative effects addressed by Manning and Matsuda (2000) and Trosa (1997), if there is a lack of the institutional capacity to measure the results and behavior of agencies. Nepal and other developing countries have begun to introduce an agency model of structure, but it will take a long time in developing countries to reach the form of agency model envisaged by NPM proponents.

With all these explanations, it could be concluded that the concept of agency is appropriate for introduction in Nepal. But the government needs first, to develop the knowledge base about the implementation of agencies; second, to change the culture of operations to decentralized management, contractual management, and performance management; and to strengthen the reporting and monitoring mechanisms.

8.5. Decentralization of management authority

The results of this study showed that seventy seven (77%) percent of the respondents agreed that decentralization of management authority to sub-national levels would improve efficiency and economy in operations; and about 88 percent agreed that flexibility and operational authority to carry out their responsibilities would improve the performance of employees. The combined mean value of 2.08 meant that both decentralization and devolution should be appropriate for developing countries.

Respondents (76 percent) agreed that the existing bureaucratic structure in Nepal is more centralized than decentralized. The policy decisions were more centralized ($M=3.36$) and done without consultation with appropriate government agencies (refer Table 7.6). The t-test of significance revealed no significant difference between government and non-

government employees on items measuring the decentralization of management authority, which meant that both stakeholders and government officials probably shared similar views about the above results (refer Table 7.22). An analysis based on the qualification of the respondents showed that about 67 percent of Ph.D holders agreed that the government was more centralized compared to 77 percent respondents of other (MA and BA) qualifications (refer Table 7.36).

These findings were consistent with other studies that suggested that the decentralization of management authority would improve the performance of the government (OECD, 1995; Osborne and Gaebler, 1992). The results of this study showed conformity with the World Bank (1997, p.121) principle, which stated, "public goods and services should be provided by the lowest level of government that can fully capture the costs and benefits". These findings that supported for the decentralization of authority were consistent with the agenda of NPM reforms that argued that a decentralized structure would be more flexible and accountable for providing services to the citizenry as will bring service closer to the public. The operational authority would make employees more responsible for results and the use of resources (OECD, 1995).

While the study has shown support for a decentralized government in Nepal, the literature reviewed (refer section 3.3.3) also presented the argument that it increases an opportunity for corruption and nepotism in developing countries (McCourt, 1998b; Polidano, 1999a). It was argued that if the central departments do not have the capacity to institutionalize effective control mechanisms, decentralized management may not be operational, and therefore, suggested the need for a strong rule-based government in developing countries so that effective control mechanism could be attained (Nunberg, 1995; Schick, 1998). A study done by Larbi (1998) in Ghana argued that introducing and implementing decentralized management in a developing country may be more problematic because of the weaknesses in the government capacity and various institutional constraints. This view was supported by a study by McCourt (1998b) in Nepal, who argued that decentralized power to Board members of SOEs resulted in hiring non-competent employees.

There is no doubt that institutional mechanisms in most of the developing countries are weak. This study has also endorsed this fact in regard to Nepal. However, it is argued that devolution or decentralization is one way of strengthening the institutional weaknesses. Evidence suggests that centralized governments have not worked well and a shift towards decentralization was needed in many developing countries. For example, the World Bank argued that services should be provided from the lowest level of government that can capture costs and benefits. Donor agencies that promoted the nationalization of government functions at one stage are now favoring the decentralization for national building.

Corruption was not only positively associated with decentralization, but also with the policy environment throughout an organization, the existence of rules to enforce and punish corrupt behavior, and low wages and benefits compared to the private sector (World Bank, 1997). The lessons from Venezuela suggested that involving people in policy-making could curb corruption (World Bank, 2000c). Similarly, decentralization and economic policy reforms were suggested for curbing corruption in a country with medium corruption level (Schacter and Shah, 2001). The literature reviewed did show that many developing countries have shifted their attentions to decentralized governments (Hawkins, 2000; Peterson, 1997; Peterson, 2001; Tiep, 1998; Wescott, 1999b). The support for decentralization of management authority in Nepal also suggests that the policy measure of decentralization adopted by many developing countries is probably right.

Support for decentralization of management authority also represents a demand from a stronger civil society and a more assertive population. The new generation of the 21st century is more proactive than before because they have witnessed the social unrest in our society, the success of market economies, the failure of centrally planned socialist economies, the expansion of knowledge and information and the people's strengths that led to gain the democratic regimes (such as in Nepal in 1990) in this world. These environmental issues, directly or indirectly, have changed the behavior of a new generation, making them more aggressive, demanding, and proactive than before. The

new generation prefers more autonomy than before and resists any suppression from higher authorities (Atreya, 2001c). Thus, the new generation has exerted pressures to 'devolve' the authority and resources from the central level. As an overall trend, it could be argued that decentralization is as unstoppable as globalization. On the other hand, it calls for centralization of some important functions, such as the policy making and stronger central supervision.

Many of the government officials believed that authority and power was centralized while decentralization had been a thrust of the Development Plans in Nepal. One of the reasons for the government of Nepal to be centralized is, as Agrawal (2001b) argued, the lack of trust in the capability of subordinates and the threat that the supervisors may be thrown out of their chairs by the subordinates. Consolidation of power is regarded as a 'strength' in the Nepalese bureaucracy, which clearly undermines organizational efficiency and goals. Many decisions that could be done at the lower levels are taken at the higher levels despite the introduction of a number of counter initiatives. The Expenditure Review Commission (2000) recommended devolving authority to lower levels so that the ministries could focus on policy planning and coordination. The enactment of a Local Self-Governance Act has statutorily recognized the role of local self-governance and devolution of authority. The government has established a 'Decentralization Implementation Monitoring Committee' under the chairmanship of the Prime Minister to ensure policy cohesion and coordination while the operational responsibilities has been entrusted to a Ministry of Local Development. The Expenditure Review Commission (2000) has recommended abolishing some regional offices and reducing the gap between central and local bodies. The efforts taken by the government of Nepal seemed to be consistent with the finding of this study that supported the introduction of a decentralized governance system for improving performance of the government.

With this, it could be concluded that decentralization of management authority should be used to improve performance in the government in Nepal. It seems a 'must' if the government in Nepal intends to build a culture of performance in its administration.

8.6. Split between purchaser and provider

The principle of splitting the purchaser and provider was questioned. About 40 percent of the respondents felt that separation of policy and operational functions would be appropriate while about 30 percent disagreed and about 30 percent noted 'don't know' (refer Table 7.5). The respondents (92 percent) noted that coordination among the government agencies was weak in Nepal. No significant differences between government employees and stakeholders indicated by the t-test meant that both groups viewed this issue in a similar way (refer Table 7.21). The overall mean score of 3.47 of items measuring the applicability of separation of policy from operations also indicated that there is a doubt about its applicability in Nepal.

The findings of the present study in relation to separation of policy and operations in Nepal seemed to confirm the arguments given by Ewart and Boston (1993) discussed in section 2.8.3. The de-concentration structure in Nepal demands more inputs from the lower levels in policy decisions. Lower levels offices are basically representatives of central ministries and departments. Due to weaknesses in information management system (such as those of computerized information systems), central level departments and ministries rely on information from the lower levels which they receive periodically from their representative offices.

There is also a need for greater coordination between policy makers and implementers because of the fact that in de-concentrated structures policies are made by the central ministries and implemented by departments and sub-national offices. Ensuring coordination is a great problem in Nepal. The results of the survey revealed that coordination among the government agencies was weak ($M=4.07$). Not only within each ministry or department, but also in between ministries and departments, the need for coordination is high because the information does not freely move from one ministry to another.

The introduction of a purchaser/provider split may exaggerate the lack of coordination. One of the objectives of separating purchaser from provider was to make service provision competitive by involving market mechanisms. This demands enforcement of contracts, specifying outputs and performance measures. Ewart and Boston (1993) noted that separating purchaser from operations might not work if it is difficult to specify outputs and outcomes in a measurable term. This study confirmed that the activities of government were not guided by policies based on objectives, outputs and indicators (refer Table 7.8). It is difficult to specify outputs and outcomes in measurable terms in Nepal because concepts such as introducing contracts, outcomes and outputs, and performance measurement are relatively new in and yet to be experimented with in Nepal.

Another inhibitor of the implementation of a purchaser/provider split is that the inherited administrative culture tended to 'look-up' for any decisions by bureaucrats though they have the authority to make decisions. This was partly to seek the concurrence of decisions as well as to show *Chakari* (means *pleasing the boss*) in a Nepalese administrative culture. These characteristics are not supportive to splitting the purchaser and provider.

Although there are some benefits (Armstrong, 1998a; Drucker, 1969; Osborne and Gaebler, 1992) of a split between purchaser and provider, and the report of the Public Expenditure Review Commission (2000) and the report of ARC (1992) in Nepal have emphasized the need for separating policy and operation functions, this study failed to find support for the relevance to Nepal of the splitting of purchaser and provider.

The above explanations suggest, in answer to research question three, that the principle of separation of policy and operational functions would not be effective for the existing government in Nepal. However, once the market mechanisms start playing a dominant role in the public sector, the need for split of purchaser and provider may be acknowledged.

8.7. Introducing market mechanisms in the public sector

The study explored how respondents viewed the (a) the role of government (b) the need for privatization (c) the capacity of the private sector, and (d) commercialization and introducing other market mechanisms in the public sector. The mean score for introducing market mechanisms in the public sector showed at 1.95 (Table 7.45), which meant a general consensus that market mechanisms should be introduced in the public sector in Nepal.

The results of the study agreed with the literature (Annan, 1997; Belli, 1997; Richardson, 1997; Stiglitz, 1998; UNDP, 1995; World Bank, 1997), in which the *state minimalism* was considered important for economic and social development and government intervention was justified only in cases where markets fail. The study supported the view that the role of government should be to encourage the private sector (M=1.60) to take an active role in the economy and that government should retain the core functions (M=1.62) and release those to the private sector that could be handled by them more efficiently (M=1.64; refer Table 7.7).

The need for privatization was recognized since the results showed that public enterprises in Nepal performed less effectively than the private sector (M=2.16) and have failed to deliver the required services (M=1.80; refer Table 7.7). The t-test analysis revealed a significant difference between government and stakeholders about the need for privatization, and an inspection of their mean values suggested that the stakeholders rated higher for the need for privatization compared to government employees (refer Table 7.23). The educational levels of respondents showed a greater reservation about privatization among the Ph.D holders (62 percent) compared to MA (83 percent) and BA (77 percent) holders. However, the study revealed that the conditions as suggested by the World Bank (1995) for successful privatization were not met in Nepal. The World Bank (1995) noted three political conditions required for successfully implementing public

enterprises reforms. They were: (a) *political desirability* - political benefits must outweigh political costs; (b) *political feasibility* - must satisfy the opposition members and loser of reforms; and (c) *political credibility* - an environment of trust and belief for pertinent stakeholders. More than half of the respondents (62%) felt that the government desired the privatization of the public enterprises, but indicated that political constraints and the creditability of the government had restrained the task of privatization in Nepal. So political factors and the decreased credibility of the government were found to be problems for the successful public enterprise reforms in Nepal.

The majority of the respondents (73%) agreed that commercialization and other means of markets should be used in the public sector to make the service competitive and cost effective. As with privatization, the t-test revealed a significant difference between government and stakeholders as to the need for commercialization, and an inspection of their mean value suggested that government employees ($M=2.24$) were more inclined to using market mechanisms in the public sector compared to stakeholders ($M=2.51$; refer to Table 7.23). This finding is an indication that the public servants are positive towards commercializing some of the functions that could be better handled by the private sector.

Was the private sector capable of delivering services? Is the service provided by the private sector more efficient than the public sector? While the majority of respondents (68.8%) felt that service of the private sector was more efficient than that of the public sector and has the capacity (70.9 %) to take over the commercial functions of the government, about 15 percent of the respondents viewed negatively the capacity and quality of the services provided by the private sector. The t-test analysis revealed a significant difference between stakeholders and government employees as to the issue of capacity of the private sector. Their mean values suggested that the stakeholders ($M=2.23$) were more in agreement than the government employees ($M=2.50$) that the private sector has the capacity to take over functions of the government. Only 45 percent of Ph.D. holders agreed that the private sector has the capacity compared to government (refer to Table 7.36). This result indicated that many of the government employees hold the opinion that government involvement is necessary in a country like Nepal where the

private sector is not fully flourishing or believed that the market, in itself, is not competent to provide the services.

The study generally accepted the need for privatization, commercialization and using market mechanisms in the public sector to make services competitive and cost effective with some reservation from the government employees. Among the respondents, Ph.D. holders showed some reservations about the role of the government, the need for privatization, and the capacity of private sector compared to others. No doubt, the benefits of these elements are recognizable (Pirie, 1992; United Nations, 1999), but their success depends upon political factors, which were found to be poor in Nepal.

Theoretically, the study endorsed the NPM philosophy that emphasized the need for introducing market-based mechanisms in the public sector. Practically, since political credibility and capacity were in doubt, it provided a strong message for the government that political stability and government credibility needs to be sustained if success in introducing market mechanisms into the public sector is to be achieved.

Is it necessary for the government in Nepal to introduce market-based mechanisms in the public sector to make the service competitive and cost effective? Despite the above reservations, it could be concluded that introducing market-based mechanisms is useful and necessary for the government of Nepal.

8.8. Introducing performance management

The study showed a mixed result on the issue of introducing performance management in Nepal. The t-test revealed no significant difference among the respondents, and that meant that stakeholders and the government employees held the same opinion on issues of performance management. The positive part was that about 66 percent (refer Table 7.8) of the respondents believed that the concepts of performance management could be introduced in the public sector in Nepal ($M=2.52$). This meant the acceptance of mission,

and requiring staff to work on performance targets, indicators, and performance objectives.

About 52 percent of respondents ($M=2.83$) reported that the mission of each government organization was clear while the rest do not think so. About 30 percent ($M=3.36$) believed that each agency has their mission, objectives, and output and outcome measures to guide their operations. About 42 percent ($M=2.88$) argued that the principles of performance management were not difficult to implement in the public sector.

The combined mean score of 3.11 for all responses (refer section 7.4.1: research question six) meant that performance management will not be easy to implement in Nepal. The factor of performance management, which was constructed of two items, showed a mean value of 3.50 (Table 7.46). The contents of the items showed that the current record of performance management was weak in Nepal. The results of the study found that the government lacked a system for establishing a performance plan that defines the program outputs and indicators. The results also showed that an employee's activity is unlikely to be guided by an agreed performance plan. All these were indicative of the difficulties of implementing a performance management system in Nepal.

The results of this study showed an agreement with Schick (1998) who argued that developing countries should first try to control inputs before outputs.

The literature reviewed indicated that some efforts have been made in Nepal and in developing countries towards applying the concepts of performance management (MoF, 2001; OPM, 2001; Polidano, 1999a). However, the required cultural shift and the problems inherited in specifying the measurable and quantifiable performance indicators (Minogue, 2000) might be the greatest challenge for developing countries in the task of applying performance management in the public sector. The institutional conditions, required for the introduction of performance management, are weak (confirmed by this research). Therefore a fully-fledged application of performance management, as practiced in the developed world, would be a challenge for the developing countries.

Are the concepts of performance management applicable in the public sector in Nepal? This research was more in favor of non-applicability than the applicability of performance management.

8.9. New personnel system

The study showed mixed support for introducing new personnel system in Nepal. Among the important issues explored were (a) the establishment of a Senior Executive Service, (b) hiring officials on contractual arrangement in those positions, (c) the shift to performance based pay system, and (d) recruitment on merit principles. The combined mean value of 2.32 showed a mix result, but with a great support for recruitment on the merit principle ($M=1.69$) as well as for moving away from a standard pay system to a performance based pay system ($M=2.08$).

About 63 percent of respondents agreed to establish a senior executive service in Nepal, but hiring those officials on contracts was approved by only 49 percent ($M=2.97$). The study (t-test) also revealed a significant difference between government and stakeholders as to establishing senior executive service and hiring officials on contractual arrangements (refer Table 7.25), in which stakeholders were more supportive to establishing senior executive service ($M=2.33$) and hiring officials on contracts ($M=2.59$) than the government officials ($M=2.65$; $M=3.17$) respectively. The analysis of the educational levels of respondents also showed a significant difference as to hiring of officials on contracts, in which about 45 percent of MA holders disagreed with hiring officials on a contractual agreement compared to 31 percent of BA holders (refer Table 7.36) who agreed.

Certainly, respondents agreed to the hiring of employees on merit principles ($M=1.69$) and rated fairly positively a performance based pay system ($M=2.08$). This is an encouraging indication that employees in Nepal would like to have more responsibility as well as more reward for such responsibility. The results supported the notion that performance should be the basis of a reward system. The results conflict with the current

practice of a career public service based on seniority and restricted recruitment to the higher levels through merit, and call for a change in the public personnel management system through open competition and amending the existing public service rules and regulations.

The literature reviewed suggested that human resource management had been an important part of the structural adjustment program led by the donor agencies in developing countries (refer section 3.3.6). Some previous studies questioned the applicability of a modern personnel system on the ground that personnel management systems in developing countries are more influenced by 'patronage' and that these countries face different human resource management problems from those of developed countries (Klingner and Compos, 2001; Taylor, 1996). Bissessar (2000) noted the success of performance-linked pay in Jamaica and its failure in the public service of Trinidad and Tobago and Guyana. Some other issues, such as devolution of authority of personnel management was found inappropriate in a case of Nepal (McCourt, 1998b) as Board members abused the power by hiring unqualified people. But in OECD member countries, the devolution of personnel management authority and flexibility to determine the number and wages of individuals was found to contribute to efficiency gains and lower growth rates of the government wages bill (OECD, 1995; OECD, 1997). The respondents in this study questioned the hiring of officials on contracts, but were positive towards linking pay to performance (although performance pay is still debated in OECD member countries), appointment on merit principles and to some extent the establishment of a senior executive service.

The research question was 'are the new changes introduced in the personnel system (senior executive service and performance-based pay) applicable in Nepal?' With the foregoing discussion, it could be concluded that the result on the applicability of senior executive service was a mixed one, while the support for performance pay system was high. It is concluded that a performance based pay system could be introduced in Nepal.

8.10. Quality and customer responsiveness

The results in this study were consistent with the general understanding in the academic field that developing countries are poor in the delivery of services. About 85 percent (M=2.06) of the respondents agreed that the quality of services provided by the government was poor. About 73 percent argued that the Nepalese government does not have a plan to improve the quality of services. Respondents (81%) felt that customer service was not a subject of priority for public service employees. Another conclusion of the study was that stakeholders believed more that customer service was not an issue of priority for the public servants and that they (public servants) lacked the knowledge about the applicability of service standards in the public service (refer Table 7.26).

The respondents believed that the application of service standards would improve the service of the government (M=1.72). They agreed that services responsive to citizens needs (M=1.74) and the provision of client participation or consultation about decisions on the types and quality of services to be provided (M=1.71) make the government effective in providing services. This result clearly endorsed the theoretical proposition that the responsive service delivery systems practiced by many OECD countries (Blair, 1999; Kemp, 1997,1998a; OECD, 1996b; President of the Treasury Board of Canada, 1996) and discussed in section 2.8.8, are relevant to developing countries. The first three items in Table 7.10 measured this theoretical proposition. Their combined mean value (M=1.72) suggested a strong endorsement that introduction of service standards and other quality improvement programs would improve the quality of services provided by the government in Nepal.

The research question was 'Is it useful to establish service standards to improve the quality of services provided by the government in Nepal?' This research fully endorsed the use of service standards and other service improvement programs (client participation and involvement, bringing service nearer to citizens) to improve the quality of services provided by the government in Nepal.

8.11. Bureaucratic environment

Some literature has argued that NPM may be not applicable to developing countries because the bureaucratic environment in which these countries operate is not supportive to NPM type of reforms (Nunberg, 1995; Polidano, 1999a; Schick, 1998). In this context, this study explored the bureaucratic environment (centralization/decentralization, accountability, transparency, motivation and ethics in the public service, financial management system and corruption) and concluded that in general the bureaucratic environment in Nepal was found to be weak as asserted in other academic literature. The following presents the discussion of each component of the bureaucratic environment.

8.11.1. Centralization/decentralization

How respondents felt about the bureaucracy in Nepal, i.e., whether the government is believed to be centralized or decentralized was one issue of this research. Theoretically, the NPM philosophy is based on the proposition of replacement of a centralized government structure by a decentralized management environment (OECD, 1995; Pollitt, 1995). The results in this study showed that the traditional principals of command and control characterized the bureaucracy in Nepal ($M=2.03$). The government is believed to be centralized in its operations ($M=2.50$). This meant that the present government structure supports the centralized decision-making system with greater control from the central department. The results meant more adherences to Weber's bureaucracy that has been challenged by the new public management. The 'stick' dominated more than the 'carrot' in administration. For many developing countries, it reflected the administration structure that was inherited from the legacies of colonial rules when these countries emerged from independence.

The above findings are consistent with the government reports (Mahat, 2001; NPC, 1998) and other practitioners (Gautum, 1998; Pradhan, 1999; Sharma, 1998) that acknowledged that bureaucracy in Nepal is not free from evils, such as the centralization of power and

authority. It supports the argument given by Agrawal (2001b) that Nepalese management is feudocratic and lacks professionalism. This finding was similar to that found in other academic literature (CLAD, 1998; Wunsch, 2001) that referred to central control as a key problem in decentralized reform initiatives in Africa and Latin America.

8.11.2. Accountability in the public service

Accountability is the fundamental issue for ensuring good governance. It basically aims at making any official, in charge of managing social, financial and other activities, responsible for his/her actions to the people. It indicated a need for stewardship for the resources and authority used, and responsibility for the consequences of the actions performed by public officials. The results of this study revealed that the accountability system in the government in Nepal was weak. Issues (clarity of objectives of government departments, adequate rules and regulations to enforce accountability, transparency in government operations, adoption of performance measures and indicators, and performance contracts) identified by OECD (1995) to ensure accountability in the government was found to be weak in Nepal (refer Table 7.12).

The study also revealed that stakeholders, more strongly than government officials, believed that there are no adequate rules and regulations to enforce accountability in the government (refer Table 7.28). A chi-square test on the levels of respondents also showed significant differences on the same item (adequate rules and regulations to enforce accountability). The results showed that respondents in the 'others' category had the lowest rating (18 percent) for the belief that rules and regulations do exist to enforce accountability followed by executive level (26 percent). The analysis of the educational level of respondents revealed that Ph.D. holders (67 percent) disagreed more strongly than employees of 'other' category did that adequate rules exist to enforce accountability in the government. The educational levels showed significant differences in other items measuring accountability. The introduction of performance agreements or contracts by government for ensuring accountability was totally rejected by employees with a BA degree (100 percent) followed by Ph.D. holders (87 percent).

Accountability had been a key problem in many developing countries. It could be argued that major problems inherited in developing countries are unclear roles and responsibilities, and the lack of clear rules and regulation to enforce accountability in the government (Dia, 1996; Nepal 2000; Premchand, 1999; World Bank, 1997). Enforceability of rules and regulations was also a problem. For example in Nepal, based on the Auditor General's report (2000), the country's unsettled account has reached to NRs. 50 billion. This showed the lack of fiscal discipline at political and administrative levels of the government as well as the absence of accountability mechanisms in a governance system. Recommendations and directives issued in the Auditor's General Report are frequently ignored (DFID, 1998) and similar arrears were reported again. It was not the case that rules and regulations do not exist to manage the accounts in arrears but it appears that the government indifference and lack of commitment has led to the increased unsettlement of accounts. Enforcement of strict rules and regulations to ensure accountability has been found to be a major problem in Nepal.

The overall mean score for the accountability factor showed a mean of 3.50 (Table 7.47a). This clearly endorsed the weakness of accountability systems in Nepalese administration.

8.11.3. Transparency in operations

A democratic society places a high value on the right to information. Transparency brings this right to reality by making information more open to members of the society. In simple term, transparency refers to access, comprehensiveness, relevance, and quality and the reliability of information. Vishwanath and Kaufmann, (1999, p.3) noted that “a lack of transparency means deliberately withholding access to, or misrepresenting information or failure to ensure that the information provided is of adequate relevance or quality”. Openness in government and a system of sharing of information improves accountability and reduces the levels of corruption as government plans, programs, policies and activities and the results achieved become transparent. This in turn encourages public participation and involvement in matters of their interest. It is therefore an important

element of good governance. The lack of transparency may increase corruption, for example by creating informational asymmetries between the regulators and regulated entities. It may result in election losses to politicians if they were not able to show the results of their actions to the citizens. It may lead to mistrust and poor governance if policy issues are not disseminated properly.

In spite of all these benefits and the high costs associated with its absence, many governments were having problems with ensuring a transparency system in its operations. For example, Nepalese authorities do accept that the government lacked a transparent system in its operations (NPC, 1998). The results of this study also indicated a weakness in transparency in the operations of government in Nepal (refer Table 7.13). The results showed that information was not easily available to the public ($M=3.17$) and the reasons for any government decisions was not made public ($M=3.50$) creating an information gap between the decision-makers and other interested parties. The combined mean value of transparency showed at 3.38 (Table 7.47a), and this clearly endorsed the lack of transparency in operations in the public sector in Nepal.

The Constitution of Nepal guarantees the right to information to all citizens on matter of public interest. Information on major issues such as the laws and regulations were published in Nepal Gazette and can be argued as available to all citizens. Press and other communication media enjoy freedom as guaranteed by the Constitution. However, this research showed that the bureaucratic culture in Nepal is still dominated by lack of transparency in its operations. These findings are in agreement with Ghimire and Dhungel (2000) who argued that secrecy is a culture in Nepalese public administration. Civil servants cannot disclose information to any unauthorized person. Confidentiality and secrecy had been the norms for many of the administrative decisions though it defeats the spirit of openness as laid down by the Constitution in Nepal.

A study done by DFID (1998) noted that the private media tends to be biased and speaks on behalf of the political party which supports and funds the publication. Similarly, Jayawickrama (1999) argued that colonial administration taught many developing

countries to operate to ensure secrecy in government operations. Poor record management and the costs associated with transparency are also other factors that make it difficult for developing countries to be transparent in their operations.

8.11.4. Motivation and ethics in the public service

The study revealed that the motivation in the public service was low ($M=1.96$). This study confirmed the previous conclusions of the World Bank (1999a, 2000a) and the Asian Development Bank (2001) that the motivation of public servants in Nepal was low. The results are in agreement with the World Bank (2000a, p.19) that noted that “at the heart of problem is a weak, underpaid and unmotivated civil service”.

Poor governance in Nepal had led to a demoralized bureaucracy, and this in turn had affected its resource use, wastages, and poor delivery of services and ineffective implementation of development programs. The on-going governance reform program under the support from the Asian Development Bank, therefore, aimed at developing the government's ability to make the civil service more efficient, reduce corruption and improve governance in the government, enhance the competence and motivation of civil servants, and establish processes for improving performance in key ministries in Nepal (ADB, 2001).

The ethical environment in the government was found to be low ($M=1.90$). This finding was consistent with the overall belief that resources were not properly utilized and corruption has been endemic in Nepal. The unsettled accounts reported in the Auditor's General Report, although not directly referred to as corruption, provides justification for the assumption of the existence of poor ethical behavior in the government. Reasons for unsettled accounts are that expenses violated the rules and regulations, or proper books of accounts are not maintained relating to those expenses, or sufficient evidence does not exist to justify for unsettled expenses. These are clearly indicative of poor ethical behavior.

The factors that ensured ethical behavior in the public service were also weak in Nepal. The political commitment to enforce ethical behavior (M=3.81), the legal frameworks that set the standard of behavior (M=2.81), accountability (M=2.92), code of conduct (M=3.43), education and training (M=3.28) and the effectiveness of the established institution(s) to guide and counsel on ethical behavior (M=3.77) were found to be weak in Nepal. These 'ethics infrastructure' as discussed by the OECD (1996a) seemed to be poor in Nepal. Even though some rules and regulations do exist for ensuring ethical behavior in the public service, a strict enforcement of these rules and regulations has been a problem in Nepal. The factor on ethics and corruption showed an overall mean value of 3.46 (Table 7.47a), and this confirmed the weak ethical behavior in the public sector in Nepal.

The government has realized this burning issue and has taken number of steps to curb the unethical behavior. A Commission was established in the year 2000 to suggest measures for controlling corruption in the government. The fiscal year 2001-2002 budget has also noted "Legislation related to the Commission for the Investigation of Abuse of Authority will be amended in order to prevent illicit financial transaction and to control corruption and thereby to guarantee good governance to the people" (Mahat, 2001, p.11). And recently, the government has passed the anti-corruption laws making Commission for the Investigation of Abuse of Authority more powerful than before.

Corruption and unethical behavior do exist in developed and developing societies. In developed countries, corrupt and unethical cases are detected and responsible persons are punished, while in developing countries it takes a long time to convict and punish corrupt officials. In developed countries the legal and institutional frameworks work while in developing countries, such a workable mechanism is absent. The governance in developed countries is more participatory, transparent and accountable, but the developing countries lacked such a governance system. This research has also shown that the ethics infrastructure in Nepal was weak.

8.11.5. Financial management system

The results of the study revealed a positive support for implementing a modern financial management system as proposed by new public management. Respondents preferred a program budgeting (M=1.76) that links allocation of resources to results (M=1.76) rather than line items budget system (refer Table 7.15). The preparation of multi-year budgets (M=2.22) was also thought to be appropriate for Nepal. The opinion of the respondents confirmed support for the application of performance-based budgeting as used in many developed countries. Theoretically, it approved the significance of financial reforms to developing countries in line with developed countries. But do these developing countries have proper financial management systems in place to implement a performance-based financial management system?

This study revealed a negative picture of financial management in Nepal. The problems inherited are multiple. The study indicated problems in the financial planning system. About 47 percent of the respondents argued that allocation of resources was not based on national priorities. It meant a weak planning process and an inadequate project appraisal system for investment. About 94 percent of respondents agreed that allocated resources were not properly utilized. The stakeholders more strongly than government employees believed that the resources in projects and programs were not properly utilized (refer Table 7.31). Many of the respondents felt that accounting information was poor and not reliable (M=3.81); the government lacked a system of periodical expenditure reviews (M=3.19); and agencies lacked the authority to transfer funds among the line items (M=3.41). One interesting finding was that the government employees more strongly than stakeholders questioned the reliability of financial information (refer Table 7.31). All these suggested a poor record of existing financial management practices in Nepal. These findings reflected what the United Nations (1999b) has argued were the reasons for slow progress and lack of results in strengthening the financial management system in developing countries.

In spite of these weaknesses, many developing countries are trying to strengthen their financial management system. This research theoretically endorsed the shift to modern financial management system as discussed in section 2.8.1. The literature reviewed also indicated that some of the developing countries (Uganda, Mongolia, Chile, Jamaica) have moved on to implementing performance linked budgeting (refer section 3.3.9.3). The government of Nepal is also trying to introduce a multi-year budgeting system for the first time. The budget document noted that “in the context of starting the multi-year budget system, expenditure ceilings and targets of major sectors of the economy will be prepared for three years beginning from the coming fiscal year” (Mahat, 2001, p.8). While these reforms will take some time to bear fruit, the movement towards performance based financial management systems seemed to be visible for many developing countries.

8.11.6. Corruption

The results on corruption showed that though more of the respondents agreed that the government has made provision to disclose their personal assets, and rules and regulations exist to control corruption; the enforcement of anti-corruption regulations seemed to be a problem in Nepal. Other measures, such as training and education on issues of corruption, effectiveness of the oversight agencies and the system for whistle blowing were found weak in Nepal (refer Table 7.16). The stakeholders compared to government employees (refer Table 7.32) disagreed more that there existed regulations to control corruption. The analysis of position (levels) showed that only 35 percent of respondents in ‘others’ category compared to 83 percent of second class employees agreed that there exist regulations to control corruption. The analysis of the educational levels of respondents showed that Ph.D. holders (75%) believed more strongly in the availability of regulations to control corruption compared to BA holders (53%) (refer Table 7.34).

Similarly, the results of this study also showed significant differences about the enforcement of these regulations. Only 5 percent of special class officer (executive level)

agreed that government strictly enforces anti-corruption regulations (Table 7.35). These results combined with the results of ethics confirmed that corruption is a burning issue or a 'cancer' as described by the World Bank in developing countries.

There is no doubt that developing countries are facing problems of corruption. The recent policies and actions, such as The World Bank's official policy against corruption (1997), the Asian Development Bank anticorruption policy approved in 1998, and the promulgation of IMF Code of Fiscal Transparency in 1998, evidenced the growing concern for donor agencies to minimize corruption in member countries. Considerable discretion to public officials with limited accountability, little transparency in government operations, low wages and benefits to public officials, and lack of rules and regulations to control corruption encourage corruption to take place. Schacter and Shah (2001) suggested that a country with a high level of corruption should consolidate the rule of law, strengthen institution of accountability and rationalize government intervention. Decentralization and a results oriented management system were suggested for a country with medium level of corruption. And for low level corrupted countries, strengthening anti-corruption agencies, raising public awareness and strengthening financial management system was suggested (Huther and Shah, 2000). While it is hard to justify where Nepal falls in a corruption ladder (high, medium, low), the literature (DFID, 1998; Mahat, 2001; NPC, 1998) agrees that corruption is a major problem in Nepal.

A strong rule-based bureaucracy with a pay structure that rewards honest public servants, a merit based recruitment and promotion system to shield the civil service from political patronage, credible financial controls to prevent the arbitrary use of public resources, an increase in competitiveness in the delivery of services and strong mechanisms for monitoring and punishment are some factors associated with curbing corruption (World Bank, 1997).

The government in Nepal as well the donor agencies acknowledged that corruption is a problem in the public service (ADB, 2001; DFID, 1998; World Bank, 2000b). It could be argued that the lack of effective governance and well functioning organizations are the

reasons for high level of corruption in Nepal. The existence of a Code of Conduct for civil servants, the establishment of the Commission for Investigation of Abuse and Authority (CIAA) and other Parliamentary Committees have not had much success in controlling corruption due to lack of strict enforcement of rules and regulations. The recent anti-corruption Laws passed by the government is definitely a step forward in controlling corruption. Controlling corruption also requires a combined efforts, such as those 'ethics infrastructure' suggested by OECD (1996a), and those measures (rule-based bureaucracy, merit based recruitment, competitiveness in service delivery, strong monitoring and punishment systems) addressed by the World Bank (1997).

8.11.7. Reform implementation and evaluation

The respondents agreed that that the government lacked the detailed plans and programs (M=3.48), institutional capacity (M=3.33) and an effective monitoring system for implementing reforms (M=2.41; refer Table 7.17). About 75 percent of the respondents stressed that external support is required for planning and implementing reform programs.

These findings are in agreement with the national policies and programs including the observations of the donor agencies implementing reforms in Nepal (NPC, 1998; World Bank, 1999a, 2000a). The government request for a concessional loan to the Asian Development Bank and its approval also indicated the need for support due to weakness in terms of the institutional capacity of the government (ADB, 2001). The public sector reform project currently under implementation with support from the Asian Development Bank is aimed at strengthening the governance in Nepal. However, as argued by the World Bank (2000a), there is hardly an agreement among the policy planners and stakeholders about the model of governance system suitable for Nepal. In the past, reform lacked local ownership. It could be argued that it was because of frequent changes in the government and leadership. The World Bank (1999a, p.9) has noted that "frequent changes in government and senior public service officials had a critical negative impact on project implementation, on the performance of civil service in general, and on the

ability to implement long-term and difficult policy reforms". The World Bank (2000a, p.19) has argued that "persistent institutional weaknesses at virtually all levels are another major impediment to development effectiveness in Nepal". The findings showed that these are confronting problems in Nepal and that reform implementation is a continuing challenge.

In summary, the analysis of the bureaucratic environment (centralization and decentralization, accountability, transparency, motivation and ethics, financial management system, corruption and reform implementation and evaluation) in Nepal showed negative results. It meant that accountability, transparency and other characteristics of the bureaucracy are poor in developing countries. These findings confirmed the previous findings in the academic literature (NPC, 1998; Nunberg, 1995; Polidano, 1999a; Samaratunge, 1998; Schick, 1998; Shah, 1999; World Bank, 1997) that in most cases developing countries lacked a good governance system. Theoretically, it confirmed the asserted views that developing countries have a different bureaucratic environment to those of developed countries.

Practically, these results provided a number of valuable insights for the government of Nepal. It showed that decentralized governance is a desired system and that this would improve the government's performance in Nepal. There is a clear need to take bold actions to improve the accountability in the government, and for that the roles and responsibilities of the government agencies have to be made clear; adequate rules and regulations should be established and strictly enforced; and transparency in information should be restored. There is a need to raise the motivation of the employees by giving them more opportunity and authority, linking rewards to performance and making them more accountable for the work. To strengthen the financial management system, the shift from line item budgeting to program budgeting seemed to be important. To minimize corruption and improve ethical behavior in the bureaucracy, a concerted approach needs to be established including education and training, strict enforcement of laws and regulations, and strengthening of established institutions responsible for the task. Reforms need to be carefully planned and implemented. The study revealed a lack of

concrete plans for public management reforms. It is important to have clarity of the reform programs developed in consultation with the stakeholders so that they could get full support during implementation.

8.12. Political system

The study revealed that about 65 percent of respondents felt that people do not have confidence in the government ($M=3.52$). This calls for taking measures to restore the trust by anticipating citizens needs and involving them in the decision making process. Trust is also important for the success of reform and in its absence the cost of governance would be increased (OECD, 2000a).

About 94 percent of the respondents agreed that political interference in the public service was excessive ($M=1.61$). This finding is similar to other studies that noted that public service is excessively politicized in many developing countries. For example, Nickson (2000, p.2) noted that “a key feature of the public administration system in Latin America that distinguishes it from its counterparts in the rest of the world is the centralist tradition of *caudillismo* (political bossism)”. McCourt (1998b) has noted the political influence in Sri Lanka's Public Service Commission (PSC). Similarly, Jemai and Bertucci (2000) have argued that in Asian countries political factors played a dominant role in the bureaucracy. In Nepal, political influence in the public service was believed to be as one of the obstacles to improving the service (DFID, 1998; Pradhan, 1999). Excessive political intervention in the public service has been a de-motivating factor in Nepalese bureaucracy. Politics has invaded the Nepalese bureaucracy and has made it dysfunctional (Pradhan, 1999). It is therefore imperative to define the political and bureaucratic roles clearly to enable the public service to work effectively in Nepal.

Most respondents (70 percent) saw public management reform as a national priority. This showed that leaders in Nepal have an interest in reforming the government. It was also evident from the last year fiscal budget (2001-2002) in which reform had been an important policy and priority for the government of Nepal (Mahat, 2001). However,

respondent indicated that, although it seemed to be a national priority, leaders are not committed to implementing reform programs ($M=3.29$). This result indicated a lack of commitment on the part of the leaders to execute reform programs. It indicated a gap between 'words and deeds'.

Public management was thought to be ineffective by 86 percent of respondents ($M=3.87$). About 83 percent recorded that delivery of services was unsatisfactory ($M=3.81$). Since reform has much to do with political decisions, this result shows that the political leadership has been ineffective in Nepal. The mean score for a political factor was 3.53 (Table 7.47), and this confirmed the ineffectiveness of political system in Nepal.

The literature reviewed suggested that the home grown and demand driven reform led by local people would have greater chance of success (United Nations, 2001a, 2001b). The literature also suggested that probably an incremental approach to reform may be more appropriate as it helps to build more 'winners' than 'losers' of reforms (Schiavo-campo and Sundaram, 2000; Wescott, 1999b). Undoubtedly, it is the leaders' task to craft reform programs and to lead others by communicating the vision for reforms. This research has shown that political leadership is weak in Nepal, and that there are demands for a more aggressive role for political leadership to effect change in the government.

8.13. Discussion of theoretical framework and the relationships among the variables

The theoretical framework explained in chapter five focussed on measuring the applicability of NPM to developing countries. Its theoretical proposition was that the independent variables are interrelated to each other. It was assumed based on the previous studies (Hood, 1991; Pollitt, 1995), that they are mutually supportive and their integrative nature is a strength of NPM. It was also assumed that the applicability of NPM is contingent upon other factors, i.e., the bureaucratic and political factors. The previous studies have indicated that NPM may not be applicable to developing countries because

of the '*a priori*' assumption that bureaucratic and political environments (including other environmental factors) are not conducive to NPM reforms (Bale and Dale, 1998; Schick, 1998; Polidano, 1999a.). It was therefore assumed that bureaucratic and political variables (defined as moderating variables) have a significant relationship with the independent variables. These factors were assumed to be interrelated to each other and to influence the applicability of NPM to developing countries.

The theoretical proposition was that if each independent variable was found useful for a country like Nepal, the applicability of NPM to similar developing countries is confirmed. If respondents view that these elements are not useful in Nepal, than the applicability of NPM was to be questioned in developing countries. The usefulness was determined by the perception and beliefs of government and non-government employees who were assumed to be the potential stakeholders of reform programs.

With a view to exploring these relationships or to find out whether the assumptions in the theoretical framework were true or false, three different statistical tests were conducted. An exploratory factor analysis was used to construct reliable, consistent and valid scale or factors for the purpose of data analysis. A simple correlation among the factors of independent and moderating variables was conducted to explore whether there appears to be any significant relationship among the factors. Structural equation modeling was used to confirm that the factors constructed best fit the data and multiple regression was used to show the relationships between the factors.

8.13.1. Relationships among the independent factors

The study revealed that cost cutting and downsizing has a positive correlation with introducing market mechanism ($r = .317$) and quality and customer responsiveness ($r = .249$). However, the cost cutting and downsizing factor did not show any significant correlation with performance management. Performance management did show a negative correlation with quality and customer responsiveness ($r = -.291$) (refer Table 7.41).

Are these relationships theoretically justifiable? The main purpose of downsizing, i.e., to make governments leaner, responsive and cost effective was achieved by defining the role of the government and by introducing market mechanisms in the public sector (Armstrong, 1998a; Atreya 2000a; Hood, 1991). Therefore, it is logical that three factors are positively interrelated to each other as shown by this research. It is also logical to infer that the establishment of performance plans, clarity in mission and objectives would enhance quality and customer responsiveness. For example, establishment of performance standards and measurement was considered one of the key components for a responsive delivery system (OECD, 1996b). Performance management correlated negatively with quality and customer responsiveness ($r = -.291$) because a poor performance management system ($M = 3.50$) is unlikely to make a positive contribution to improving the quality and customer responsiveness ($M = 2.03$). In general, the relationships among the independent factors as shown by this research are found to be consistent with Hood (1991) that described NPM elements as 'overlapped' and Pollitt (1995) as 'interacting set or system (NPM)' that often interact quite strongly. Based on the results of these four factors, it can be argued that all independent variables are interrelated to each other as presumed in the theoretical framework.

8.13.2. Relationships among the moderating factors

The moderating variables were bureaucratic and political systems. Bureaucratic system was measured by four factors. They were (a) accountability systems, (b) ethics and corruption (c) transparency systems and (d) financial management system. The political system consisted of one factor. A simple correlation among the five factors revealed a significant positive relationship among the four factors (accountability systems, ethics and corruption, transparency in operations and political system), while the financial management factor showed only one relationship, a negative correlation with the 'transparency in operations' factor (refer Table 7.42). An investigation of the value of correlation suggested that political systems ($r = .50$, $p < .00$ with accountability; $r = .44$, $p < .01$ with ethics and corruption and $r = .34$, $p < .01$ with transparency in operations) showed a strong relationship with these factors. Similarly the correlation values of other

factors was also high. According to Cohen (1988), the strength of correlation value higher than .30 is considered 'medium' and above .50 above as 'large'. With this, it could be concluded that relationship among the moderating factors is strong. Political factor showed the strongest relationship among others.

The above finding is consistent with the argument that diffusion of information on resources, services and results help in ensuring accountability (OECD, 1995; 1997a). It is consistent with what Schiavo-campo and Sundaram (2000) noted that transparency and accountability are among the four pillars of sound governance. Transparency makes information available to the public and this in turn forces the public officials to be more accountable and less corrupt. It is for this reason, the World Bank (1997) suggested that strengthening institutional accountability and increasing transparency, among others, are important for reducing the level of corruption. The political role is important to ensure an accountable, transparent and less corrupt government. Therefore, many authors (Kiggundu, 1998; Pollitt and Suma, 1997; Polidano, 2001) have argued that success of any reform depends upon the political leadership. Leaderman et al (2001) have concluded that the democracy, parliamentary systems, political stability and freedom of the press are all associated with lower corruption.

The results of this study have also shown that there exists a negative correlation between perceived transparency and perceived financial management systems. To explain this relationship, probably there is a need to analyze the overall results that these variables have depicted. The financial management factor has endorsed that respondents would prefer to have a budgetary system linked to performance or results rather than line items budgeting (M=1.71). While on issues of transparency, it was argued that developing countries are weak in having a transparent system (M=3.38). So results reflected a relationship between a weak transparent system and a positive performance budgeting system. In such a situation it is unlikely that the direction of the correlation would be positive. All these suggest that the interrelationships among the moderating variables assumed in the theoretical framework were correct and theoretically justifiable.

8.13.3. Relationships between independent and moderating factors

The relationship between independent and moderating variables was determined by the use of multiple regression. Theoretically it was assumed that moderating variables influence independent variables. Analysis was performed using the SPSS 10.0 software. Each of the independent variables was treated as a dependent variable, while the moderating variables were predictors.

The result of the standard multiple regression between cost cutting and downsizing (dependent factor) and accountability, transparency, ethics and corruption and financial management system (independent or predicting factors) showed that the above independent variables did not contribute significantly (Sig.value = .074) to cost cutting and downsizing (Table 7.43). However, when the political factor, another moderating factor was included in a model, it showed that a model of five factors contributed significantly (Sig.value = .021) to the outcome of cost cutting and downsizing (refer Table 7.43a).

Only two (political systems and financial management systems) of the independent factors contributed significantly to the prediction of cost cutting and downsizing. The beta analysis showed that the financial management system and political system explained about 19 percent and 17 percent of the outcome of the cost cutting and downsizing respectively. The direction of relationship between cost cutting and downsizing and political system was negative. The mean score for cost cutting and downsizing was 1.90, and for political system it was 3.53. The conclusion suggested is that a poor political system is unlikely to enforce downsizing.

Similarly, a standard multiple regression was performed between each of the other three defined dependent factors (quality and customer responsiveness (refer Table 7.44 and 7.44a), introducing market mechanisms (refer Table 7.45 and 7.45a) and performance management systems (refer Table 7.46 and 7.46a) and five predicting independent factors. The results of these regressions showed that there is a significant relationship

between quality and customer responsiveness (Sig. value = .000), introducing market mechanisms (Sig. value = .018), performance management (Sig. value = .000) and all predicting factors (refer above tables). These significant relationships ($p < .000$) meant that accountability, transparency, ethics and corruption, financial management system and political system collectively influence to the outcome of cost cutting and downsizing, introducing market mechanisms, quality and customer responsiveness and performance management. These findings are consistent with the previous studies (Nunberg, 1995; Schick, 1998) that argued that the general characteristics of developing countries influence the applicability of NPM to developing countries. They confirmed the previous studies (Bale and Dale, 1998; Larbi, 1998; Polidano, 1999a; Pollitt and Suma, 1997; Taylor, 1996) that indicated that the political and bureaucratic systems of developing countries are important in determining the extent of applicability of NPM to developing countries. This is also sufficient to show that the moderating variables influence the independent variables as proposed in the theoretical framework.

Was there a one-way or two-way relationship between the factors of independent and moderating variables? The study also revealed that there was a two-way relationship between independent and moderating factors (refer Table 7.47, 7.47a, 7.47b, 7.47c, and 7.47d). In general, downsizing, quality and customer responsiveness, introducing market mechanisms and performance management contributed significantly to the outcome of political system (Sig. value = .000), accountability systems (Sig. value = .000), transparency systems (Sig. value = .000), ethics and corruption (Sig. value = .000) and financial management system (Sig. value = .000). This confirmed that there is a two-way relationship among the factors of independent and moderating variables.

The Figure 8.1 presents a clear picture of overall relationships between and among the variables as shown by this study. Were those significant relationships between independent and dependent factors theoretically justifiable?

Political efficiency could be measured by the customer responsiveness, performance management practices and introducing markets in the public sector. For example,

citizens' views of the political systems would be positive if the services are to the satisfaction of the general people, and citizens find more alternatives and choices to their interest because of markets introduced in the public sector. The literature reviewed (Heredia and Schneider, 1998; Polidano, 2001; World Bank, 1995; 1997) has suggested that reform is a political choice, has to be politically feasible and should be firmly driven by political leadership. Reforms are directly linked to politics. This study has shown that quality and customer responsiveness (36.5 percent), introducing markets (22.7 percent) and performance management systems (13.0 percent) contributed to the outcome of political system (Table 7.47). Therefore it could be said that the significant relationship between the NPM variables and the political factor as shown in the theoretical framework holds true.

Quality and customer responsiveness (Sig. value = .008), introducing market mechanisms (Sig. value = .016) and performance management systems (Sig. value = .000) showed a significant relationship with the accountability systems. Among these factors performance management had the highest contribution by explaining about 29 percent of the outcome of the accountability factor. Quality and customer service showed a negative relationship. The literature reviewed suggested that clarification of roles and responsibilities, clarifying objectives, establishment of standards are among the measures to ensure accountability in the government (OECD, 1997a; Office of the Auditor General of Canada, 1998). Other measures, such as performance contracts and statement of service standards are also adopted to clarify accountability and improve performance (OECD, 1996b). Poor accountability is likely to have an inverse relationship with improving the quality and customer responsive services. Therefore, the relationships shown by this research proved to be correct and theoretically valid.

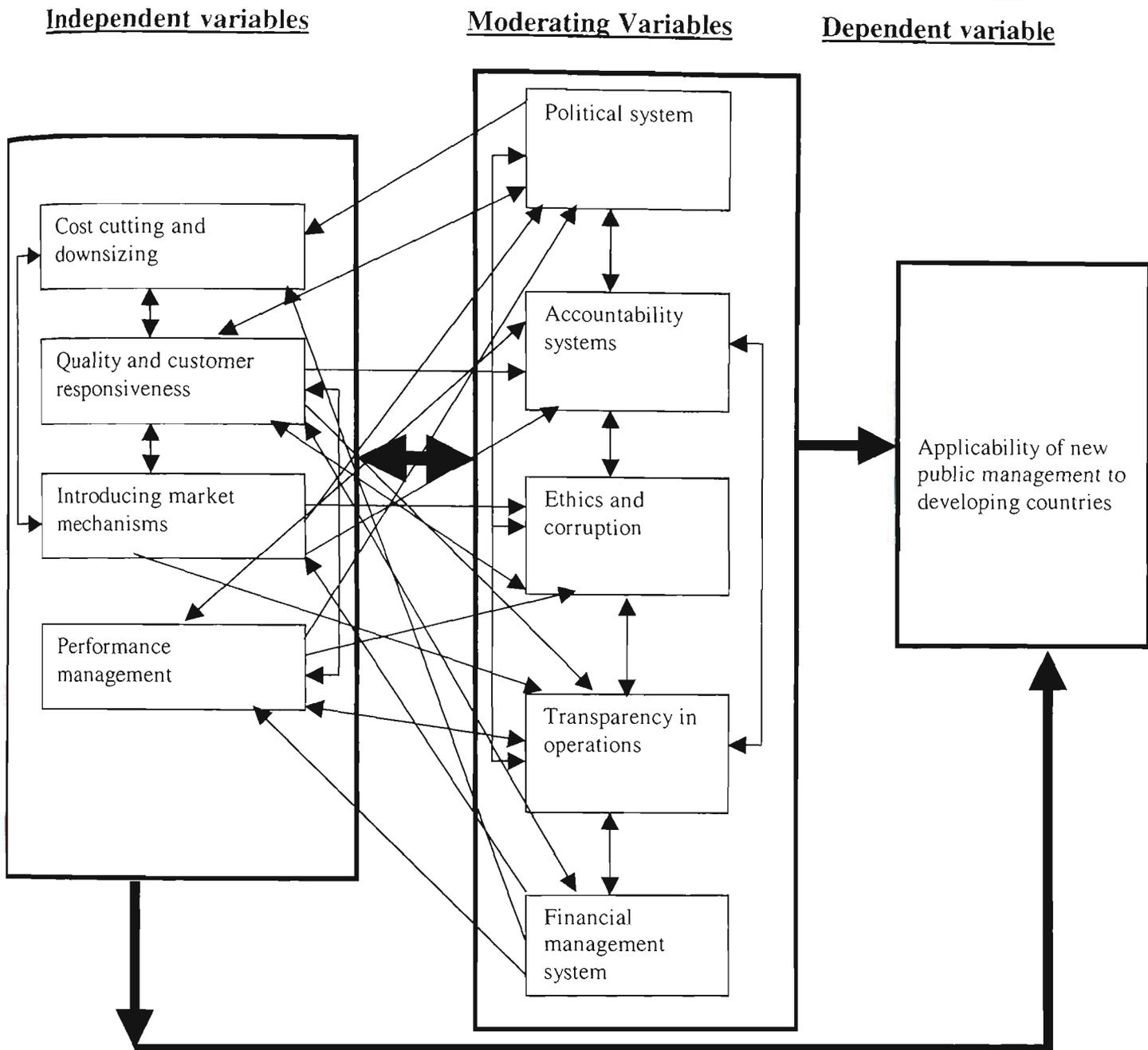


Figure 8.1: Relationships between Independent, Moderating and Dependent Variables.

Note: A one-sided arrow means a one way relationship; a two-sided arrow reflects a two-way relationship. The thick one sided and two –sided arrows represents one way and two-way relationships respectively between moderating and independent variables.

Similarly, performance management, introducing markets and quality and customer responsiveness have shown a significant relationship with ethics and corruption (figure 8.1 and Table 7.47a). These three factors also contributed significantly to transparency

systems. Ensuring competition in service delivery, which is an important objective of introducing markets in the public sector, was considered an important measure for controlling corruption (World Bank, 1997). Clarity in roles and responsibilities and transparent service measures diminishes the information gap between the service providers and users and hence reduces the chance of corruption. Market mechanisms, such as contracts are used to make services competitive, transparent and to minimize the chance of corruption. All these explanations support the argument that the relationships shown by this research are valid.

The financial management system was positively related to quality and customer responsiveness. The factor 'quality and customer responsiveness' contributed significantly ($p < .000$) by explaining 24 percent of the variance of financial management system. This means that the direction of relationship between a good quality and customer responsiveness system and a performance budgeting system is positive. In other words, it could be interpreted that performance budgeting system enhances the quality and responsiveness of services.

One of the interesting findings was that cost cutting and downsizing did not show any significant relationship with any of the moderating factors. This meant that cost cutting and downsizing (positive) does not contribute significantly to accountability (poor), ethics and corruption (high), transparency (weak) political system (weak) and financial management system (performance budgeting).

With all these explanations, it is confirmed that most moderating variables influence independent variables and vice versa. All these investigations also helped the researcher to answer research questions nine and ten established in chapter five of this thesis. Question nine was 'is the bureaucratic environment supportive of the applicability of NPM elements in Nepal? The tenth question was 'Does the political system (factor) restrain the applicability of NPM elements in Nepal? Theoretically it was assumed that if the bureaucratic system is transparent, decentralized, and employees are motivated and accountable to their work, this environment provides a favorable ground for the

applicability of NPM. It was also theoretically assumed that the degree of political interest and commitment would contribute to the applicability of NPM. The study found that the bureaucratic and political environment was weak. Furthermore, this research demonstrated that there exists a strong relationship between bureaucratic and political factors and those of the NPM elements. The results of this research showed that bureaucratic and political systems do restrain the applicability of NPM in developing countries. With this result, it could be argued that although the developing countries desire to shift their focus to introducing new public management, the political and bureaucratic cultures limit these countries in their transition efforts to new public management.

Based on the findings of this research, the summary of answers to research questions is presented below.

Is NPM applicable to Nepal? Having reviewed the literature of NPM practices in developing countries, and based on this study, it is argued that cost cutting and downsizing, introducing market mechanisms in the public sector, decentralization of management authority, and the concepts of improving quality and responsive services are applicable to Nepal; that the results of introducing agencies and new personnel systems were mixed; and that the performance management and separation of policy from operations were found less applicable.

What are the relationships among the elements of independent variable? This research confirmed that there exists a significant relationship among the elements of the independent variable.

What are the relationships between moderating (political and bureaucratic) variables? This research confirmed that moderating variables are interrelated to each other. There exists a significant relationship among the factors of the moderating variables.

Does the moderating (political and bureaucratic systems) variables affect the relationship between independent and dependent variables? This research found that moderating variables have a significant relationship with the factors of independent variables. It was also found that independent variables influence the moderating variables. Therefore, this research confirmed that there exists a two-way relationship between the independent and moderating variables.

Theoretically, it was assumed that a strong political and bureaucratic environment would contribute positively to the applicability of NPM to developing countries. This research found that the political and bureaucratic systems were weak, and because of this weak feature, these factors affect the relationship between independent and dependant variables. These moderating factors limit the applicability of NPM to developing countries.

Can these findings be generalized to developing countries? The researcher concludes that these findings can be generalized to those many developing countries that have similar challenges to Nepal. The literature reviewed suggested that developing countries are weak in ensuring accountability and transparency in governments. The capacity of the governments to implement reforms is weak in developing countries as it is in Nepal. Ethics and corruption, believed to be endemic in Nepal, is also a problem in many other developing countries (refer section 3.3.9). Therefore, it could be concluded that the political and bureaucratic factors, which were found weak in Nepal, inhibit the implementation of NPM to those developing countries, including Nepal. But at the same time, the growing demands of the people for governments to be more effective than before in delivering services, poor economy of the countries, and the desire of governments for reforms and development are some factors that encourage developing countries to implement NPM reforms.

Since there is a greater degree of convergence in terms of problems inherited in these developing countries, and the challenges ahead of them are similar, any reform effort geared towards solving these problems or lessons learnt from Nepal would be equally

relevant to developing countries. Moreover, the principles of public management are universal and the general trend in its application is irreversible (Goodsell, 2001; Schick, 2000). Developing countries sooner or later will have to apply these universal governance concepts to make their governments effective and responsive to citizen's demands. Therefore any conclusions drawn from this research would become relevant to developing countries.

Are there any significant difference between the previous and this research? The researcher found that there are some major differences between the previous and this research. First of all, Nepal is at the threshold of change and interested in finding policy measures that would benefit the country. Although support for NPM reforms has appeared in government and consultants' reports, these (reports) were not backed by comprehensive empirical local findings. This research has clearly given a mandate for the government that some elements of NPM are strongly applicable to Nepal. This has enriched the policy and shown a direction for the government of Nepal in the field of public administration reforms.

Second, literature on developing countries lacked comprehensive research on the applicability of NPM to developing countries. There were some studies, such as those of Larbi (1998) that explored one component of NPM, but comprehensive research on the overall agenda of NPM was lacking. This research has filled in the knowledge gap that existed in the academic literature.

Third, some of the available literature (Nunberg, 1995; Schick, 1998) has suggested that NPM may not be an appropriate model for developing countries based on the *a priori* assumptions of the characteristics of the developing countries. This research validated the '*a priori*' assumptions (weak bureaucracy, poor accountability and so on) as well as their influence on the applicability of NPM and concluded that developing countries have weak bureaucratic and political systems and that these factors restrain the applicability of NPM to developing countries. This allows us to conclude that although the *a priori* assumptions were not supportive to implementing NPM agenda in developing countries,

the emerging citizens of Nepal desire NPM reforms to be implemented in order to make government effective and efficient. NPM reforms are also essential for correcting the weak bureaucratic environment in the developing countries.

Fourth, there are considerable arguments such as those of the McCourt (1999a) that decentralization of power leads to more corruption and nepotism in developing countries. In contrast, this study theoretically endorsed the notion that decentralization of power and authority would improve government performance in Nepal. One of the reasons for this conflicting outcome could be that respondents seemed to have a different outlook from those persons interviewed by McCourt. Another argument, in the opinion of researcher, is that corruption and nepotism are more likely to be found at the top rather than at lower levels and that decentralization of power diminishes the opportunity for corruption at higher levels. It is because of the corruption at the higher levels that decentralization of management authority is not fully practiced in developing countries. This is one argument for not having decentralized management practices in developing countries. Decentralization is argued as one way to minimize corruption.

8.14. Lessons and Recommendations

What are the lessons for developing countries learnt from this research? Based on the findings of this study, and taking into account the limitations of this research (addressed in Chapter IX), the following are major lessons for Nepal and developing countries.

- (a) The explanations of the success or failures of reform are subject to multiple and often conflicting interpretations because it creates losers as well as winners. It is the perceptions of individuals that matter most in deciding what has worked and has not. This research has shown that *NPM is useful and applicable* to Nepal. It was the perceptions of individuals, the potential stakeholders of reform that supported the applicability of NPM to Nepal. This has provided evidence to developing countries that NPM can be used as a model of reform to strengthening the government. The developing countries may incorporate these reform measures in their policies.

- (b) This research has shown that the political and bureaucratic environments in developing countries are weak and these factors influence the implementation of reform. This meant that if a government is weak, it is one of the main impediments to ensuring a good governance system. Creating a strong State is important to implementing and sustaining reform programs. The capacity development of developing countries, is thus, a prerequisite to reform. It is, therefore, imperative that government institutions, structures, and individuals responsible for policy and operational functions should be strengthened so that reform measures can be implemented successfully.
- (c) It is evident from this research that confidence in the government is deteriorating. The overall opinion of respondents of political systems was not favorable. The political system was viewed as an obstacle to reform because of lack of commitment of political leaders and excessive involvement in the day-to-day business in the public service. This is a major problem, which has to be managed carefully. Reform measures are essentially political decisions, and therefore, commitment on the part of political and bureaucratic leaders is important. Bureaucratic planners and civil service officials play a significant role by supporting the political leadership in the task of national development. It is important that both political and bureaucratic leaders work together to make reform a success. Moreover, reform demands changes in behavior and organizational culture. To make this happen demands successful change agents who are credible and can ensure the benefits of change to employees. Leaders are important as they craft the vision and seize as well as create opportunities for reform. Therefore, creating a positive atmosphere towards the political system by developing the trust and confidence of stakeholders is an important element that has to be considered in implementing reforms in developing countries.
- (d) This research analyzed the transparency system, accountability system, ethics and corruption and financial management system and concluded that those bureaucratic characteristics were weak in Nepal. This research has also confirmed that these weak characteristics significantly influence the applicability of NPM. Therefore, this research is to suggest that in the task of creating a strong State through building capacity development initiatives, the thrust should be given to strengthening the

transparency system, accountability system, ethics and corruption and financial management system along with NPM reform programs. With this, it could also be generalized that social-cultural, administrative and political environments that do influence reform should be taken into account in planning and implementing reforms.

In addition to above general learning lessons for developing countries, there are some other specific lessons for Nepal drawn from this study. They are as follows:

- (e) Cost cutting and downsizing has to be a continuing policy for Nepal in the task of reforming government. This study has endorsed the need for cost cutting and downsizing in Nepal and indicated that the policies of downsizing taken by the government were correct. Implementation of this policy is a sensitive issue. Therefore, it is important that government adhere to the principles of impartiality, objectivity and integrity in exercising the mandate given by the citizens.
- (f) Agency is a new concept for Nepal that has recently become popular with the coming of Expenditure Review Commission Report (2000). While this research supported to some extent the introduction of the concepts of agencies in Nepal, it has also acknowledged that many of the people are still unaware of the benefits and weaknesses of agency structure. It is therefore important for the government to communicate the pros and cons of agency structure to its citizens in the task of restructuring organizations.
- (g) While a decentralized government/management is a preferred way of providing services to the citizens and making employees responsible for results, which this research has endorsed fully, in practice the Nepalese administration was found to be centralized. Decentralization of management authority means trusting employees and unleashing their potential to enhance performance. Decentralization of management authority is an art of leadership that needs to be learned in Nepal.
- (h) Introducing market mechanisms has been an important driver of reform in many developed and developing countries. This research endorsed that this measure is equally relevant to Nepal. At the same time, the results of this study revealed that

government involvement is necessary especially when the private sector is not competitive in Nepal. Competition and cost effectiveness are the central themes for introducing markets in the public sector. It is appropriate for government to release those functions that the private sector is capable of performing efficiently. At the policy level, it is appropriate to ensure that policy designs encourage markets to grow and prosper.

- (i) The system of performance management makes individuals accountable for results. In Nepal, performance management and accountability are weak as shown by this research. Once the country starts decentralizing the management authority to the lower levels, it becomes imperative to specify results to ensure accountability. It is the centralized bureaucracy that makes the implementation of performance management difficult. Performance management will become an important reform measure sooner or later in developing countries because the budgetary constraints and the demands for greater decentralization of authority would require governments to be more focussed on outputs and outcomes although at present this study has shown constraints in its applicability in Nepal.
- (j) Human resource management system in Nepal can be considered to be based on Weberian principles. This research revealed that respondents believed that all appointments should be on merit and reward systems linked to performance. This is an indication that the seniority based human resource system, followed by most of the developing countries may be an inappropriate model for a new generation that seeks appropriate value for performance.
- (k) It is important that the government of Nepal takes some bold measures to improve the quality of services to its citizens. This study confirmed that citizens are not satisfied with the performance and quality of services provided by the government. The study endorsed the use of service standards, devolution of services nearer to the citizens, and a process of customers' participation and consultation in an effort to improve the customer services, which the government in Nepal could incorporate in their reform policies.

- (l) The Nepalese bureaucracy was found to be weak. Poor accountability, lack of transparency, low motivation of employees, poor ethical environment, poor utilization of financial resources, corruption, lack of strict enforcement of anti-corruption rules and regulations, ineffectiveness of oversight bodies in controlling corruption, weak institutional capacity, and weak monitoring and evaluation systems are dysfunctional governing the bureaucracy in Nepal. These findings are vital for the government of Nepal. All these suggest the need for reform programs and a concerted effort both from political and bureaucratic leaders including the citizens to improve the poor governance systems in Nepal.
- (m) A lack of commitment on the part of the political leaders, excessive political influence on the public service and the citizens' unsatisfactory views about the public management environment in Nepal suggest that the political leadership has remained short of that desired by the citizens. It is important that a clear role for political leadership be established. Political leaders should be able to show a vision to the citizens and craft policies to lead them towards the desired destination.

In addition to these empirical recommendations from this research for future reforms in developing countries, including Nepal, the following are some recommendations drawn based on the past reform experience in developing countries. The past reform experience has to be taken into account as this has given the governments some important lessons that have to be followed in implementing reforms in developing countries.

- (n) The last two decades of reform have shown that externally driven reforms were less successful in institutionalizing change in developing countries. This was due to giving insufficient account to local demands, needs, priorities and the cultures of respective countries. For reforms to be successful, the *ownership of reform* by local people is a must. The donor agencies should have a support role in a reform program driven by local leaders.
- (o) Reform intervention must be based on a long-term *vision*. Without it reform may not be sustainable. The reform experience suggested that changes in countries occurred in responses to crises or under the pressure from donor agencies particularly in

developing countries. The lesson to be learned is to be more strategic than being opportunistic in reforming the governments, as it helps in unifying all the stakeholders and planners and provides a sound direction for reform.

- (p) Strategically, it is favorable to take an *incremental approach* rather than the big bang approach of reform particularly in developing countries. The developing countries may not bear the shock of big bang approach, and an attempt to do more at once may end up accomplishing little or nothing. The negative impact of this could be higher than introducing reform in areas where it is feasible. If citizens and public servants are tired of reforms that ended in failures, it could plague even the most successful reform efforts. Therefore, move fast where it is feasible, and incrementally, where the conditions are not favorable for reform implementation.
- (q) *Action or experiments* are important in reform. Finding a blueprint of a reform strategy that solves all the problems of developing countries is unlikely, neither would it be possible to create an environment completely favorable for implementing reforms in developing countries. There is no 'one size fits all' formula applicable to all countries. It is possible, even probable, that some reform measures may not work, but it has to be recognized that this process of reform will unveil new opportunities. Each country must test reform measures within their own environmental contexts. Developing countries should therefore experience the NPM principles in their environmental context in order to make changes in the government and learn lessons as they go along. Without actions, nothing will be achieved.
- (r) The role of communication is very important in reforms. If the citizens and employees are familiar with the common values that underlie the reform, the expected outcomes and the built-in incentives attached to successful reforms; it is likely that the required support for achieving the results of reform could be achieved. Otherwise it will be hard to get rid of the status quo situation. A communication channel must also be built-in to tell the employees and citizens about the successful reform practices. Spreading organizational improvements through communication media is important particularly in developing countries, because governments are believed to be non-transparent in their operations.

In summarizing the lessons from this research for developing countries it could be said that building a strong State is important to implementation of NPM principles.

8.15. Conclusions

This chapter presented a discussion on the applicability of NPM to developing countries. Both the theoretical and practical aspects of each element of NPM was analyzed and discussed. In its theoretical analysis, the findings were compared with the academic literature and a relationship was established. The importance and implications of these findings to the government of Nepal was discussed. The relationship proposed in the theoretical framework was analyzed and explained. It was found that the theoretical framework was supported by the results. Finally, it presented some lessons for developing countries. The next chapter summarizes the work done thus far and presents the concluding chapter of this research.

CHAPTER IX

CONCLUSIONS

9.1. Introduction

The aim of this chapter is to present a summary of the previous chapters and recommend an appropriate reform model for implementing reform successfully in developing countries. Section 9.2 presents the summary of the aim, significance and scope of this research. Section 9.3 presents the summary of the theoretical framework followed by research methodology in section 9.4. Section 9.5 summarizes the research results and proposes an appropriate model for the successful implementation of reforms in the developing countries. Section 9.6 discusses the limitations and explores areas of further research. Section 9.7 presents the final conclusion of this research.

9.2. Summary of the research contexts, aims and significance of the study

Reforms have become an important agenda for the governments of developed and developing countries especially in the last two decades because of the changing demands of the citizens and the deteriorating financial situations in respective countries. New Public Management (NPM) emerged as a reform model, which was practiced and argued to be successful in changing the States in developed countries.

New Public Management (NPM) appeared to be crossing the international boundaries from developed to developing countries with the support from international consultants and management gurus, and, importantly, embodied in donor packages to developing countries. It became a subject of great interest to developing countries in an effort to solve the socio-economic and other bureaucratic problems inherited in these countries.

Is NPM applicable to Nepal? Is NPM applicable to developing countries? This research was an attempt to answer these broad questions and draw some solid recommendations for developing countries in pursuing future reform programs. This was the main aim of this research. It was achieved by reviewing literature on NPM practices in developed and developing countries and then testing NPM applicability to Nepal.

The journey was not a simple one for a number of reasons. The literature on NPM practices in developed countries argued in support of 'convergence' and 'divergence' theories, in which, some countries claimed success in re-inventing governments through the application of NPM while some others moved cautiously in its application (Chapter two).

For developing countries, the subject was relatively new compared to that of developed countries. The literature on NPM in developing countries covered both successes and failures stories (Chapter three). Furthermore, to determine a policy that works best in one country was an issue of individual perception, beliefs and culture, and because of that, a successful practice in one country may not be successful in achieving results in another country. Any conclusive solid evidence about the applicability of NPM to developing countries was also lacking in the academic literature. Comprehensive study of the results of reform based on sound evaluation to determine the applicability of NPM was not available. In many developing countries NPM reform was believed to be at an experimental stage rather than a mature practice which could be subject to evaluation.

There was a need to define the scope of this study if this research was to achieve its intended objective. The research was confined to the discussion of NPM elements only. The elements of new public management (NPM) described by Pollitt (1995) were proposed as the basis of the theoretical framework, which was tested, evaluated and studied in this research. Nepal was chosen a case study country for the purpose of this study.

9.3. Summary of the theoretical framework

The theoretical framework was a conceptual model designed for the purpose of this research. It was developed after a detailed analysis of literature in the field of research and aimed at testing the applicability of NPM to developing countries.

The eight elements of NPM discussed by Pollitt (1995) were the independent variables. These elements were: cost cutting and downsizing, introducing agencies, decentralization of management authority, split of purchaser and provider, introducing market mechanisms, performance management, new personnel systems, and quality and customer responsiveness. The subject of interest to the researcher was the applicability of NPM to developing countries. Therefore, this was the dependent variable. The applicability of NPM was determined based on the degree of 'usefulness' of NPM to Nepal. The degree of 'usefulness' was explored based on the perceptions, feelings and opinions of the stakeholders who were assumed to have a better understanding and interest in the subject of the research and are affected by the actions of the government.

The relationships between independent and dependent variables were assumed to be influenced by other elements, such as the bureaucratic and political factors. The theoretical framework suggested that the bureaucratic environment (indicated by, accountability, transparency, ethics and corruption, and financial management system) and the political factor influence the applicability of NPM to developing countries. Therefore, the political and the bureaucratic systems were considered as moderating variables in the theoretical framework. It was assumed that the moderating variables were interrelated to each other and these variables hold two-way relationships with the independent variables (Chapter five).

The analysis and explanation of the theoretical framework was done by addressing the research questions. As discussed before, the main question was 'Is NPM applicable to developing countries?' In an attempt to answer this broad question, three other theoretical questions and 12 (twelve) practical questions focussed on exploring 'applicability' and

relationships between the variables. These questions proved to be the building blocks in this research.

9.4. Summary of the research design and methodology

This research was based on quantitative analysis, for which the data were collected in a survey using a structured questionnaire. An extensive literature search on the subject, a pilot study and the survey were the main research methodology used in this research. A total of 408 questionnaires were distributed, out of which 238 completed questionnaires were received. The target population for the survey was the government and non-government employees who were the potential stakeholders of government reform programs. The questionnaire was self-designed in consultation with the supervisor, and its validity and reliability in terms of clarity and objectivity was tested through a series of consultations with the government officials and was then administered in a training program before distribution to the target population.

In most cases the questionnaire was personally administered. In some cases it was mailed, too. The respondents were personally briefed (in cases where the researcher met respondents personally) on the subject of the research, given a sheet of information containing the aims and objectives of research, a consent form and a self-addressed envelope. All efforts were made to increase the response rate, such as calling respondents over the phone and visiting them, as applicable. The final response rate came to be 58 percent.

Once the data were received through questionnaires, it was edited, coded using the number and/or alphabet, and was keyed to the SPSS program manually for further analysis and interpretation.

Descriptive statistics was used to find the general perceptions of the respondents on each item of the questionnaire. An independent t-test was used to explore significant differences in responses between government and non-government employees. A chi-

square test was used to explore any differences in responses caused by demographic variables. An exploratory factor analysis was conducted to construct a reliable factor, and a Cronbach's alpha was used to ensure the reliability of factors. A confirmatory factor analysis was conducted to ensure that each factor (model) best fit the data. A simple correlation was used to explore the relationship among the factors of independent and moderating factors. Multiple regression was used to explore the relationship between moderating and independent factors. All these statistical investigations helped in determining the answers to the logical questions established in the theoretical framework.

9.5. Summary of the results

The summary of the results can be grouped into three key areas. They are (1) Results on the applicability of NPM to developing countries (2) Results of the relationships among the moderating and independent factors, and (3) Results of the relationship between the factors of moderating and independent factors.

9.5.1. Results on the applicability of NPM to Nepal and developing countries

Based on the descriptive statistics, the analysis of the responses between civil service employees and stakeholders (t-test analysis) and any significant differences in responses caused by demographic variables (chi-square test), the conclusions on the applicability of NPM to developing countries are as follows. An 'order of usefulness' is determined based on the results of the mean values (Table 9.1).

- Cost cutting and downsizing, introducing market mechanisms, quality and customer responsiveness, and decentralization of management authority are useful and applicable to developing countries. These four elements are defined as first order of importance to Nepal and developing countries.

- Introducing agencies and the new personnel systems were found to a greater extent useful and applicable to developing countries. These two elements are concluded as second order of importance as the results on these elements were mixed.
- The separation of purchaser and provider and the performance management were concluded as less applicable than applicable and placed in third category of importance for Nepal and developing countries.

Table 9.1: Matrix of applicability of NPM to Nepal and developing countries

| 1st order of Usefulness | 2 nd order of Usefulness | 3 rd order of Usefulness |
|---|-------------------------------------|---|
| Cost cutting and downsizing (M=1.90) | Introducing agencies (2.44) | Separation of purchaser and provider (M=3.47) |
| Introducing market mechanisms (M=1.95) | New personnel systems (2.32) | Introducing performance management systems (M=3.11) |
| Quality and customer responsiveness (M=1.72) | | |
| Decentralization of management authority (M=2.08) | | |

Note: The lower the value of the mean the higher the support from respondents

These empirical results seem to be practically reasonable. Many developing countries have undertaken downsizing as an important reform element since the 1980s because the high number of employees and departments had been an important problem in all developing countries (refer sections 3.3.1 and 8.3). The expanded role of the government was seen a problem, and as a result, privatization and other market mechanisms have become an important reform agenda in many developing countries including Nepal (refer sections 3.3.5 and 8.7). While the quality of service was found to be poor in developing countries, it is reasonable to accept that introducing the service standards and other measures to this effect would likely improve the efficiency in the government. Decentralization of management authority, no doubt, will improve the performance of the government (refer sections 2.8.4, 3.3.3 and 8.5). The only problem was the misuse of authority by the government officials in developing countries.

Similarly the results described in the second order of usefulness could be argued to be practically reasonable. Agency is a new concept and its success depends upon decentralization of authority, establishment of performance measures, elements that were found to be weak in a case of Nepal. Performance may be poor when the agencies do not have clearly defined tasks, authority and performance measures on which they must be measured. Governments in most of the developing countries follow a seniority based personnel system in which reward is linked to grades rather than performance. Both seniority-based and contractual-performance based personnel management systems, have advantages and disadvantages. The old personnel system encourages non-performers to be in the public service and makes it hard to get rid of them, whereas the new personnel system has developed 'deep insecurity' and low morale in the public service. The legacies of the past administration will make it difficult to transform the public service into business-like organization and it is unlikely that a public service would be better than a private organization even though the concepts of private management are being borrowed in the public sector. Probably these factors contributed significantly to the mixed results on these elements of NPM.

The issue of a split between purchaser and provider ranked at third degree of usefulness. While a concern for making the central departments involved more in policy-making was raised in a number of government reports (ARC, 1992; ERC, 2000), the divide of policy and operations for the purpose of making markets play a greater role in the operational services is new to Nepal. There are a number of issues for this conclusion. The poor accountability system, weak policy making capacity at the central level, the need for information from all levels for policy-making, problems of coordination, weak monitoring and evaluation, absence of a performance measure system and the low emphasis on ensuring cost effectiveness in providing public services are factors contributing to this result.

Similarly, the applicability of performance management was recorded at the third order of importance. Probably the complexity in determining performance measures and the

cultural shift required for adhering to performance measures, compounded with weak bureaucratic systems, contributed to this outcome.

9.5.2. Results on the relationships among the variables

Another important theoretical proposition was to test the relationships among the variables. It was found that NPM elements (based on the study of four elements of NPM) are interrelated to each other. Since the study of four elements showed an interrelationship among each other, it is argued that the theoretical proposition that all NPM elements are interrelated to each other hold true in this research. Similarly, the research found that moderating variables are also interrelated to each other indicating that the theoretical proposition that moderating variables are interrelated to each other hold true in this research.

9.5.3. Results on the relationship between the independent and moderating variables

Another important part of the study was to explore the relationship between moderating factors and the elements of NPM. The theoretical assumption was that the political and bureaucratic systems (moderating factors) in developing countries are poor and that this situation restrains the applicability of NPM to developing countries. This conclusion, a *priori assumption* drawn from the academic literature was not a proven one. This research confirmed two important issues. First, it confirmed that political and bureaucratic systems in developing countries are poor. The accountability, transparency, ethics and corruption and the financial management systems (considered as parts of the bureaucratic systems) were found to be poor in Nepal. It was also found that the people do not have confidence in the government and that political factors were believed to be dysfunctional in improving public service efficiencies. Second, the results of this study confirmed that that the bureaucratic and political systems influenced the outcome of public management reforms. This was evident from the results of the multiple regression

presented in section 7.4.4.6. These results enabled conclusions to be drawn that poor socio-economic, bureaucratic and political environments restrain the applicability of public management reforms.

This research further explored whether there was a one-way or two-way relationship among the variables. The study found out that there was a two-way relationship between independent and moderating variables. With this result, it could be concluded that reform programs would improve the poor bureaucratic and political systems of a country.

What can be concluded from these findings? The following arguments can be made based on the findings of this research.

First, since most of the elements of NPM were found to be useful and applicable in Nepal, it could be argued that NPM is applicable to those developing countries having similar challenges to those of Nepal, and governments, therefore, should incorporate these elements in their current and future reforms programs.

Second, since the environmental systems (such as bureaucratic and political) were found to be weak in Nepal and this restrained the applicability of NPM, it could be argued that NPM reforms for 'present governments' are not suitable, because they do not work properly. Certain conditions should be strengthened before implementing NPM reforms.

Third, it could be concluded that without reform programs it is difficult to improve the existing environmental systems in the developing countries. Reform is a must and has to be pursued.

Then what would be an appropriate model of reform for the developing countries? Indeed, it is hard to be specific because the reform models have to be appropriate to each country's situation. However, based on the findings of this research and the lessons learnt thus far from the past experience of reforms, a reform model for the success of reform in developing countries is proposed (Figure 9.1).

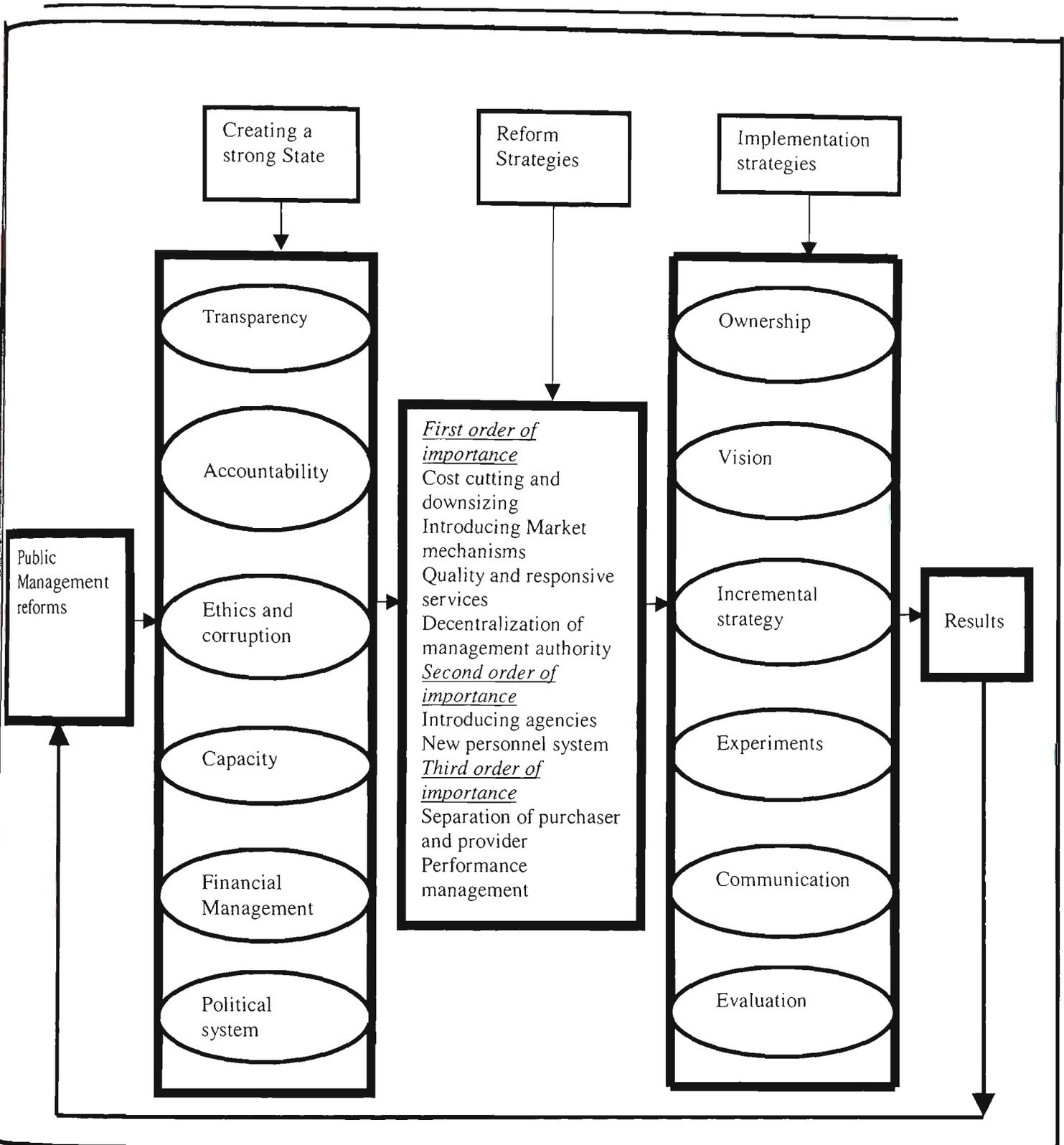


Figure 9.1: Proposed Model of Public Management Reforms in Nepal and Developing Countries

The proposed model (Figure 9.1) takes into account that if market mechanisms are used in the absence of an appropriate legal framework, decentralization without effective

reporting and control systems, and delegation without the culture of a rule-compliance environment, even the most appropriate reform strategy would fail to achieve expected results. This is to mean that in the absence of a supportive bureaucratic and political environment, it is difficult to implement NPM philosophies. The proposed model, therefore, argued that in developing countries reform should first look into creating a strong State so that NPM could be implemented successfully. A strong State does not mean a bureaucratic form of government, big government, a 'reductionist' government, or hollowing out the State, but a government based on decentralization, deregulation, leadership, empowerment, motivation negotiation, professionalism and capacity building (United Nations, 2001b). Without a strong government any reform initiative would be likely to fail.

The model assumes that NPM is applicable to developing countries. However, as this research has shown, the NPM elements can be categorized into three orders of importance.

The model takes into account the lessons learned from the past reform experience and thus proposes six implementation strategies that are important for developing countries. The model proposed that ownership of reform, vision, incremental approach to reform, the culture of experimentation, communication of results and evaluation of reform programs are critical to success of reform in developing countries.

Past experience suggested that reforms that take into account a country's demands, needs, socio-economic and cultural conditions are more likely to be successful. Externally induced reform is less likely to be successful. The prescription of 'one size fits all' or 'one best way' solutions has been rejected. Local ownership of reform is, therefore, a pre-requisite for its success. The government and its departments must drive the homegrown reform programs.

The experience of past reform in developing countries suggested that the vision of reform should be clear and government should express the detailed goals of each program

precisely. It is important that the public be involved in designing the vision of reform, as it will help in gaining public trust. Most of the reforms have been implemented in response to crises and lacked the strategic vision that takes into account public needs. Reforms that were not based on solid long-term vision were found unsustainable. It is for this reason, this model argued that reform based on long-term vision would have greater chance of participation and support from all the actors of reform.

The model also argued the need for an incremental approach so that a sustainable improvement could be made possible. It meant not to try to fix the problems all at once. Trying to fix all the problems at once may be more risky and damaging in developing countries because the society may not be able to sustain the shock of the changes. It is also important that reform fatigue is not being developed among the employees. Reform fatigue may kill the most successful reform efforts should citizens and public servants tire of reforms.

It is also important that the success stories of reform are made public through the media to win over the citizens and build a positive environment for future reforms. Communications media plays an important role in meeting this objective. The government should plan to make public the news of successful outcomes.

Evaluation of reform programs is important as it helps to recognize the achievements and problems associated with each reform measure and provides feedback to the policy planners so that corrective measures could be taken as warranted. Therefore, evaluation mechanisms should be established for reform to be successful.

Therefore, ownership of reform, a long-term vision for reform, experimentation of reform programs using an incremental approach, communication of results, and evaluation of reform programs are the suggested implementation strategy for reforms in developing countries.

Would the proposed model be able to meet the demands of the public administration shaping in the 21st century? One important factor that has influenced public administration is globalization. On the one hand, it has produced significant convergence in terms of policies and practices, but poverty, crime, corruption, and disparities on the other. It pressurized governments to redefine their roles towards letting markets and non-governmental organizations play a significant role in the national economy; but globalization also demanded a strong State to manage the challenges of globalization. To this effect, Annan (2000, p.100) said “if we are to capture the promises of globalization while managing its diverse effects, we must learn to govern better, and we must learn how better to govern together”.

The pressure from citizens for a responsive government is the key to shaping the future of public administration. The accelerated development in the information technology, education, and diverse and changing needs and expectations of citizens force governments to listen continuously to the changing demands of the citizens. Public administration has to be proactive, adaptive to change and has to exploit new ways of working continuously.

In sum, it can be said that the challenges and opportunities created by globalization, pressures from citizens for responsive government, development in information technology, rising citizen expectations and demands, and competition from the private sector, among others, would continue to influence public administration in the 21st century.

The governments around the world have responded to these pressures in different ways. This thesis has presented arguments on this. The application of NPM was a response in developed countries. Many developing countries also initiated a number of efforts in response to global pressures. Democratization, decentralization, debureaucratization, developing legal and institutional frameworks for sound governance system, developing ethics and anti-corruption strategies, enhancing transparency, accountability and efficiency in the public sector, improvement in the financial management system, making

public service effective and responsive to all, fostering partnership, promoting international cooperation (United Nations, 2001b), were some of the reform initiatives taken up by governments in developing countries. However, both developed and developing countries varied in the application of these strategies because of differences in their local environment.

It is unlikely that the present direction of the NPM movement will reverse in the near future. The future vision of public service discussed by Schick (2000) and Goodsell (2001) showed that the current reform practices that incorporate the elements of NPM is irreversible. No matter the change in governments, the universal reform principles shall remain and will be followed by the subsequent governments. For example, the Bush administration focussed reforms on three major principles: government should be citizen-centered, results oriented and market-based. The Management Agenda contains five supporting initiatives, which are strategic Management of Human Capital, Competitive Sourcing, Improving Financial Performance, Expand Electronic Government and Budget and Performance Integration (Breul, 2001). All these reform principles were parts of the NPM movement even in the Clinton administration.

The proposed model takes into account the possible future vision of the public service that supports the continuation of NPM reform both in developed and developing countries. This research has also showed the usefulness of NPM reform for developing countries. The model looked into the present political and bureaucratic characteristics and suggested the need for building a strong State in developing countries. It also acknowledged the lessons learned from the past reform experience in developing countries. The proposed model, therefore, is argued to be a robust model that could meet the demands of the public administration in the 21st century.

The Government of Nepal could operationalize this proposed model by establishing a policy paper so that all government agencies could move in the same direction. As this research has shown, the policy paper should address the following issues:

- Public management reform is potentially a means to multiple ends. It has to be a continuous process, and recognized to be a part of good administration. It is, therefore, suggested that a permanent body to look after the administrative reform process be established. Within agencies, the agency Heads should have accountability for leading the reform programs in consultation with the established permanent body.
- A government has to be strong to implement reform programs. It is evident from this research that without a strong government and support from key players (Ministers and Secretaries), it is unlikely that reform will succeed. This has been a case in developed countries where reforms have been successful. How can government be strong – indeed, by creating an environment where the citizens do ‘trust’ the government. That ‘trust’ could be acquired by developing systems and procedures that are clear and accessible to citizens. In this regard, the government policy should address issues relating to transparency of information, strengthening accountability, minimizing corruption and strengthening ethical behavior, improving the capacity of the agencies to enable them to carry out the reform programs, improving the financial management systems, and minimizing excessive influence of politicians in the public service system.
- There are a number of issues that could be included in the policy direction, such as establishing a Senior Executive Service (supported by this research), which will help to limit the political interference to this level only and strengthen the accountability for the tasks assigned by the Minister concerned. The Commission for the Investigation of the Abuse of Authority (CIAA) should be strengthened so that corruption could be minimized and actions could be taken against those found guilty of corrupt behavior. Accountability could be improved by introducing contracts with government agencies as well as by making civil servants accountable under the Civil Service Rules and Regulations. Training has to be an important component in the policy direction to enable the civil servants to develop capacity to implement proposed changes and to familiarize the pros and cons of ethical behavior.
- As this research has endorsed, the policy should include austerity measures to strengthen the economy (for example restructuring and downsizing of the government), defining the role of the government and releasing those functions to the

private sector that could be provided by them effectively, privatizing the State owned enterprises that are burden to the government and introducing competition in the delivery of services, and delegating authority to the lower levels of the administrative systems, which will eventually strengthen the service delivery to the satisfaction of the citizens.

- Once the Cabinet approves a policy paper incorporating the above suggestions, it will provide a long-term vision of reform programs to all agencies. Each agency is then required to establish their own reform programs within the overall framework of the policy paper. It then requires the commitment of all concerned who are involved in the reform programs to make it a reality. No matter that there may be failures. All these should be viewed as an opportunity for further research and reforms. The progress or weaknesses of reform should be continuously evaluated so that corrective actions could be taken within a specified time. The policy paper should include the provision that the progress of the reform programs should be disclosed to public.
- Periodic feedback to the Ministers, Secretaries and to a permanent body should be made to enable the government to review the established policies of reform programs.

It has to be noted that public management reform program is only one aspect of reform programs and therefore there is a need for integration with other reform programs. Neither is it an easy job, nor could it be achieved within a short period of time. It is a continuous activity, which should be sequenced and administered properly.

It is recommended that the above few points drawn from this research are suggested to be incorporated into a policy paper if the country wishes to benefit from this research.

9.6. Limitations and further areas of research

One of the limitations of this study is that the perception, beliefs, and attitudes of respondents are used in determining the applicability of NPM to developing countries. Probably, it would have been more theoretically sound to prove the applicability of NPM

based on the 'outcomes' of reforms. There were constraints with the 'outcome' approach as well. First of all, NPM was relatively new to Nepal. No such hard evidence was available that can help the researcher draw a conclusion about the applicability of NPM reforms using an outcome approach. Nepal was just at the threshold of selecting strategies to strengthen its public sector. NPM reforms were beginning to appear in government reform programs. In such a situation, the best approach was to learn the perception of stakeholders about the applicability of NPM reforms. This is what this research has done.

Second, the data collection for this study was based on a survey method. While an introduction to the research questionnaire and research objectives was given to many of the respondents during questionnaire administration, it may be that the information was to some extent biased. To minimize the bias in responses, the researcher therefore collected information from a wide range of respondents representing 32 different organizations. Moreover, the questionnaire method limits the opportunity to clarify questions to the respondents. It is therefore difficult to ascertain that all the respondents understood the questionnaire similarly. The results of this study, therefore, should be viewed taking into account of these limitations.

One area for further research that could contribute significantly in the academic field would be to conduct a cross-country analysis of the elements of reforms implemented in some developing countries. It would help in understanding the success and failure of reforms in developing countries. The International Public Management Network (IPMN) conference 2000 *Learning from Experience with New Public Management* also promoted the need for better international comparison of reform although there are many difficulties with such comparisons (Boston, 2000; Pollitt and Bouckaert, 2000). It is, nevertheless, important for continuing research for cross-fertilization of ideas in the areas of public management reform.

Moreover, it has to be acknowledged that reform in any specific country has to be tested within its own environmental context. While with the coming of *Reinventing Government*

(Osborne and Gaebler (1992) the universal approach to reform gained momentum in both developed and developing countries, but now it is increasingly recognized that a single reform template is improbable. In this respect Pollitt and Bouckaert, (2000, p.13) argued that

the management reforms in any particular country will almost certainly be shaped by the local preoccupations and priorities of the politicians and private actors most concerned. These local frames of reference are likely to vary a good deal. The success application of a single template for reform right across the globe (or even across the liberal democracies of Western Europe, North America and Australasia) is therefore inherently improbable.

Similarly after two decades of reform the donor agencies have also realized that reform has to be locally originated and driven by local people. In this regard, United Nations (2001a) noted that

Reductionist, one-sided, one size fits all are common characterizations of the principles and methods that guided these reforms in many developing countries and countries in transition. Often externally induced and mostly supply-driven, they took insufficient account of the specific needs, priorities, conditions, culture and possibilities of the targeted countries. Instead of their stated objectives, what they sometimes accomplished, as a result, was a 'hollowing out of the State' with unfortunate results for the countries concerned.

In this context, although this research has shown support for the application of NPM elements to Nepal, and an indication that the NPM may be useful to some other developing countries, it is suggested that the application of NPM to developing countries is subject to a further research in context of their own environment.

The proposed model of reform (Fig. 9.1) suggested creating a strong State to implement the public management reform measures. While this model is drawn from the results of a study from a sample of respondents from Nepal, the use of this model in other developing countries should be subject to further research. It is likely that many low-income countries have a weak State, but many of the middle-income countries have a relatively stronger State compared to low-income countries. Therefore, the reform priority for them could be different. Similarly, the order of importance of reform elements drawn from the

results of a study in Nepal could also be different for other developing countries. The literature reviewed (Chapter Two) showed that even in OECD member countries, there is a difference in the use of NPM measures and the value of some elements are still debated. While for Nepal, the respondents set this order of importance, it may vary in other developing countries which would be learned from a research within each country.

9.7. Final conclusions

The overall aim of this research was to (a) identify, analyze and evaluate the public management reform programs, popularly known as 'new public management' implemented by some developed countries, (b) analyze the applicability of the model of NPM to an example of a developing country, and (c) generate empirical recommendations for future reforms in developing countries, including Nepal.

This study explored both the theoretical and practical aspects of NPM reforms in developed countries and concluded that NPM has been extensively used in OECD countries, although it varied from one country to another. This was a subject of presentation in chapter two of this thesis.

An extensive literature review presented in chapter three showed that some developing countries have taken up some elements of NPM but not the whole package as seen in developed countries. Along with this extensive literature review, this research further explored the applicability of NPM with the help of a questionnaire and concluded that many components of NPM were useful and applicable to Nepal. Since many of the social, economic and bureaucratic characteristics of Nepal were found in some other developing countries, it was argued that these findings are useful and applicable to developing countries. With this it was concluded that NPM is applicable to developing countries that have some similarities to Nepal.

In an effort to generate empirical recommendations for future reform practices in developing countries, this research looked into the problems inherited in the developing

countries. The bureaucratic and political systems were analyzed and it concluded that these systems were weak in Nepal. The lessons learned from the past reform practices were reviewed. The future direction of public administration was anticipated. Knowing the past performance, understanding the present situation and visioning the future direction of public administration helped to draw empirical recommendations for future reform practices in developing countries. The proposed model suggested that since the bureaucratic and political systems (based on this finding it was generalized that the environmental characteristics in developing countries are weak), were found to be weak in developing countries, governments in these countries should strengthen the bureaucratic and political systems to help implement the NPM reforms effectively and successfully. The implementation strategy should focussed on experimentation, with an incremental approach and strong communications system.

The theoretical contributions from this research were substantial. It confirmed that NPM is perceived as applicable by a sample of respondents to Nepal and applicable to some other developing countries. It confirmed that the bureaucratic and political systems in developing countries are poor and these factors restrain the applicability of NPM. It confirmed that elements of NPM are interrelated to each other. This research filled the gap in knowledge in the field of public management literature and showed that NPM is applicable to developing countries. Moreover it has proposed a model that could be used for implementing public management reforms successfully in developing countries.

This research also generated many practical implications, particularly for the government of Nepal. This endorsed that cost cutting and downsizing, introducing markets, decentralization of management authority and the establishment of service standards are useful for the government of Nepal in strengthening its public sector. Having received this mandate from the stakeholders, the government now can incorporate these elements in their reform strategies. This research also found out that stakeholders preferred a decentralized system in Nepal. The results of this research confirmed that the government in the opinion of stakeholders is centralized; the accountability and transparency systems are weak; ethics and motivation of employees is low; corruption is a problem; the

government lacked credibility; confidence towards government is declining; resources are poorly utilized; political influence in the public service is excessive and political commitment is lacking in managing the reforms. All these are substantial practical contributions for the government of Nepal. The results of this research could prove a solid foundation in shaping the future public administration, if these issues are addressed through government policies in Nepal.

Finally, this research helped the researcher by broadening knowledge in the field of study, understanding the problems inherited in the developing countries, and drawing empirical conclusions that NPM is applicable to Nepal as well as to other developing countries. This work expanded the knowledge base of the researcher and helped to develop a new model that would be appropriate for future reform practices in developing countries.

It is hoped that this research would be an additional contribution to the academic field as well as to the governments in planning and implementing public management reforms in developing countries.

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Appendix One

List of the organizations participated in this research

Organizations

1. Ministry of Agriculture and Cooperatives
2. Ministry of Education
3. Ministry of Finance
4. Ministry of Forest and Soil Conservation
5. Ministry of General Administration
6. Ministry of Home Affairs
7. Ministry of Industry, Commerce and Supplies
8. Ministry of Local Development
9. Ministry of Labour
10. Ministry of Science and Technology
11. Ministry of Physical Planning, Resources and Work
12. Prime Minister Office
13. Ministry of Women and Social Works
14. Ministry of Culture
15. National Planning Office
16. Office of the Auditor General
17. Public Service Commission
18. Kathmandu University
19. Tribhuvan University
20. Nepal Administrative Staff College
21. Nepal Rastra Bank
22. Nepal Bangladesh Bank
23. Nepal Productivity and Economic Development Council
24. SOS (Save the Children)
25. Kantipur Publications
26. USAID
27. DANIDA
28. Representation from Morang District
29. Representation from Palpa District
30. Representation from Rupendehi District
31. Private Industries
32. UML (Politicians)

Appendix Two

Research Questionnaire

Dear Sir/Madam:

Over the past decade we have gone the extra mile to help renew the public management in Nepal, but we know that there is a lot more to do. Many OECD countries have initiated reforms to improve the performance by introducing new ways of managing government. We hope to learn from their experiences.

Your response to following questions will help the researcher to show the planners, bureaucrats and policy makers the relevance of new ways of managing government in our cultural environment. It will help to forward appropriate recommendations to make the public management more successful than now. This study is also expected to award a Ph.D. degree from the Victoria University of Technology, Melbourne, Australia to the researcher.

I, therefore, invite you to participate in a research project seeking to determine the relevance of "New Public Management (NPM) in Nepal. I request for your explicit and frank opinion on the following questions. Please tick [√] at the appropriate column to give your response. Thanks!

| Questions/Rating Scale | Strongly Agree | Agree | Don't Know | Disagree | Strongly Disagree |
|---|----------------|-------|------------|----------|-------------------|
| General Public Management Environment: | | | | | |
| 1. The public management is efficient and effective in Nepal. | | | | | |
| 2. The delivery of services to citizens is satisfactory. | | | | | |
| 3. People have confidence in the government. | | | | | |
| 4. The bureaucracy in Nepal is characterized by traditional principle of command and control. | | | | | |
| 5. The political interference in the public service is excessive. | | | | | |
| The Role of Government: | | | | | |
| 1. The government of Nepal in practice is fully centralized in its operations. | | | | | |
| 2. The role of the government should be to encourage the private sector to grow and participate in the national economy. | | | | | |
| 3. The government should be responsible for the "core functions" which it can perform effectively and economically. | | | | | |
| 4. The government must leave those functions that can be handled by the private sector. | | | | | |
| 5. The service provided by the private sector is more effective and efficient than the public sector in Nepal. | | | | | |
| 6. The private sector in Nepal is capable of taking over the commercial functions, which the government is desirous to release to the private sector. | | | | | |
| Streamlined Structure: | | | | | |
| 1. The size of the government of Nepal needs to be downsized. | | | | | |
| 2. The government must reduce the size and scope of operations. | | | | | |
| 3. The government must cut down its expenditure. | | | | | |
| 4. There exists duplication of functions among the government agencies. | | | | | |
| 5. There are functions that are not at all necessary for the government to provide | | | | | |
| 6. Many countries (UK, Australia, New Zealand, Sweden) have unbundled the large bureaucratic organization into small "agencies" with a view to enhance efficiency, accountability and deliver prompt services to the people. Do you agree that the concept of "agency" should be introduced in Nepal? | | | | | |
| 7. Government offices are being established at the regional or district level just to show the agency's representation. | | | | | |
| 8. Should services be provided from a single point or one-stop shop, rather than from different agencies, at the district and | | | | | |

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| regional levels? | | | | | |
| 9. The principle of separation of policy with that of operational functions is appropriate and workable in Nepal? | | | | | |
| 10. The coordination between government agencies is strong. | | | | | |

Accountability in the Government:

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|--|--|--|--|--|--|
| 1. Employees at all levels of the government are accountable for their work. | | | | | |
| 2. Each agency has clear publicly stated objectives. | | | | | |
| 3. There exist adequate rules and regulations to enforce accountability in the government. | | | | | |
| 4. The government distributes information on objectives, services, resources and expected results of each agency. | | | | | |
| 5. Performance measurements and indicators are being established to clarify accountability in the government. | | | | | |
| 6. The government is using the concept of performance contracting or performance agreements to establish accountability. | | | | | |
| 7. Each agency is accountable and responsible for its work. | | | | | |

Transparency in Operations:

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|--|--|--|--|--|--|
| 1. There is no transparency of information in the government | | | | | |
| 2. Major documents, such as official reports, new legislation, budget are easily available to the public. | | | | | |
| 3. The government publishes major administrative decisions. | | | | | |
| 4. The government publishes major administrative decisions including the reasoning for decisions. | | | | | |
| 5. There is a full degree of transparency of information, except that specifically classified as confidential. | | | | | |

Decentralization of Management Authority:

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|--|--|--|--|--|--|
| 1. The authority and power is not decentralized in practice in Nepal. | | | | | |
| 2. Devolution of power and authority to sub-national levels increases the efficiency and economy in the government in Nepal. | | | | | |
| 3. There is an acceptable system of formal consultations with concerned official (s) within each agency for making policy decisions. | | | | | |
| 4. Performance will improve in Nepal when managers are given flexibility and operational authority to carry out their assigned responsibilities. | | | | | |

Reforms in Personnel Administration:

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|--|--|--|--|--|--|
| 1. The motivation level of employees in the public sector is low. | | | | | |
| 2. The ethical environment in the government is poor. | | | | | |
| 3. There is a strong political commitment to enforce ethical behavior in the government of Nepal. | | | | | |
| 4. There is a legal framework (laws and regulations) that sets the standards of behavior for the public service employees in Nepal. | | | | | |
| 5. Accountability for the public service employees is defined through administrative policies and procedures. | | | | | |
| 6. Administrative policies and procedures control the day-to-day conduct of public service employees. | | | | | |
| 7. A code of conduct defines the expected behavior and conduct for public service employees. | | | | | |
| 8. Education and training on ethical issues and behavior are provided to public service employees to make them aware of ethical behavior and good conduct. | | | | | |
| 9. There exists an independent institution(s) to guide, counsel and advise the public service employees on ethical issues. | | | | | |
| 10. The civil service conditions of service covers all aspects of ethical issues for the employees. | | | | | |

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|--|--|--|--|--|--|---|--|---------------------------------------|--|---|---|--|---|--|--|
| <p>11. The following list contains the motivational factors commonly associated with the public service. Please score the following items in order of importance to you in your job. (scoring:1 as most significant)</p> <table border="0"> <tr> <td><input type="checkbox"/> Opportunity to have impact on policy</td> <td><input type="checkbox"/> Financial rewards</td> </tr> <tr> <td><input type="checkbox"/> Job security</td> <td><input type="checkbox"/> Opportunities for career growth and /or promotion</td> </tr> <tr> <td><input type="checkbox"/> Recognition for work performed</td> <td><input type="checkbox"/> Conducive Organizational environment</td> </tr> <tr> <td><input type="checkbox"/> Social prestige</td> <td><input type="checkbox"/> Adequate authority to perform jobs</td> </tr> <tr> <td colspan="2"><input type="checkbox"/> any others (please specify)</td> </tr> </table> | | | | | | <input type="checkbox"/> Opportunity to have impact on policy | <input type="checkbox"/> Financial rewards | <input type="checkbox"/> Job security | <input type="checkbox"/> Opportunities for career growth and /or promotion | <input type="checkbox"/> Recognition for work performed | <input type="checkbox"/> Conducive Organizational environment | <input type="checkbox"/> Social prestige | <input type="checkbox"/> Adequate authority to perform jobs | <input type="checkbox"/> any others (please specify) | |
| <input type="checkbox"/> Opportunity to have impact on policy | <input type="checkbox"/> Financial rewards | | | | | | | | | | | | | | |
| <input type="checkbox"/> Job security | <input type="checkbox"/> Opportunities for career growth and /or promotion | | | | | | | | | | | | | | |
| <input type="checkbox"/> Recognition for work performed | <input type="checkbox"/> Conducive Organizational environment | | | | | | | | | | | | | | |
| <input type="checkbox"/> Social prestige | <input type="checkbox"/> Adequate authority to perform jobs | | | | | | | | | | | | | | |
| <input type="checkbox"/> any others (please specify) | | | | | | | | | | | | | | | |
| 12. A Senior Executive Service (SES) usually means an elite top level, which may or may not operate with contracts. Do you agree that there is a need to establish a separate SES service to improve the public service systems in Nepal? | | | | | | | | | | | | | | | |
| 13. Many reform -oriented countries hire Senior Executives on contracts. Do you agree that establishing contracts with Senior Executives is necessary to improve the public service system in Nepal? | | | | | | | | | | | | | | | |
| 14. The public management in Nepal must move away from a standard pay system to a performance-based pay system. | | | | | | | | | | | | | | | |
| 15. The recruitment system should be based on merit principles at all levels of the government. | | | | | | | | | | | | | | | |
| 16. The government in Nepal is excessively overstaffed. | | | | | | | | | | | | | | | |
| 17. Do you agree that the government must downsize the number of employees? | | | | | | | | | | | | | | | |
| 18. Unions inhibit improvement in the public sector in Nepal. | | | | | | | | | | | | | | | |
| Introduction of Performance Management: | | | | | | | | | | | | | | | |
| 1. The mission of each agency of the government is clearly defined in the Constitution or in other established laws and regulations of the country. | | | | | | | | | | | | | | | |
| 2. There is no Act (such as the Government Performance and Results Act in USA) that directs the agencies to prepare annual performance plans. | | | | | | | | | | | | | | | |
| 3. The management principles and practices applied by the private sector can be used in the public sector in Nepal. | | | | | | | | | | | | | | | |
| 4. Each agency of the government has their performance plan that includes mission statement, objectives, programs, output and outcome measures to guide their operations. | | | | | | | | | | | | | | | |
| 5. Each employee's activity is guided by an agreed performance plan. | | | | | | | | | | | | | | | |
| 6. The principles of performance management are difficult to implement in the public sector in Nepal. | | | | | | | | | | | | | | | |
| Reforms in Financial Management: | | | | | | | | | | | | | | | |
| 1. The fiscal discipline in the government is low. | | | | | | | | | | | | | | | |
| 2. The allocation of available resources is determined by national priorities. | | | | | | | | | | | | | | | |
| 3. The allocated resources in programs or projects are not properly utilized. | | | | | | | | | | | | | | | |
| 4. The budget formulation must be based on programs of work rather than by departments and line items. | | | | | | | | | | | | | | | |
| 5. The budget allocation should be linked to results. | | | | | | | | | | | | | | | |
| 6. The government should adopt a separate multi-year capital budget rather than an annual budget. | | | | | | | | | | | | | | | |
| 7. The authority to execute budgets has been fully devolved to each agency. | | | | | | | | | | | | | | | |
| 8. Each agency has flexibility to transfer funds among line items. | | | | | | | | | | | | | | | |
| 9. Each agency submits reports on a quarterly basis indicating the status of spending against the budget authorization to central budget agencies. | | | | | | | | | | | | | | | |
| 10. Each agency head is accountable for the use/misuse of funds. | | | | | | | | | | | | | | | |
| 11. Each agency has adopted a computerized system to provide reliable and up-to-date budget and accounting information. | | | | | | | | | | | | | | | |
| 12. The government has adopted an accrual budgeting and accounting system. | | | | | | | | | | | | | | | |

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| 13. The government conducts a detailed expenditure review, periodically, on certain programs or departments to ensure the worth of such expenditure. | | | | | |
| 14. Government officials are required to disclose personal assets. | | | | | |
| 15. There are regulations establishing sanctions to control the corruption. | | | | | |
| 16. The government strictly enforces the anti-corruption regulations. | | | | | |
| 17. The government provides training and education to public service employees to create awareness about corruption implications. | | | | | |
| 18. The government institutions established for investigation and control of corruption are effective and efficient in performing their work. | | | | | |
| 19. Transparency in the operations controls corruption. | | | | | |
| 20. The government has established procedures for whistle blowing. | | | | | |
| Introduction of Market-type Mechanisms: | | | | | |
| 1. Privatization in Nepal is essential because the government performs less effectively than the private sector. | | | | | |
| 2. In Nepal, state-owned enterprises have low productivity and have failed to deliver the expected services. | | | | | |
| 3. There exists a strong political desirability for the privatization of the state-owned enterprises in Nepal. | | | | | |
| 4. The privatization of state owned enterprises is politically feasible in Nepal, i.e., the government can secure the approval and support of other political parties, bureaucracies and legislatures. | | | | | |
| 5. The government of Nepal has a high degree of credibility, (an environment of trust and belief, a reputation for keeping promises) that has helped in the task of privatization of state owned enterprises. | | | | | |
| 6. The government of Nepal must commercialize its services to make the government cost-effective. | | | | | |
| 7. The government must use the market disciplines such as user pay and user choice, to make the services competitive and cost-effective. | | | | | |
| Service Quality and Customer Services: | | | | | |
| 1. The government becomes effective and efficient when the services are more responsive to local needs. | | | | | |
| 2. Performance improves when citizens are empowered to participate more in decision-making. | | | | | |
| 3. The quality of services provided by the government to its citizens is very poor. | | | | | |
| 4. The government does not have any specific plan for improving service quality and customer responsiveness. | | | | | |
| 5. Many countries have established "service standards" to improve the quality of services to the taxpayers. Do you agree that such "service standards" must be established in the public service in Nepal? | | | | | |
| 6. There is a lack of professionalism in the public service that accounts for, and adheres to, service standards. | | | | | |
| 7. A client and service orientation is a topic of least priority in the minds of the public service employees. | | | | | |
| Reform Implementation and Evaluation: | | | | | |
| 1. Public management reform is a national priority for the government of Nepal. | | | | | |
| 2. The government has a detailed plan and programs for implementing public management reform programs. | | | | | |
| 3. The government is committed to implementing the reform | | | | | |

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| programs. | | | | | |
| 4. The government has the institutional capacity to implement the reform programs | | | | | |
| 5. The government requires the support of external international agencies in planning and implementing public management reform programs. | | | | | |
| 6. There are no established systems and procedures for monitoring and evaluating the reform programs | | | | | |

Comments (Please give your point-wise recommendations to improve the public management system in Nepal.)

Demographic Profiles

Full Name : _____ (optional)

Organization _____

Occupation : Politician Civil Servant Other employees/Users

Level : Special Class First Class Second Class Others

Gender : Male Female

Education : Ph.D. MA or equivalent BA or equivalent Less than BA

Experience : _____ years

Age Band : 25-30 years 31-35 years 36- 40 years 41-45 years 46-50 years

51-55 years 56-60 years 60 years and above

Thank you for your support in this important research work

Appendix Three

The applicability of new public management to developing countries: A case from Nepal

Information for participants

We invite you to participate....

We invite you to participate in a research project seeking to determine the relevance of "New Public Management" to Nepal.

What will I have to do?

If you decide to participate, please complete the attached questionnaire and forward it in the addressed envelope to the researchers.

Why are we investigating "New Public Management"?

Recent research in OECD and other countries suggests that most countries are attempting to improve the efficiency of their governments through implementing new ways of managing. We believe that this study is one of the first research studies of this type that has been conducted in Nepal.

What will the government in Nepal gain from participating?

The information that you give will assist in determining the extent to which "New Public Management" reforms have been implemented and if they are appropriate to the Nepal cultural environment. In determining the particular management that is appropriate, recommendations will be made which can make the public service more successful as well as being a more rewarding and satisfying place in which to work.

Use of the information provided.

Please return your questionnaire to the researchers in the envelope provided. The information you provide to us will enable researchers to determine the ethical climate or climates that exist in the organisation so that recommendations can be made on strategies to improve performance in the organisation. Individual responses are confidential. They will not be reported and you do not need to put your name on the questionnaire. Once the data is aggregated and a report written, a copy will be available.

The project in more detail

The major aims of the project are to determine:

- The major public management challenges faced by the government of Nepal;
- What are the major reforms implemented by the government of Nepal?
- How do they compare with the practices of some OECD countries?
- How appropriate these models are to Nepal;
- The strategies the government should employ which are best suited to the Nepal cultural environment.

Victoria University of Technology

Consent Form for Subjects Involved in Research

INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study in a research project seeking to determine the relevance of "New Public Management" to Nepal

CERTIFICATION BY SUBJECT

I, (Participant's name)
of
..... (Organization)

certify that I am at least 17 years old* and that I am voluntarily giving my consent to participate in the experiment entitled:

The applicability of new public management to developing countries: A case from Nepal

being conducted at Victoria University of Technology by:

Associate Professor Anona Armstrong and Binod Atreya

I certify that the objectives of the survey, together with any risks to me associated with the procedures listed hereunder to be carried out in the survey, have been fully explained to me and that I freely consent to participation in this survey.

I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this experiment at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed: }

Witness other than the experimenter: }

Date:

..... }

Any queries about your participation in this project may be directed to the researcher (Name: Associate Professor Anona Armstrong ph.9248 1037). If you have any queries or complaints about the way you have been treated, you may contact the Secretary, University Human Research Ethics Committee, Victoria University of Technology, PO Box 14428 MCMC, Melbourne, 8001 (telephone no: 03-9688 4710).

[*please note: where the subject/s is aged under 18, separate parental consent is required; where the subject is unable to answer for themselves due to mental illness or disability, parental or guardian consent may be required.]