Chapter - 1

INTRODUCTION

Ever since Christopher Hood’s influential piece codified the nature of the New Public Management (NPM) (Hood, 1991), two decades have passed during which the conceptual and practical aspects of Public Administration and Management were further developed, making it an intermediate stage in the transformation of traditional Public Administration to New Public Governance (Osborne, 2010).

In India, various reforms were introduced from early 1990s as part of global phenomenon. Disinvestment, privatisation, corporatization, outsourcing and limiting the budget support to public sectors were some of the initiatives introduced under the New Economic Policy.

The administrative reform commission in its reports repeatedly mentioned about the importance of such reforms for improving the overall efficiency of the public systems in order to make governance more citizen-centric.

In western countries like United Kingdom, United States, New Zealand, Australia and Canada, the reforms started much earlier than in developing countries like India. They were the pioneers to introduce such reforms under the label of New Public Management to improve the efficiency and effectiveness of the government.

Financial Management Initiative, Next Steps Agencies, Citizen Charter (UK), National Performance Review (USA), Senior Executive Agencies (Australia and New Zealand) were some of the measures implemented in the western world during the early stages of reforms.

Over the past 20 years and more public sector policies and structures have been influenced by “New Public Management” (NPM), which is associated with neoliberal public sector reforms. Through these reforms the structure and operation of public administration in both developing and developed world have changed considerably. Kettl (2005) says that ‘virtually no part of the planet has escaped the impulse to reform’.
Since the neo liberal reforms are seen as capable of increasing efficiency and effectiveness, it was with this intention that many governments, both in the developed as well as developing world, started implementing the reform packages in public sector. In some countries, public hostility to government, shrinking budgets, and the imperatives of globalization also contributed to the introduction of public sector reforms (Polidano, 1999).

A new era of public sector management evolved in early 90s in advanced as well as developing countries. Despite various nomenclatures adopted like ‘managerialism’ (Pollitt, 1993), ‘new public management’ (Hood, 1991), market based public administration (Lan & Rosenbloom, 1992), ‘post bureaucratic paradigm’ (Barzelay, 1992) or ‘entrepreneurial government’ (Osborne & Gaebler, 1992), they all represented the same set of principles.

According to Hughes (2003), the drawbacks and limitations of the traditional model of Public Administration (PA) prevalent in 1980s and 1990s were replaced by New Public Management (NPM), which facilitated improvement of public service quality.

According Balk (1996), aim of reforms was to improve public services quality. Public expenditure reduction, implementation of public policies effectively were other aims of public reforms (Flynn, 1993; Frederic, 1998; Pollitt & Bouckaert, 2000).

According to Kiiza (2000), the foundations of NPM were shaped in Britain during the second half of the 19th century. The second phase called ‘progressivism’ occurred in USA in 1930s. The Industrial revolution paved the way for administrative revolutions, through methods of conducting business and was thus benchmarked by the public sector.

From late 1970s a revolution swept most countries of the world changing or re-inventing public administration (Nikos, 2000). According to Bovaird & Loffler (2001), the budget deficits in many countries necessitated government reforms.

A discussion on NPM origins trace back to the background to the reforms and this would certainly cast light on the imperative for reforms.
According to Tolofari (2005), the motives behind NPM reforms can be divided into five categories viz. economic, political, social, intellectual and technological. All these motives are interlinked.

Bovaird & Loffler (2001), say that NPM was born at a time of economic downturn. Cohen & Eimicke (1998) described this period in USA as ‘tumultuous. The situation was not different in Japan. Yamamoto(2003) describes Japan’s economic downturn since the beginning of 1990s.Larbi (1999:6) says that many African and Latin American countries suffered ‘unsustainable rates on International financial markets, high inflation, low levels of savings and investments and shortage of basic consumer goods’.

The ‘New Right’ which won victories both in UK (Thatcher in 1979) and USA (Reagan in 1978) was one of the factors influencing the application of NPM principles in these countries. The Labour government (Blair) that succeeded John Major, and the Democratic government (Clinton) that succeeded George Bush Sr. continued with the ‘New Right’ policies. According to Ferlie et al (1996), the conservatives under Thatcher established that the public sector is ‘bloated, wasteful, over bureaucratic and underperforming’. This was also the situation in other countries like USA, Australia, and New Zealand. The intellectuals in these countries (those introduced NPM) preferred marketization as a solution for their crisis. They encouraged to run government more like a business, lean and mean.

On the social side, NPM was driven due to consciousness of the new breed of citizenry and their new set of expectations. Bovaird & Loffler (2001) also noted that the demographic change in OECD countries was an additional factor for reforms.

The guidelines, structures and processes adopted in the NPM reforms had intellectual inputs and support. Technology was another factor which has been a driver for NPM type reforms. According to Bovaird (2001), one side of ICT was that it helped to spread the idea of NPM across the world. Secondly, it helped to coordinate the networks of devolved or decentralised entities. The availability of modern ICT offers new approaches to information management, consultation processes and service delivery at national, regional and local levels of government.
Thus, from the above discussion, we can see the NPM was influenced by many factors, major among them was the economic crisis faced by the countries adopting the reforms.

In the early eighties, budget deficits were a major motive for government reforms in many parts of the world – regardless of whether they were imposed by international pressures (e.g. the IMF or World Bank) or by the national governments themselves (Bovaird & Loffler, 2001).

The above situation was not developed over night. The fiscal pressures have continued and have been varied with the new burdens on governments. The pressures that are dominant and which are less relevant depend on the specific context in which reforms are attempted (Bogason, 2000). Thus in future, due to the change in the national, regional and local context, varieties of approaches are needed for public sector reforms.

In the earlier periods, International Monetary Fund (IMF) and World Bank introduced Structural Adjustment Programs (SAP) in many developing countries, as conditionality for their loan. The reform policies were seen as equipping states to make debt repayments on their older debts possible. The SAP was normally designed for individual countries, but they have common principles and features like export-led growth, privatisation and liberalisation and reliance on the free market to provide goods and services.

For example, the following series of policy measures based on the Anderson Memorandum titled “Trade Reforms in India” dated Nov. 30, 1990 submitted to Government of India by the World Bank later came to form the structural adjustment program in India.

- Devaluation of rupee by 23%.
- New Industrial Policy allowing more foreign investments.
- Opening up more areas for private, domestic and foreign investment.
- Part disinvestment of government equity in profitable public sector enterprises.
- Sick public sector units to be closed down.
- Reforms of the financial sector by allowing private banks.
- Liberal import and export policy.
• Cuts in social sector to reduce fiscal deficit.
• Amendments to the existing laws and regulations to support reforms.
• Market-friendly approach and minimal government intervention.
• Liberalization of the banking system.
• Tax reforms leading to greater share of indirect taxes (The World Bank and India, chapter 10).

The emergence of the structural adjustment approach to development was a product of the growing social, political and economic conservatism that evolved in the 1980s during the Reagan-Thatcher era (James, 2001). The emphasis placed by both Reagan and Thatcher on the state playing a reduced role in the economy was illustrated through their favouring of the concepts of decentralisation and privatisation, the role of the free market and a reduction of tariffs. This was combined with a focus on opening up domestic markets in countries plagued by poverty and economic underdevelopment. This trend also had its impact on creating facilitating conditions for New Public Management reforms.

New Public Management is narrowly seen as a marriage of two different streams of ideas (Hood, 1991). One derives from the new institutional economics which discuss new administrative principles such as contestability, user choice, transparency and a close concentration on incentive structures. The second stream derives from the application of private sector business management principles to the public sector. If an accountable, honest, and responsive public bureaucracy emerges independent of political influence, it indirectly undermines the intermediary role of the politicians who seek to make electoral gains by using as many intermediary channels as possible. In places like Kerala where there is an overdose of partisan politics and the employees organizations are politically aligned, the creation of a meritocratic and efficient bureaucracy can diminish the role of politics, a prospect that the unions and their political godfathers do not want to let happen. One author comments in the context of Switzerland: “If NPM tried to reduce political discussions to a ‘strategic’ set of targets, it would generate serious problems for politicians. NPM would then become senseless for political rationality. This is, in fact, a major problem for many NPM projects in Europe” (Schedler, 2003: 540).
Based on the experience of the developed countries, transfer of knowledge and practices relating to reforms was possible due to the availability of management consultants and globalisation. Originally, it was assumed that NPM principles could be universally applied. Bureaucratic, political, and social factors prevailing in the developing countries affected the universal application of NPM principles. The situation in many developing countries is not conducive to NPM style reforms (Nunberg, 1995; Schick, 1998).

In this study we try to explore acceptability of NPM principles in developing countries. Are the principles of NPM applicable for developing countries which are having totally different background of socioeconomic and administrative systems? Many of the developing countries knowingly or unknowingly are trying to adopt such reforms to improve their economic situation as well as governance. This study shall suggest few recommendations which can be useful for many developing countries.

The acceptability of a policy in a particular country depends on multiple interpretations, individual perception, beliefs and culture. In this study data from Kerala have been collected and analyzed to learn the perceptions and beliefs on the applicability of NPM in Kerala and to draw some conclusions that have implications for other developing countries. The key elements of NPM which have made rational changes in methods of business execution have been identified and discussed. Review of literature on Public Management issues in developing countries have been carried out and the widely accepted model of New Public Management and its applicability to developing countries have been thoroughly evaluated.

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 New Public Management to developing countries. Problems like managerial and technical incapacity, lack of coordination, administration issues and lack of clarity of the role of the state and its functions that are typical to the developing countries are seen in India as well. The research results hence have applicability for other developing countries also.
Recently, one of the most pertinent issues related to changes in state formation has been the process of globalisation and the emergence of the so-called “New Political economy” (Haque, 2002). Globalisation implies integration of national economies, political systems, cultures and the identities in the world capitalist system. The system requires to accentuate cross-national interaction and exchange; the hurdles in the field created by certain protectionist states are to be eliminated (Kouzmin & Hayne, 1999). The Bretton Wood Institutions like World Bank and IMF have been instrumental in augmenting the policy reforms in the wake of globalisation by influencing the developing countries (Martin, 1993; McGowan, 1994). These changes in the governance system are present in all Third World countries. It is characterised as a tendency towards a managerial state or a hollow state (Clarke & Newman, 1997).

Globalisation increased the demand for efficient and acceptable public administration; at the same time, IT revolution opened possibilities for public service reforms (Kjell & Nick, 2008).

In recent years, the term governance has become a popular word among an array of people including administrators, politicians and economists. The World Bank introduced the term good governance for the development of the Third World countries. The quality of governance is directly proportional to the quality of the services rendered by the government. From the public management perspective, the focus was mainly on the organizational challenges within the sphere of politics and administration, on how to increase the effectiveness and efficiency of the public organizations, through the application of the private management methods. Methods like Total Quality Management (TQM), Management by Objectives (MBO), outsourcing, budgeting, contracting and performance management also came to be employed in public sector to improve organizational effectiveness and efficiency.

It was in this context that sweeping administrative reforms were suggested in many developing countries including India. The second Administrative Reforms Commission in India also seemed to take a position justifying the New Public Management principles by introducing the notion of citizen-centric governance (ARC report, 2009).
The Modernizing Government Programme (MGP) which was implemented by Government of Kerala is an example of application of NPM principles in the state. It aims at revitalizing the administration of the Government of Kerala with improved service delivery. The Modernizing Government Programme which was introduced allegedly as a conditionality of the Asian Development Bank loan focuses mainly on the efficiency and effectiveness of the services offered by the government especially for the poor and the marginalized. The initial period of the implementation did not elicit an enthusiastic response from the majority of the government officials. It was with modification from the original plan that the Government of Kerala implemented the MGP initiatives. The study mainly focuses on the context in which MGP was introduced, the impact of the MGP on the administration of Government of Kerala, the perceptions and attitude of the government servants about MGP and the hurdles in the implementation of reforms, among others.

Some countries like Malaysia and Singapore that undertook reform programmes with adequate cultural and context sensitivity produced positive results. But in some other countries like Sri Lanka and Bangladesh such reforms led to the creation of an inefficient civil service lacking in accountability (Samaratunge et al., 2008: 41–42). When reforms are initiated under external pressure or as a precondition for granting loan as has happened in most developing countries, the results can be superficial or remain at the level of rhetoric rather than substantive (Tamekou, 2008; Cejudo, 2008).

1.1 Statement of the problem

MGP was perhaps the most important of the initiatives to introduce New Public Management (NPM) concept in Kerala. Although the ADB had earlier funded Gujarat (1996) and Madhya Pradesh (1999), both the projects were more in the nature of public resource reform programmes. The Kerala effort had two components- the first was aimed at achieving fiscal stability and the second at modernizing government for better service delivery. After nearly three years of its active operation, and a lackluster period of one year under a new congress Chief Minister, the 2006 Marxist led government that
came to power decided to shelve the project. Although a number of activities were carried out under the MGP including training of staff, creation of institutional infrastructure including ICT and modernisation of physical facilities of a number of offices, no focused study has been carried out so far to bring out the nature and impact of these MGP initiatives. The extent to which the project was implemented, the areas it focused, the limited interventions that the project made with respect to institutional innovation, the extent of success achieved and the reasons why the project could not find favour particularly from the left and in the last days of the congress administration needs to be probed in order to understand the barriers to administrative reform in the age of liberalization and globalization in a state like Kerala. This study seeks to grapple with the above questions.

1.2 Significance of the study

Much of the literature currently available on public sector reforms in developing countries are limited in scope and there are very few studies on the appropriateness of reforms informed by NPM principles in developing countries. This study aims to partially fill this knowledge gap in the field. Kerala has often been a trend setter in many areas. Its more recent efforts to streamline development at the local level through participatory planning have been widely acclaimed. Administrative reforms were seen as necessary to complement some of these recent achievements. In a state known for highly organized and politically aligned public sector employees, there is bound to be considerable resistance to such reforms. The dominant employees organizations aligned to the Communist Party of India (Marxist) are particularly known for their antipathy to neoliberal reforms, and MGP is generally seen by them as falling within the neoliberal genre. A study of this kind will throw light on the problems of achieving reforms in the midst of highly complex forms of resistance to such efforts emerging from all shades of political opinion.

The researcher has drawn upon the Pollit (1995) model of NPM for the theoretical framework upon which the research is based. Pollit's theoretical framework was selected because it covers most of the subjects explained by other experts in the academic literature. The researcher has also drawn on the schema for application of the Pollit model by Atreya (2002) in the context of
Nepal for organization of the thesis. The central research question around which the research proceeds is: what are the enabling and disabling factors to the introduction of New Public Management principles in Kerala. The study was carried out in the backdrop of the Modernising Government Programme implemented in the state from 2002 to 2007, synchronizing roughly with the 10th plan period of the state.

1.3 Scope of the study

The study seeks to summarize the experiences in public reforms in developed and developing countries and make a case for including the MGP of Kerala as falling within the NPM mould. The study seeks to explore the applicability of NPM reforms in Kerala by eliciting the opinion of the employees of government departments in Kerala that implemented these reforms. The idea behind choosing this approach is that reform practices differ from country to country. There is no one best method that can be universally applied. The hurdles to reform in Kerala are in many ways unique to the socio-economic and cultural situation within which bureaucracies operate in the state.

Secondly, reforms in the public sector cover wide area - from the judicial reforms to legislative and executive branches of Government. It covers the strengthening of private sector, civil society and so on. Since this is an academic study for a doctoral work, it is not possible to cover all areas. Hence the study is restricted to public sector reforms in a few departments that had some experience of them during 2002-2007 period.

1.4 Objectives

The broad aim of this work is to identify, analyze and evaluate Public Management reform programs coming under the category of ‘New Public Management (NPM)’ implemented by certain developed countries, and explore the applicability of the model of NPM to developing countries. This study takes up the case of Kerala and seeks to understand the nature of NPM interventions made in the state in the name of MGP with particular reference to the District of Ernakulum and the impact these interventions had in improving service delivery.
1.5 Specific Objectives

1. To understand the models of NPM practised by some of the developed and developing countries.
2. To delineate the context in which MGP was initiated.
3. To identify the New Public Management principles underlying the MGP
4. To identify the areas/institutions in which MGP interventions were made and the nature of such interventions
5. To assess the general attitude of the key stakeholders to such reform measures
6. To figure out the barriers to effective implementation of MGP type programmes in Kerala

1.6 Structure of the Thesis

The thesis consists of eight chapters.

Chapter 1 provides an introduction to the subject and the context of MGP reforms in Kerala. It sets out the objectives, states the research questions and details the organisation of the study.

Chapter 2 explores the concepts and the factors influencing public management reforms in the developed countries. It explains the context in which NPM has emerged and its key elements as well as theories informing it. The chapter also discusses the major criticisms of NPM.

Chapter 3 deals with public management reforms in developing countries. This chapter discusses matters relevant to the second part of the first objective of the study.

Chapter 4 presents background information about the context of reforms in India and Kerala. It also reviews some of the important initiatives taken by Government of Kerala with respect to public sector reforms.

Chapter 5 is an overview of MGP in Kerala. It provides an account of the nature and philosophy of MGP and its evolution. It also brings out the connections between MGP and NPM. This chapter shall satisfy the second, third and fourth objectives of the research work.
Chapter 6 establishes the theoretical framework for this research and discusses the research methodology used. The data collection methods, population and sampling procedures, research questionnaire and the tools used for data analysis such as descriptive statistics, t-test, chi-square analyses, correlation and Sobel test to explore the relationship of bureaucratic and political factors to the applicability of NPM to developing countries are covered in this chapter.

Chapter 7 explores the result of the research. The results of the analyses are then presented. This chapter satisfies the last two specific objectives of the study.

Chapter 8 presents the conclusions of the research, their implications, potential areas of further research and policy recommendations for future NPM model reforms in Kerala based on the study.