Chapter - 3

PUBLIC MANAGEMENT REFORMS
IN DEVELOPING COUNTRIES

The past three decades have witnessed criticisms about government performance from across the world in all political scenarios. There have been allegations that governments are inefficient, ineffective, large, costly, unduly bureaucratic, overburdened by unnecessary rules, unresponsive to public wants and needs, secretive, undemocratic, infringes into the privacy of individuals, self-serving, and lacking in providing good quality services to the public many of whom are tax payers (Barzelay & Armajani, 1992; Jones & Thompson, 1999). New Public Management (NPM) is a trend in Public Administration Reform (PAR) which is to change these preconceptions about government performance. It adopted management ideas prevalent in the private sector. Thirty years of implementation of NPM reforms have yield mixed results (Pollitt & Sorin, 2011). Developed countries are in transition from NPM stage of reforms to a post-NPM stage of consolidation and coordination. Many developing countries are still trying to come to terms with the NPM-type reforms. There were successful reforms in terms of economic growth in East Asian countries, but most of the developing countries that have launched the reforms have not recorded encouraging results.

We commence this chapter with a description of the social, economic, political and administrative features of developing countries because these factors crucially impinge on the success or failure of reforms.

3.1 Important factors influencing reforms in Developing Countries.

The economies of Africa, Asia, South America and Pacific regions are often referred to as the developing countries or as ‘Third World’ or ‘Less Developed States’ or ‘the Global South’. The main problems of such countries are poverty, insecurity and instability. Common features are colonial experience, weak industrial base, failing economies, military interventions, civil wars, border disputes and even ‘state collapse’. However, countries like India, China and Brazil are catching up in these areas.
The important factors influencing administrative reforms in developing countries are (a) social and cultural characteristics; (b) economic; (c) political; and (d) administrative characteristics.

The developing countries marginally differ in terms of political systems, economy, ideology, demography, culture, race and so on. Most of the developing countries have suffered colonial conquests. In terms of the political systems, there is a variety of systems such as democracies like India, Malaysia and South Africa and monarchies like in Saudi Arabia, Jordan, Morocco and Lesotho, and Socialist stream like China, Cuba and North Korea. The developing countries have several common traits such as governance crisis, poverty, high population, political instability and structural dependence on the developed countries.

3.1.1 Social and Cultural factors

Culture is ‘shared values and beliefs’ of geographical areas. The success of implementation of the NPM can be possible only if the adopted reform strategies compliment the particular cultural characteristics of the country (Pillay, 2008). If we view organizations as social groups “infused with values” culture and informal structures can counteract structural changes making rational reform activity problematic” (Selznick, 1996). Reforms that do not agree with the prevailing rules, norms and culture of the administrative system will not be adopted (Christensen & Laegreid, 1999). It is a challenging task to change the bureaucratic-administrative structure and culture especially in the public organizations (Kumar & Kant, 2006). This is because of bureaucratic rigidity (Hodgues & Durrant, 1989). According to Haque (2005) Administrative reforms should be based on comprehensive frame work which comprise reforms to other social domians.

Members of formal organizational structures generate patterns of beliefs, assumptions, values and expectations (Deal & Kennedy, 1982). They generate informal rules of behavior in their work (Khademian, 2002). If reforms have to be implemented such informal rules also need to be factored in (Schiavo-campo & Sundaram, 2000). According to the United Nations Economic and Social Council, a reform will only be successful if it is accepted by the society and local ownership and participation are achieved (United Nations, 2001).

Organizational culture and cultural types is the basis of why managerial reforms bring about varied results within and between organizations.
Organisational culture has influence over the success of the reform (O’Donnell & Boyle, 2008). The United Nations has made an observation that the failure of the international donor driven reforms is due to lack of proper understanding of the local circumstances and culture in which it is proposed to be implemented.

Cameron & Freeman (1991) concluded that cultural differences are related to different dimensions of performance. (eg. clan cultures are positively related to staff morale, and adhocracy cultures are positively related to innovation).

The colonial past of the developing countries had considerable influence on the administrative system even after independence. The colonial rulers held most of the senior positions in the bureaucracy leaving relatively lower positions to the natives (Hughes, 1998). A culture of political and economic exploitation, which is still dominant in many of the developing countries, is a product of the colonial legacy (Samaratunge, 1998). They also had a culture of dependence on the government. Even though many countries achieved democracy, public administration continued to remain as in the colonial period (Hughes, 1998).

Public administration in India has a long history. The civil servants performed the role of servants of the King long back which transitioned into state servants in subsequent era. The land revenue system was established during the Moghul period. The East India company had a civil service to carry out their commercial functions and the state servants gradually became public servants. During this period the role of the civil service was to further the British interests. In many developing countries, market driven governance i.e. New Public Management has made an impact. The elements of the New Public Management depend on cultural schema and varies from country to country.

3.1.2 Political factors

The commitment of the political leadership is a driving force behind the implementation of administrative reform efforts (Sarkar, 2006). Many scholars had stressed the need of political support for the success of public management reforms (eg. Bale & Dale, 1998; Kiggundu, 1998; Pollitt & Suma, 1997; Poliitt & Boukaert, 2000; Polidano, 1999; Taylor, 1996). In many developing countries, during the election campaign, major political parties often promise public sector reforms which are rarely translated into policy
after assuming power. Political leadership in developing countries are more often influenced by the immediate political costs of administrative reforms rather than the longer run benefits (Sarkar, 2006).

Another factor is clientelism, which is a subset of relationships pertaining to a wide range of patron-client transactions, which are found in most developing countries (Khan, 1989). The political environment, particularly political instability is an obstacle for reforms in the developing countries.

### 3.1.3 Administrative factors

In developing countries, due to the impact of colonization, traditional public administration was dominant and it was later seen as inadequate in the era of globalization. In contrast, the developed countries have had long history of such reforms.

Klinger & Campos (2001) noted that many developing countries have shifted from the ‘patronage’ system of public administration to a merit based one. The system was the administrative mode followed by many developing countries during colonial rule which failed drastically during the modern public services. In this mode all directions were given from the top, without assigning any individual responsibility. This was command and control method resulting in the failure of the bureaucracy to provide good governance in many developing countries. From a comparative analysis of developed and developing countries, Shah (1999) concluded that the administrative systems in developing countries are weak.

The informal rules play a major role in the administration of the developing countries (Schick, 1998; Schiavo-campo & Sundaram, 2000). Every country has a mixture of relation and rule-based governance mechanisms; but in developing countries informal structures - particularly relation-based governance – will be relatively stronger than in developed countries (Boesen, 2006). The bypassing of formal structures by the informal rules is proved to be detrimental to efficiency and effectiveness.

Therefore any reform initiative should consider both formal systems as well as informal rules of the society that influence the government decisions before launching it.

### 3.1.4 Economic factors

The shortage of financial and manpower resources made many of the developing countries to seek assistance from the international funding agencies.
This is evident from the structural adjustment programs of many of the developing countries especially in African continent during the eighties. The donor agencies lend the money with more or less strict conditions including proposals for reform package for the receiving country. This was the major reason for the spread of western public management ideas to many developing countries.

The above discussions suggested that cultural, political, economic and administrative factors are the important factors to be considered while planning and implementing reforms in any country, particularly in the developing economies.

3.2 Analysis of NPM in Developing countries

This section will discuss the application of NPM in developing countries. The relevant elements of NPM as proposed by Pollitt(1995) like cost cutting, downsizing, introduction of 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 & responsiveness are discussed below. In addition, the critical issues like capacity building and corruption even though outside the agenda of NPM are also discussed here.

3.2.1 Cost cutting and downsizing

The term ‘downsizing’ was first used by Charles Handy, a professor in Managerial Psychology in the mid-1970s, when referring to the impact of technology on the work force all over the world (Dening, 1996). During the end of the 70s and in the beginning of 1980s, many countries experienced rapid increase in employment. These were mainly due to high degree of involvement by government in economic development (demand recruitment), non standardized and formal recruiting system (illegal recruitment) government was considered as the main source of employment (pressured recruitment), demands from the growing population (shortage recruitment), and finally political patronage (benefit recruitment).The institutional barriers prevented the retrenchment of recruited employees and this also made the employment population to register an increasing trend.
Employment creation was in excess of the real demand to the above situation in many developing countries. The technological revolution, globalization, international competition, consumer demands, trade regulations, rise of managerialism and waves of economic downturn all made change in strategy, structure and process in private and public sectors for their survival (Cheng & Lazarevic, 2005).

One of the strategies adopted at that time, to compete with the ever changing world scenario, was reduction of the staff, for attaining efficiency in operations. Downsizing has been used widely in corporations and governmental bodies around the world (Macky, 2004). Downsizing strategy was implemented during 1980s and early 1990s primarily to overcome the economic crisis in various countries (Gandolfi & Hansson, 2010). Work force downsizing has been introduced as change management strategy for more than three decades (Datta et al., 2010). During the 1980s and 1990s, public sector downsizing and retrenchment operations were also implemented around the world, particularly in Africa, Latin America, and the transition economies (Haltiwanger & Singh, 1999; Rama, 1997, 1999).

According to Freeman & Cameron (1993), downsizing is something that top management undertakes purposively. It is a deliberate attempt and involves employee reduction. The intention is efficiency and effectiveness of organisation. Budros (1999: 70), defines the concept of downsizing as “an organization’s conscious use of permanent personnel reductions in an attempt to improve its efficiency and/or effectiveness”.

Rightsizing, reorganization, restructuring, delayering, and rationalization, are some of the terms used to denote downsizing. (Cumming & Worley, 2001). According to Saxena (2006:4) “Downsizing may involve, one or many of the following processes,

a) Loss of individual security, owing to layoffs and job losses;
b) Emergence of new organizational form;
c) Re-allocation of resources and power;
d) Increased expectations, responsibilities and workload and need to re-learn and develop new skills among survivors of the exercise, and
e) Redundancy among those who do not get laid off (the survivors)”.
The general reason for using downsizing is to a) achieve a reduction of cost, b) reduction of management levels, and c) reduce duplication (Nienstedt, 1989; Richtnér & Åhlström, 2006).

Western governments have turned to ‘downsizing’. Britain, for example, reduced its civil service staff by about 20% during the 1980s and 1990s, primarily by privatization and transferring of staff to executive agencies. The Clinton administration in the US also reduced 17% of the federal staff (about a million jobs), but added about 100000 to the police force to make America safer (ARC, 2009). OECD countries as well as African experience had mixed results while using downsizing as strategy of civil service reforms (Micklethwait & Wooldridge, 1996).

Civil services in many developing countries “are frequently too large, too expensive, and insufficiently productive; and civil servants, especially those in managerial positions, get few incentives and are poorly motivated” ((Nunberg, 1994: 120; quoted in Klitgaard, 1997: 490).

According to World Development Report (1997) the first generation reforms focused on downsizing, outsourcing and controlling the public expenditures. The focus of the first generation reform was to reduce the cost of the governments. Downsizing the government staff was the thrust area. Many low income countries adopted “first generation” reforms, but in many cases it had become counter productive because the productive staff leave the organization and the remaining will become demoralized; and absenteeism, moonlighting, and corruption increase (Lienert, 1998). The focus given in civil service reform on cost control induced resistance to reforms and ultimately invalidates cost control itself (Schiavo Campo, 1998). The “second generation” reforms, were attempts to reduce the above problems aimed at revamping pay and promotion policies (Lienert, 1998).

Indian public sector was liberal in increasing the work force before the liberalization era (Mayia, 2011). Like other developing countries, Indian public sector is also overstaffed due to the polices on employment generation, attitude towards trade unions, etc. Indian reforms during 1991 forced to focus on efficiency and productivity of the public sector. India also adopted downsizing as a policy of cost cutting.

The Expenditure Reforms Commission (ERC) of Government of India examined the structure of various Ministries/Departments. It expressed concern
over the increasing staff strength in the Indian public sector. ERC viewed that drastic downsizing of the government staff would be the solution for professional and efficient governance as also to ensure that the burgeoning salary bill does not pre-empt scarce resources. The ERC in its second report (20th September: 2000) on optimizing government staff strength made the following recommendations. (http://finmin.nic.in/reports/2nd Report EMC.pdf)

1. A cut of 10% of the staff as on 1.1.2000 by the year 2004-05;
2. A screening committee should prepare annual direct recruitment plan for all cadres;
3. There should be a total ban on creation of new posts for two years;
4. Staff declared surplus should be transferred to the Surplus Cell;
5. Those who do not opt for Voluntary Retirement Scheme and are not redeployed within one year will be discharged from service.

Cost of downsizing should always be less than the savings made from such activities. It can increase economic benefits provided the retrenched employees are being utilized in the private sector and the saving is utilized in other development projects. The implementation of downsizing, if not properly planned, can lead to high social cost. Therefore, it has to be carried out taking into account the social and economic benefits derived from it.

Government should have the ability and political will to overcome employee union’s resistance and to trim the size of public employment; then only the downsizing will be successful and pave the way to more market type mechanisms.

3.2.2 Agencies in Government

Pass et al., (2000:8) describe an agent as a person or organization employed by principal for the purpose of placing contracts between the principal and third parties. An agent is a middle person in service bringing buyers and sellers together. The agents will get a commission for the work. The creation of semi-autonomous agencies in the public sector is known as agencification. These are created to carry out service delivery, policy implementation and function in a relatively independent way. They are less
influenced by political interference and are very lean organizations having more managerial freedoms in their functioning.

The agencies thus created will be in charge of policy implementation, while the core executives of government will formulate polices. Agencification will separate the function of policy formation and implementation.

The concept of agencification in developing countries is a new concept associated with public sector reforms. The donor agencies play a crucial role in bringing such practices to the developing countries. Agencification in African countries is in many respects similar to the experiences in Western Europe, which can be attributed to the important role of international (western) donor organizations like the World Bank. (Caulfield, 2006; Minogue et al., 1998). Agency model adopted in Tanzania is copied from the Next Steps Agencies model in the United Kingdom (Sulle, 2008; Minogue et al., 1998; Caulfield, 2004, 2006). The colonial past of many developing countries is also equally responsible for adoption of many western practices. Polidano (1999) noted that agencification has been adopted by a number of developing countries. Ghana, Kenya, Uganda, Tanzania and Zambia have amalgamated the income tax and customs departments into revenue authorities, which is a good example of agencification in developing countries.

Agencification in developing countries is only in an experimental stage. It is a good mechanism to overcome many of the defects of the traditional bureaucratic models. While keeping the core functions within the government, agency model shall be adopted with respect to the ancillary functions. In order to get the maximum benefits of this model, it should be implemented only in a proper environmental setting with clearcut framework and contractual agreements.

3.2.3 Decentralization of Management Authority

In a New Public Management perspective, giving increased managerial authority and responsibility for the managers in the government departments is known as decentralization. In many developing countries, it is generally seen in the form of devolution of political power to lower levels of government authorities. Decentralization is the central theme of new public management (Ferlie et al., 1996) and is pursued by the developing countries under either
domestic pressure or the influence of international donors. Decentralisation in public sector is a component of the effort to debureaucratize the public services (Ingraham, 1996:255) as well as to build flatter organizations.

A review of literature on new public management (Manning, 2001; Bately & Larbi, 2004; Hughes, 2003) indicates that decentralization, as a key component of NPM perspective, encompasses changes in three main dimensions of public sector organizations:

- Structural choices – De-concentration, Delegation, Devolution, Corporatization, Boards.
- Management culture and orientation toward a client focus, and accountability for performance.
- Techniques used by public sector organization to deliver services such as outsourcing, Public-Private Partnership, user fees, charges etc.

Decentralization had strong basis in Belgium, Italy, Spain and the United Kingdom and the phenomenon is slowly emerging in Africa, Asia, and Latin America. The main attraction of decentralization in these countries is that, it makes government more efficient and accountable. Decentralization creates governments responsive to local needs (Shah, 1999; Wallis & Oates, 1988). There is an argument against the above aspect, decentralization will not be effective to serve the local needs due to the financial and human constraints in local governments (Crook & Sverrisson, 1999; Smith, 1985).

Earlier research suggested that we cannot expect the same results or achievements of industrial countries through decentralization in developing countries. Decentralisation had positive results in many of the countries with lesser corruption and improved customer orientation in public services. Papua New Guinea (Rondinelli et al., 1983), Philippines, India, Co’té d’Ivoire (Manor, 1999), Colombia (World Bank, 1995) are few examples of such effect.

The evidence shows that decentralization allows better provision of public goods and matching polices to the local needs.
According to Fritzen & Lim (2006), municipalities in Columbia improved their services in water, education and road infrastructure. City of Porto Alegre in Brazil, also shows improved access to basic sanitation. In contrast, Azfar & Livingston (2010) noted that there is little evidence of better provision of government services by local governments in Uganda. There are cases where decentralization is used by local elites to capture power and influence.

India’s decentralized management reduced poverty (Bardhan & Mookherjee, 2005) and controlled corruption (Crook & Manor, 2000). Various studies show that decentralisation in Kerala is more effective than other states in India (Widmalm, 2008; Heller et al., 2007). Literacy rate and active media are considered the major elements influencing such phenomenon in Kerala.

3.2.4 Separating Purchaser and provider

The purchaser-provider split model used by the Swedish county councils in 1980s is a organizational form associated with NPM. This model, along with contract management, was initially seen as a basic restructuring of the welfare state (Flynn & Williams, 1997) and favorable changes were expected with contract management (Checkland, 1997). Through purchaser-provider model local authorities are able to manage services, ensuring the quality as well as controlling the delivery of services (Vabø, 2009). The model, if extended, will solve the efficiency problem in the delivery of services (Fischbacher & Francis, 1998). The plan of introducing this model into public sector was to create market incentives and thereby increase efficiency (Locock, 2000).

It is assumed that the model will act as a pre condition for the introduction of market principles in service delivery as well as for adoption of competitive tenders between different (private and public) providers.

In developing countries, the western model of purchaser/provider concept was not found. In developing countries, effective system of monitoring the contracts, performance assessment and policy making is found to be very weak. Hence models like purchase/provider, may not be suitable in the developing countries. In order to introduce such a model, developing countries should develop a suitable environment in which the private principles can
easily be induced into public systems. We can see some traces of the model in the health care systems in few developing countries, otherwise such a model is absent in many developing countries.

3.2.5 Introducing market mechanisms in public sector

According to NPM principles, introduction of market type mechanisms in public sector will make services cost effective and efficient because of two reasons. Firstly, private providers bring in private management practices, and secondly, the market gives choice of services from which one can select (du Gay, 2005).

In the UK as well as in New Zealand and many other western countries privatization was extensively pursued during the last quarter of the previous century (Ehsan & Naz, 2003). Market type mechanisms which is a basic component of NPM is also seen in some developing countries. For example, corporatizing the health sector is seen in many African countries like Ghana, Kenya, Zambia, South, Africa, Malawi, Zimbabwe (Polidano & Hulme, 1999). Revenue Authority model created under the inspiration of NPM can also be seen in a number of African countries like Mozambique, South Africa, Tanzania, Uganda and Zambia (Gautam, 2008).

Market mechanisms like privatization, competitive tendering and vouchers can improve efficiency in the public sector.

Kaul (1995) noted that, under structural adjustment programs, privatization was the important driver of reform and would be an important policy issue of the 21st century in developing countries. Macro-economic stability, devaluation of currency, export-led development, trade liberalization were the strategies adopted by IMF in this direction. According to World Bank (2001), the second stage of privatization was based on the market principles.

Barnett (2000) concludes that privatization was positively correlated with growth in developing countries. But a study conducted by Cook & Yuchiro (2003) revealed strong negative correlation of privatization on growth.

Countries around the world had adopted different strategies for privatizing state assets depending on their economic position and economic ideas of the political masters. Main strategies used in privatization are sale of state-owned enterprises to private investors, voucher privatization and internal privatization.
The success of privatization depends upon market conditions as well as country conditions (Kikeri et al., 1994). Open trade regime, a stable environment and institutional and regulatory capacity are the country conditions that should prevail in a country for the success of privatization. Privatization is difficult where ever institutional and regulatory capacities are weak. Hence in the least developed countries, and to some extent in developing countries, privatization will not always be successful. These countries have to create such an enabling environment before going for privatization.

3.2.6 Re-inventing personnel management

Administrative reforms started in western countries slowly came to Asian countries first and finally moved to the African continent. It is a fact that traditionally priority was not given to HR issues in many of the public sector organizations in developing countries. OECD countries had all shown concerns in controlling the wage bill, but most African countries allowed the continued growth of public employment even during the time of economic crisis (World Bank, 1997).

Personnel management reforms are basically aimed at transforming the traditional civil service. It is a kind of deliberate change strategy. It is not an easy task to change the traditional administration especially in developing countries. There may be political as well as managerial reasons for reforms (Kellough & Lu, 1993; Thompson, et al., 1991). Efforts in this line are basically focused on the public personnel system and its organization & operation (Kellough & Selden, 2003). Success of any government depends upon sound public personnel policies.

Mr. Kidwai, former Chairman of the Union Public Service Commission, has rightly observed “An efficient civil service is one of the essential ingredients of our democratic system and one of the best guarantees for sound and effective administration” (cited in Goel, 2008:198). According to Goel & Rajneesh (2008) one of the critical factors influencing the reforms for efficiency and economy is the size of the government machinery.

The ‘first generation reforms’ focused on the personnel management system under structural adjustment programs (Lienert & Modi, 1997). The second generation focused on improving the quality of the public sector
(Lienert & Modi, 1997; Nunberg, 1999). Many authors argued that the concepts of new personnel systems might be inappropriate for the developing countries (Klingner & Compos, 2001). It is a fact that most of the less developed countries are still practising the traditional ‘patronage’ based personnel management systems. Developing countries had limitations in applying the modern personnel system. It is noteworthy to mention the efforts taken by some of the African countries in this direction. Abdulai (2000) discussed the important measures taken by the Ghanaian public sector to promote sound human resources management in Ghana.

According Condrey & Battaglio (2007), the aging work force, lean structures, merit-based pay system and high expectations in service delivery are some of the recent elements associated with the working environment in the public sector organisations. These factors forced government to bring private management principles in to the public sector to improve efficiency and effectiveness.

Traditionally, public organisations are oriented towards control with strong emphasis on rules and procedures, approvals, and the same applies to HR practices. The rigid bureaucratic structures and culture will not be appropriate for implementing such reforms.

### 3.2.7 Introduction of Performance Management

In a public sector context, those activities related to the management of policies and services is known as performance management (Mackie, 2008). Performance management is a systematic process for developing the performance of individuals in an organisation to improve the organisational effectiveness for attaining its mission and goals (Armstrong, 2006). Performance management includes planning and setting the objectives, capacity development, accomplishing the objectives, performance evaluation, performance grading and finally rewarding good performance. From employee perspective, this increases motivation and self-esteem, improves performance, gives development opportunities and clarifies expectations of the organisation.

Performance management in public sector is the managerial activity to promote efficiency service delivery. A definition of performance management given by the Second Administrative Reforms Commission of India is as follows,
“Performance management is the systematic process by which the organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals” (ARC, 2009:209).

According to Snell & Bohlander (2007), performance appraisal is a process through which subordinates are given the feedback on their performance with pre determined standard, while performance management is wider in scope, creating working environment for best performance.

We can see different approaches to performance management in developed and developing countries. The adaption of performance management practices is very limited in scope for developing countries. The balanced scorecard (BSC) method is slowly getting popular in the Asian countries which is a good indication for performance management in developing countries. The wave of performance monitoring is now slowly moving to other developing countries. The reason for such a slow pace of adaption is the lack of skill in applying performance management tools. The developing countries depend on the western countries for the tools and techniques of management due to the poor in-house standards of management practices and because of the inefficient bureaucracy. This dependence ultimately brings the western thought and practices to the developing countries, but in most of the cases, imported practices and techniques were found to be a failure. Performance management practices also failed in developing countries due to same reasons.

Limited experience of developing countries in the application of performance management can possibly be a factor for its acceptance. But the urge among the developing countries to experiment with such practices is very high. In the case of Africa, we have many such initiatives. The performance appraisal system introduced in Ghana, the performance management system in Namibia, in South Africa, Mauritius, Uganda, Kenya, Mozambique are examples of such initiatives.

The Second Administrative Reforms Commission of India says that the Indian system is oriented towards input usage or the amount of money spent, and success of a program or project is analysed in terms of the input consumed, and not on the results it achieved (ARC, 2008).

Tools like budgetary exercise, annual reports published by various ministries, performance budget and outcome budgets were employed in India for performance management.
The Sixth Central Pay Commission (2008) had recommended Performance Related Incentive Scheme (PRIS). The earlier two Pay Commissions had also commented on the issue of rewarding performance. But these recommendations have not been implemented in India till now. (finmin.nic.in/6cpc/6cpcreport.pdf)

Developing countries like Pakistan, Nepal, Sri Lanka are trying to improve their services adopting more less the same approaches adopted by India.

The Result-Based Management (RBM) system in Malaysia, Monitoring and Evaluation (M&E) system in Indonesia, Program budgeting in Afghanistan are some of such mechanisms for performance management in the public sector. Performance-linked pay for civil servants replacing the traditional seniority based pay and promotion is a successful example of performance management initiative from Singapore government.

Performance management system in public sector explains where to focus in order to attain the results. The reforms in performance monitoring system of the developing countries is a need, but the institutional weakness in many developing countries is acting as a barrier to implement such mechanisms.

3.2.8 Service quality and Customer responsiveness

In today’s global economy customer services are taking an important place (Baydoun et al., 2001) and is seen as a path for success and survival of any organisation (Zeithaml et al., 1990).

According to World Bank (2004), public service delivery is a set of institutional arrangements in the public organisations for providing goods and services to the citizens.

There are many barriers for the public organisation to become customer responsive. According to Milakovich (1998), resistance to change from the traditional culture of hierarchical system, inability to focus on output management or result based management, ineffective reward system, anxiety of political consequences, uncooperative attitude of elected and appointed members and absence of proper accountability mechanism were the barriers present in the public sector organisation that prevent customer orientation. Lot of discussions and plans are emerging in public sector to bring customer service orientation, but implementation of such methods and practices is still lagging behind (Zbaracki, 1998).
The concept of service quality and customer responsiveness were adopted from total quality management notion that prevailed in private sector as part of “reinventing” government strategy, although citizens are still in doubt about the outcomes (Berman, 1997).

The focus of these reforms was citizen empowerment and increase in transparency and accountability of the public officials. In India, Second Administrative Commission, in its 12th report (ARC, 2009), entitled “Citizen centric Administration: the heart of governance” has recommended making government organizations transparent, accountable and citizen friendly. ‘Sevaottam’ was such an initiative for improving customer responsiveness in India. The citizen charter and public grievance redress mechanism were the major components of the above initiative. The focus of the citizen charter is to make citizens powerful to demand committed standards of service from the service organizations. The Grievance Redress Mechanism (GRM) is a system to receive, record, investigate, redress, analyse, prevent or take any other appropriate action in respect of the grievances against public officials. The idea of citizen charter was developed in the United Kingdom (Clark, 2000; Drewry, 2003), the idea quickly spread to other developed countries and, more recently, to some developing countries as well (Haque, 2005). Countries like Nepal, Bangladesh, Ghana all were the countries who introduced citizen charter as part of their service delivery system.

The ‘performance pledges’ of Hong Kong, ‘Client Charters’ of Malaysia, ‘People first’ of Africa, were some of the initiatives in this direction.

The above discussion showed that developing countries are to some extent moving forward in the task of better services to citizens. However, improving the service delivery is still a challenge for developing countries.

3.3 Non NPM Reforms
3.3.1 Accountability and Transparency in Developing Countries.

Accountability, transparency and integrity are critical and essential elements of democratic institutions and processes. According to World Bank (2004) the absence accountability is the major cause for the failure in service delivery. The accountability of the public officials, transparent public decision-making, information access, enforceable ethical standard implementation and codes, have crucial impacts on democratic institutions and poverty reduction
strategies (Cheema, 2003). According to United Nations Economic Commission for Africa, the above factors strengthen the integrity and authority of the institutions of governance as well as their efficiency and effectiveness.

Cotterrell (1999) defines transparency as the availability of public information, participatory decision making, and legal accountability of the public officials. More transparency lowers rates of political corruption (Gerring & Thacker, 2004).

Accountability developed as the most critical element of service delivery after the World Development Report of 2004 which identified failures in service delivery to be directly proportional to failures in accountability relationships (World Bank 2004). World Bank identified a number of factors essential for good administration like political accountability, rule of law, bureaucratic accountability, openness and transparency in administration, and freedom of information and expression for formulation of public policies, decision making, monitoring and evaluation of government performance. Transparency and accountability are critical factors of trust between a government and those whom it governs.

Accountability at the local levels pose a significant problem in democratic local governments in developing countries, where institutions are evolving and at the same time they are backward in literacy rate. Moreover, other demeaning factors like ignorance and poverty are extremely high, and information and legal accessibility is minimal (Ayee, 1996; Agyeman-Duah, 2008).

The challenges faced by public administration is to overcome the traditional culture in the public institutions as well as the pressure groups. In spite of such challenges, some progress has been made in the developing countries for safeguarding integrity, transparency and accountability.

In Africa, some of the important multi-lateral instruments combating corruption are Southern African Development Community Protocol against Corruption, the African Union (AU) Convention on Preventing and Combating Corruption and the United Nations Convention against Corruption.

Good Governance for development in Arab countries, an initiative promoted by UNDP, was launched in Arab Nations in 2005. In countries like
Argentina, anti-corruption unit has started functioning in the Ministry of Justice, in Brazil, it is the Public Ethics Commission that addresses corruption issues.

Anti-Corruption action plan for Asia and Pacific was promoted by the Asian Development Bank in 2000. Hong Kong and Singapore, for example, had separate institutions to control corruption.

Governments of developing countries including Brazil, Cameroon and India have implemented various e-government projects to enable greater government transparency and accountability (Rees, 2006).

Service delivery can be improved by the accountability relationships that can be practised such as contracts between the policy maker and the service provider, client power between the citizen and service provider, and voice relationships between the citizen and the policy maker. Various studies show that lack of enabling environment, poor political leadership, and malfeasance in government are some of the factors that hinder successful enforcement of transparency and accountability in the civil service.

From the above discussion it is evident that developing countries are comparatively weak in adopting accountability and transparency measures; however, the Right to Information Act implemented in India and several other developing nations is a welcome step in ensuring transparency and accountability in public sector.

3.3.2 Capacity Building in Developing Countries

Technology change and globalisation made public sector agencies to adapt to overcome the challenges. These transformations urged them to improve their capacity and capability (Hall 2002). The commonly accepted definition of capacity-building is the one proposed by UNDP (United Nations Development Programme): “The process by which individuals, groups, organizations institutions and countries develop their abilities, individually and collectively, to perform functions, solve problems and achieve objectives” (UNDP, 1997). Franks (1999: 52) defines capacity as “the overall ability of the individual or group to actually perform the responsibilities”. He explains that task completion ability is not only dependent upon performance capabilities of individuals, but also upon the scale of the assignment, the resource levels required and the contexts. Capacity building is the development of physical, human, organizational, social and cultural capital (Ogilvie et al., 2003). It is an
action to improve the effectiveness of individual organisations, organisational stability, program service delivery, program quality and growth etc. The term ‘governance’ has been adopted by a large number of donor organizations with increasing focus on the institutional determinants of development and resources to support reforms in developing nations.

Capacity building in developing countries is significant with the adoption of the United Nations Millennium Declaration. Accordingly, developing countries need to create policies and institutions that would act as a catalyst to achieve these goals.

According to Polidano (1999), capacity building is one of the agenda of NPM. Bale & Dale (1998) noted that the applicability of the NPM in developing countries will not be successful if the political and cultural environment is not suitably developed. It was pointed out that the developed countries like New Zealand and UK are politically neutral and have efficient bureaucrats with lesser interest in corruption, as well as a well-functioning political market and a competent private sector. In capacity building process of change, Human Resource Management must be given the foremost priority (Olowu, 1999). Competency building among civil servants should be done for the success of modernisation. According to Bately & Larbi (2006: 118-123), the acceptability of reforms in any country requires three political criteria: (i) political will, (ii) political capacity and (iii) political credibility.

In order to introduce NPM type reforms, the developing countries have to develop their capacity at par with the western world. The imported reforms promoted by ‘donor agencies’ in developing countries often failed due to the peculiar circumstances prevailing in these countries. This proved that reforms must be home-grown, demand and government driven, carefully thought out and mutually consistent (United Nations, 2001:13)

### 3.3.3 Reforms in Financial management

According to Olson, et al., (1998), changes in financial reporting, development of market oriented management systems and structures that can deal with pricing and provision of public services, development of performance measurement approach, the devolution of budgets, internal and external audits
and reviews of service efficiency and effectiveness are the key elements of financial reforms. Strong and positive relationship exists between the financial sector and economic development (Nzotta & Okereke, 2009).

Performance measurement in public sector resulted in greater accountability and performance. According to Hyndman & Eden (2002), the change in performance measurement system to result based information processing achieved improvement in service delivery systems. In Malaysia, the modified budgeting system was an attempt to introduce result based measurement systems. Performance budgeting in Uganda (Hauge, 2001) is an example of financial reform in developing countries. Many developing countries including India had attempted to improve their financial systems by introducing changes in budgeting. Better/efficient financial systems makes countries grow faster (Kasekende, 2008). Even with many challenges, developing countries are trying to improve their financial management systems drawing inspiration from the practices adopted in many of the developed countries.

3.3.4 Ethics and Corruption

Developing countries face frequent ethics violation and corrupt practices in the government sectors. The recent global corruption report published by the Transparency International (2011) highlighted many scandals especially in the developing and less developed countries. Somalia and North Korea were the worst performers. New Zealand ranked top in a scale from zero (highly corrupt) to 10 (very clean). India has dropped 11 places to be ranked 95th and China is on the 75th position. Pakistan is on 134th position and two thirds of ranked countries scored less than five. New Zealand scored 9.5 and Australia achieved 8.8. North Korea and Somalia both scored just one point and ranked at the end of the scale.

India saw high-profile corruption cases of financial irregularities in 2011 and 2012. The list includes the 2G spectrum allocation scam, Commonwealth Games scandal, the Adarsh Housing Society case, Defence purchase and illegal mining, among others. Investigations in these cases have led to several politicians, bureaucrats and corporates landing in prisons.

Corruption has no “Quick fix Solution” (Rodolph & Lysson, 2011). Corruption directly affects accountability and is a barrier for development and
the governance of the country. Corruption in judiciary hampers applying the rule of law. Corruption in public administration drastically affects public services quality which results in decrease in trust and confidence in the public institutions.

Public-sector corruption occurs when public power is abused in the form of bribery, nepotism, fraud and embezzlement (Twino & Tagoe, 2011). Two forms of corruption exists. They are political corruption and bureaucratic corruption. Bureaucratic corruption occurs because the officials change the laws for their own self-interest (Mbaku, 1996).

One of the important elements of governance is the nature of anti corruption measures adopted in a country. Large number of such measures are promoted by international agencies like the UN and OECD. Lack of liberal institutions, a free press, citizen’s rights, literacy rate etc. increase the corrupt practices. Corruption is the biggest challenge in development process.

U-Myint (2000) reported corruption as the most severe obstacle confronting the development process. Many authors in developing countries had different views of corruption; some revealed that corruption was a natural part of life and has helped to solve many problems. In other cases, it was found that bribes paid to officials in the police, courts, tax services, and land offices amounted to more than 50 percent of official public expenditures in same cases.

The economic, political, legal, social and bureaucratic environment and its stage of development had a direct relationship with corruption in a country.

The World Bank (1997) suggested the need for strong bureaucracy, merit-based recruitment system, credible financial control, competitiveness in service delivery and strong monitoring and punishment system for controlling corruption. The developing countries are formulating rules and setting up various institutions for combating corruption.

The Jan Lokpal Bill, 2011 which aims to control corruption and provide grievances redressal to the citizens is the anti-corruption bill pending before the parliament of India. This is also referred to as Citizen’s Ombudsman Bill. It seeks to appoint a Jan Lokpal, which is an independent corruption investigation agency.
Recently, the team headed by Anna Hazare was in the news for launching an important movement against corruption in India. Right to Public Services legislation comprises statutory laws which guarantee time bound delivery of services for various public services rendered by the government to citizens and provides mechanism for punishing the errant public servant who is deficient in providing the service stipulated under the statute. Right to Service legislation is meant to reduce corruption among the government officials and to increase transparency and public accountability. Madhya Pradesh is the first state to implement this act, and Kerala is the second state in India to enact the law which was made operational in July 2012.

The above discussion on transparency, accountability, capacity building, financial management reform and ethics and corruption has shown that the developing countries have registered only limited successes on this front. Constraints like social, political and bureaucratic situations prevailing in the developing countries definitely stand as an impediment for such reforms compared to the developed world.

3.3.5 The issues of reform Implementation and evaluation in developing countries

According to Polidano (2001), reforms failed in developing countries due to poor implementation. Various donor agencies have provided financial assistance to developing countries and thus enabled implementation of reforms.

Incremental reforms are more suitable for the developing countries (Schiavo-campo & Sundaram, 2000). The competency of leadership is also vital in the effective implementation of the change process (Kennedy, 2000; Polidano, 2001). Meticulous evaluation and monitoring programmes & systems are to be introduced on a priority basis in developing countries. Presently these systems are on a weaker footing. Countries like Chile, Zimbabwe, Philippines, Colombia, and Indonesia are trying to build these systems. In India, the Comptroller and Auditor General makes an annual assessment of economy, efficiency and effectiveness of selected programs.
In order to overcome the limitations of the system, Annual Performance Agreements were recommended in India by the second Administrative Reforms Commission (ARC, 2008).

A Performance Monitoring and Evaluation system (PMES) was announced subsequently and a Performance Management Division (PMD) was created in the cabinet Secretariat to implement PMES.

Public administration in developing countries is affected by centralized bureaucracy, poor economy and weak administrative system, which have been part of the colonial legacy. These have influenced the administrative, social, cultural, political and economic life of the citizenry. Centralization, dependency culture, poor institutional capacity, poor accountability, massive corruption and demoralized public services are the major factors affecting the performance of reform in developing countries.

**Summing up**

The discussion in this chapter shows that many developing countries had started the reform programs in which some of the concepts of New public Management were introduced. It can be seen that some countries started the reform programmes in the light of the new public management perspective, some adopted elements of it, and yet some others undertook these reforms independent of the NPM label. Scholars are in agreement that the NPM reforms practised by the developed world need to be carefully reviewed to accommodate social, cultural, political and administrative factors before implementing them in the developing countries.

The next chapter discusses the reforms that took place in India focusing on the state of Kerala and the subsequent chapter will focus on Modernizing Government Program, which constitutes the case under closer scrutiny in this study.