

2.0 Making Government More Efficient

2.1 Matching the Structure to the Task

2.1.1 Selecting appropriate organisational structures

Organisational structure is the link between the organisation's mission and its actual practices. Organisational structure is the overall shape of the entity – its layers, its spans of control, and its relationships with its funders and customers. Unlike changes to management and work practices, changing organisational structure is not adjusting an existing pattern for a better fit, it is a change of the pattern itself.

Traditionally, the organisational structures of the public service have resembled the steep pyramids considered typical of a large bureaucracy. Established principles concerning the spans of managerial control, the need for vertical reporting lines, and centrally-determined grading structures, have ensured that the number of management levels and the number of managers at those levels, effectively follow a common formula across most of the public service.

Recent developments within public service management have shown that these structures are less immutable than had seemed the case. The public service, it transpires, can be organised within diverse groupings and structures which match the nature of the organisation more closely to the tasks for which it has responsibility.

Delegation of financial and personnel management, contracting out of services, the creation of agencies, privatisation, corporatisation and other moves have demonstrated that there is now a menu of organisational structures from which appropriate forms can be drawn.

The context for change

Reforming the organisational structure of the public service is a key strategy in improving efficiency within government. Restructuring seeks to address three concerns:

- *A concern that policy makers and service providers have become distanced from the public*
The hierarchical and process-driven nature of government departments can result in lengthy communication channels denying management timely information and inhibiting the implementation of remedial measures.
- *A concern that the public service has become inflexible*
Traditional public service organisational structures are designed for stability rather than change. The rapid development in public sector working practices and in technological support require equally rapid changes in organisational structure.
- *A concern that the public service has become inefficient*
Activities once seen as fundamental are sometimes no longer necessary but continue to be undertaken using resources which might be better applied elsewhere.

Reasons for caution

Organisational restructuring has, broadly, been driven by two observations:

- that increased managerial autonomy frees up managers to develop imaginative solutions for business problems; and
- that establishing some degree of private ownership provides the basis for incentives for performance improvements – particularly when it is associated with strong market competition.

The results of applying these concepts to the public service have been remarkable. Previously uniform structures have evolved and diversified into a complex patchwork of organisational forms. Boards, trading enterprises, NGO contractors and one-stop multi-function services have added increasing variety to the public service scene.

A major challenge in that new and more diverse scene is that the boundaries are no longer clear as once they appeared. With the arrival of increasing varieties of operating or executive agencies within government, the traditional lines between the public service and the broader public sector is now harder to trace. More generally, with increasing corporatisation and greater contracting out, the line between the public sector and the private and NGO sectors is similarly more elusive.

The most challenging aspect of this shift concerns accountability. To its critics, the public service is characterised as process-driven, over-concerned with regulatory compliance and insufficiently attentive to results. That preoccupation with process has certainly not rendered it immune to impropriety – but, successful or otherwise, it did represent a coherent attempt to emphasise consistency and to remove any distractions from the ultimate accountability of politicians for the policies they select.

In that increasingly uncertain territory between the public service and the private sector, where the regulatory and process controls have been reduced, it is not yet clear what the new accountability approach should be. It is not always clear that coherent distinctions can be made between public and private interests or between managerial drive towards organisational survival and achieving public policy outcomes. In terms of systems for accountability, it is more clear what the public service is moving away from than where it is headed.

A second and related challenge concerns the attraction of the one-off “big fix” solution to public service shortcomings. Changing organisational structures can, at some considerable human and financial cost, address structural problems. If the problems are more directly related to managerial practices and support systems, or to weak or uncertain ethical frameworks, structural solutions are an expensive method for answering the wrong question.

The key lesson, highlighted in the Commonwealth Initiative for Public Service Reform, *Towards a New Public Administration*, is that the precise form and structure of the public sector cannot be deduced directly from experiences in other countries. The principles of change are, however, consistent across the Commonwealth. Successful reforms address the principles without accepting unquestioningly the forms and structures developed elsewhere. These principles of change in the public service are considered in Section 3 of this Portfolio.

Achieving change

The six components of reorganisation generally employed within the public service are set out below. They are not mutually exclusive.

(i) *Consolidation*

associated changes:

downsizing – reducing the size of the workforce;

reducing – reducing the size and scope of the organisation;

de-layering – reducing the size of the workforce by increased delegation, increased spans of control, and the removal of management layers;

centralisation – pulling back from decentralised or devolved organisational forms; and

abolition – closing of superfluous functions.

(ii) *Decentralisation*

associated changes:

deconcentration – the geographical relocation of parts of the organisation; and

horizontal restructuring – the creation of locally-based organisational units, each capable of providing a broad range of services.

(iii) *Devolution*

associated changes:

delegation of financial management and/or of personnel management – providing greater autonomy to managers at lower levels, within overall guidelines;

establishment of agencies – general delegation of authorities to cost and profit centres, with flexibility to achieve agreed goals within an agreed framework of accountability; and

establishment of internal markets - designation of cost centres with sufficient overlap of functions to enable budget holders to exercise some choices in “purchasing” from these internal suppliers.

(iv) *Corporatisation*

associated changes:

transparent funding – financial “ring-fencing” to identify all funding inputs, including government subsidies, allowing subsidised and unsubsidised prices to be established for all outputs;

change of legal entity – establishment of an organisation capable of addressing commercial objectives; and

vertical restructuring – the separation of interdependent activities previously undertaken within the organisation.

(v) *Contracting out*

associated changes:

contracting services out – pass responsibility for the provision of a specified level and quality of services to a private or NGO sector organisation;

contracting management out – retain ownership in the public sector for a specified period for a fixed fee or on a profit-sharing basis; and

leasing assets – the leasing of facilities or a brand name owned by the government to a private or NGO sector organisation for a specified period for a fixed fee.

(vi) *Privatisation*

associated changes:

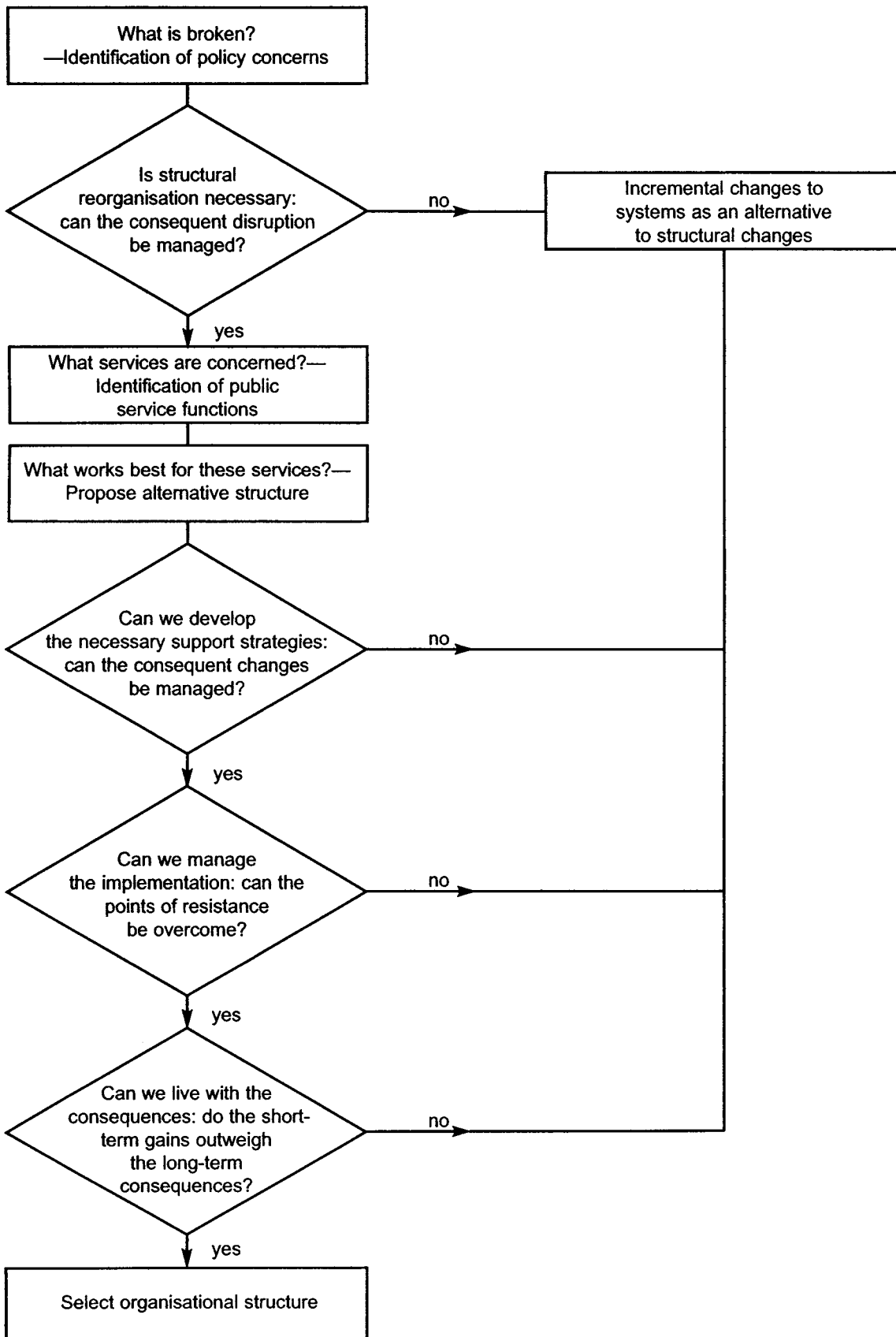
selling unchanged – change of ownership only;

selling as a single entity;

disaggregating and selling – privatise constituent parts; and

selling the core – sell the profitable core following its separation from the less profitable or less strategic activities.

Across the Commonwealth, it is clear that organisational structures for the public service are selected for complex and frequently political reasons. Acknowledging this reality, there is, however, a rational model to which public sector policy makers aspire and which may be followed to a greater or lesser degree:



Subsequent entries in the Portfolio consider these questions in more detail in relation to the principal structural choices available to the public service.

Examples of change

In *Kenya*, in the process of structural adjustment programme implementation, the Government is involved mainly in the following areas:

- privatisation of a number of State corporations in order to make them more efficient;
- liberalisation of the economy through price decontrols and food marketing reform;
- law reforms to establish a more democratic society; and
- Civil Service administrative reforms.

In the *UK*, the structure of Government matters are handled by the Office of Public Service and Science and the organisational pattern of Government departments is ultimately the responsibility of the Prime Minister.

Recent examples of structural changes resulting from changes in policy include the creation of the Office of Public Service and Science itself and the Department of Heritage; the absorption of the Department of Energy into the Department of Trade and Industry, and the Department of Employment into the Department for Education. All cases reflect changes in the Government's political priorities.

The Next Steps Initiative, announced in 1988, aims at improving efficiency through the devolution of a number of executive functions of Government onto independent agencies whose Chief Executives are directly responsible to Ministers for their performance.

By February 1994, a total of 91 agencies had been established, together with 31 executive units of HM Customs and Excise, and 33 Executive Offices of the Inland Revenue.

It was expected that by 1996, approximately 75 per cent of the Civil Service would be working along Next Steps lines.

One major structural reform has been the reorganisation of major parts of the National Health Service into independent National Health Trusts responsible for the provision of services.

In *Canada*, the Special Operating Agencies (SOAs) are an important element in the ongoing restructuring and re-engineering of Government, and are intended to promote cost-effective and client-centred services. The SOA concept applies private sector norms in the planning and delivery of services either to the public or to other government departments. In particular, SOAs give greater authority to individual managers and employees.

The first group of SOAs were announced in 1989 and the concept was embraced and extended in the Government White Paper on Civil Service Reform in December 1990.

SOA candidates share five common characteristics. They are:

- discrete units of sufficient size justify special consideration;
- concerned with service delivery (rather than policy formulation);
- amenable to the development of clear performance standards;
- operate under a stable policy framework with a clear ongoing mandate; and
- staffed by managers and employees committed to the SOA approach.

Agencies are established via a Treasury Board decision, after submissions, which are accompanied by a business plan, which includes a performance contract and a framework document containing a mission statement and a definition of the operating relationships.

The improvement in services resulting from SOA status result from:

- clearly-defined operations;
- clear performance goals and strategies for attaining them;
- application of best public and private sector management techniques; and
- continuous monitoring of performance.

Each agency remains accountable to Ministers and Deputy Ministers. However, these assign the full range of authority for the running to a head who has to meet agreed performance targets.

Other useful material (current as of 1996)

What is a Special Operating Agency. Performance. Treasury Board of Canada, 1990 (CAN)

Becoming a Special Operating Agency. Treasury Board of Canada, July 1991 (CAN)

Next Steps Review, 1993. HMSO, London, 1993 (UK)

2.1.2 Determining appropriate size

Discussion of the *appropriate size* of the public service disguises two related questions:

- The scope of government responsibilities undertaken by the public service — how many tasks is the public service attempting to perform?
- The scale of the public service in terms of its staffing levels – how many public servants are employed to undertake those tasks?

The first question gives rise to considerations of what government does well, what it must do even if it does not do it well, and where the political risks might lie in attempting to abolish poorly-performed public service functions.

The second question points more directly at productivity and, potentially, at downsizing.

The context for change

The last decade has seen an unparalleled debate concerning the size and role of the public sector. This debate has been powered, in varying measure, by the public disillusionment with the competence of government, changing views on the relationship between the citizen and government, and growing budget pressures.

Globalisation – the growing inability of national borders to restrict the flow of ideas or of capital – underpins every aspect of this debate. Public disillusionment with government has its roots in the over-optimistic assumptions of the 1960's and 1970's concerning the ability of the public sector to drive development by large-scale projects and large-scale spending. But that disillusionment can also be traced to ready comparisons which an increasingly global media offers between standards of living in different regions. The performance of the public sector, previously agreed somewhat fatalistically, has become more open for debate.

Within increasingly global markets, national economic policies are now tested against international yardsticks of competitiveness. The capacity of the public sector to establish the right regulatory frameworks for development, to enforce them, to develop national productivity capacity, to attract capital, and to act itself as a producer, are all “in” questions. Again, globalisation has played its part in challenging the form and function of the public sector.

The debate concerning the role of government has also been strengthened by a remarkably consistent stream of managerial and political ideas which emerged during the 1980's. In sum, these ideas, emerging from different settings, but globally reinforcing each other, emphasised the significance of distinguishing between those who decide what should be done, and those who should do it— between policy makers and implementors, or between purchasers and providers. Combined with a renewed conviction that market competition will improve efficiency, the managerial and organisational consequences for the public sector of these ideas have been vast.

In the 1990's, ideological rigour gave way to more considered evaluation of the newer organisational forms and distribution of functions, but the intensity of the international debate concerning the preferred shape and size of the public sector is undiminished. Tentatively, there is, however, some emerging consensus concerning one particular role of the public sector – that of aligning the need for personal freedoms and democratic accountability with the need to achieve a globally competitive position for the nation.

It is the ability of the public service to deliver the policy-making and regulatory basics that determines the overall capacity of the public sector. If not a *sufficient* condition, a competent public service is certainly a *necessary* condition for a competent public sector. The size of the public service is a fundamental concern in improving its competence.

Reasons for caution

Political neutrality is a key value in the public services of Commonwealth countries. However, that neutral public service operates within a highly-charged political environment and decisions concerning its size are made within that environment. Ultimately, therefore, although guided by rational organisational concerns for efficiency, the determination of an appropriate size for the public service will have a significant political content. Efforts to remove this consideration will prove to be time-consuming and ineffective.

In consequence of this delicate, and occasionally tense, compromise between organisational and political perspectives, the public service has shown itself to be a creature of extremes. With considerable justification, it has been frequently described as bloated, having absorbed excessive labour as a method of reducing unemployment or increasing political influence.

Conversely, however, there is a debate concerning the minimum size and capacity of the service in a few settings where managerial determination to drive down costs has produced what has been described as organisational anorexia.

This represents a concern that by reducing its size and scope unreasonably, the public service is driven by short-term goals at the expense of long-term national development objectives.

Achieving change

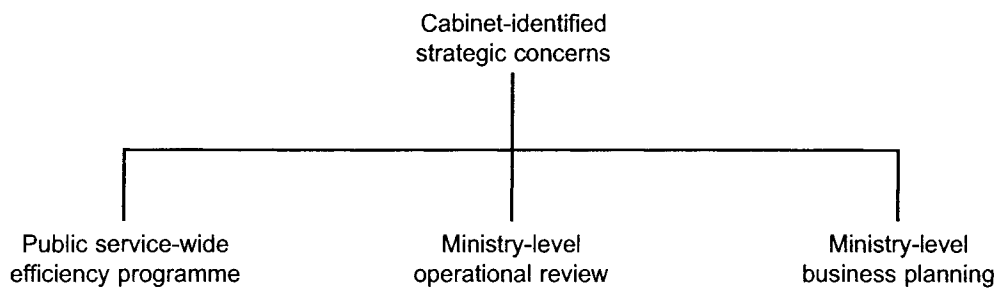
Commonwealth experiences indicate that in managing reviews of the public service, Ministry level or sectoral concerns must be balanced against opportunities in the public service for efficiency savings.

The identification of specific opportunities for the abolition or more effective organisation of public service responsibilities is best undertaken at Ministry level. The interrelationship between different activities within the same sector and the practical opportunities for efficiency savings are more readily understood by those who have daily responsibility for ensuring that services are delivered.

However, such operational reviews at Ministry level are likely to stop short of more radical proposals for restructuring or abolition. The proximity to the task, which enables Ministry-level officials to understand the implications of withdrawing service, also contributes to a loyalty to existing systems. External stimuli are necessary and these can be produced in two ways: First, operational reviews can be directed as part of a broader, frequently Cabinet-level, strategic review of services and responsibilities. Second, operational reviews can be stimulated by thematic efficiency programmes, which examine possibilities for cost reductions and service improvements in areas which cut across the public service.

The outcome of operational reviews informs the continuing development of business plans at Ministry level, in which remaining tasks are consolidated and the distinctive strengths of particular Ministries and departments are encouraged.

In sum, the reviews of the size of the public service are focused at Ministry level, but are driven by strategic concerns identified centrally, and by thematic concerns identified by a continuing efficiency programme:



Examples of change

In *Zimbabwe*, the Civil Service Reform Programme was based on the Public Service Review Commission of 1987. At that time the Civil Service had the following characteristics:

- a large and cumbersome service of about 192,000 people;
- a substantially inexperienced cadre operating in a highly centralised environment;
- serious overlap and duplication of functions;
- a lack of transparency, accountability and responsiveness; and
- a high degree of regulation inimical to initiative and innovation.

A major component of the Civil Service Reform Programme is the reduction of the size of Zimbabwe's Civil Service. Since 1992, the Zimbabwe Government, through the Public Service Commission, has adopted various strategies to reduce the size of the Civil Service:

- posts which remained vacant for 12 months were abolished;
- an obligatory reduction was effected by requiring Ministries to reduce posts by a given percentage; and
- a programme of early voluntary retirement was instituted.

By 1994, 12,700 out of a projected 23,000 posts had been abolished. Other concomitant measures which contributed to this development included:

- The reduction in the number of administrative levels in the service to ten grades. This rationalisation not only reduced the number of posts but also contributed to improved efficiency.
- The introduction of a policy of contracting out certain functions which could be better and more profitably performed by the private sector.
- A policy of decentralisation where certain functions and activities were transferred to local authorities with a view to bringing goods and services closer to the consumer. In most cases the functions were transferred without all the staff engaged in them.

In *Malaysia*, a Steering Committee on the Reduction in Size of the Civil Service has been established. Various measures introduced to control the size of the Civil Service include:

- control on the creation of posts with priority given to those which will make a positive contribution to economic development;
- review of vacant posts with abolition of those no longer considered necessary;

- reorganisation of organisational structures to create a flatter, less bureaucratic organisation with fewer administrative levels;
- review of the roles of statutory bodies with a view to reducing duplication and overlap of functions and activities;
- enhancement of the privatisation programme transferring activities away from the public sector to the private sector which can manage them more efficiently; and
- the introduction of new technology, particularly labour saving information technology and management information systems.

In *Kenya*, reforms of managerial practices within the Civil Service focus on five main areas: Civil Service organisation, pay and benefits, staffing levels, personnel management and training.

Other useful material (current as of 1996)

Choices in the Design of Decentralisation. An Overview and Curriculum for central government officials responsible for the reorganisation of administration at the local level, B. C. Smith. Commonwealth Secretariat, 1993 (ComSec)

The Manager's Deskbook. Treasury Board of Canada. Third Edition (CAN)

Improvements and Development in the Public Service, Malaysia. 1990, 1991 and 1992 (MAL)

Operation reviews; PSR Committee Report. Malta (MLT), The Civil Service: Continuity and Change. HMSO (UK), Zimbabwe Public Service Commission Review (ZIM)

2.1.3 Initiating market-testing

Market-testing is a process by which Ministries and departments assess whether the services for which they are responsible can best be delivered in the public or private sectors. Market-testing entails putting an activity out to competitive tender with internal and external bids assessed against the same criteria.

The context for change

There are a number of benefits which can arise from the market-testing process. First, when considering whether to accept an in-house bid or give the work to an outside contractor, the evaluation will look at improvements in the quality of service available from innovative methods of service delivery.

Second, there may be cash savings. It is axiomatic that where an activity is market-tested, and an external bid is successful, it will be because that bid offers a greater overall long-term value for money than the current method of provision. Where an in-house bid succeeds, the process of opening up that sector of public sector activity to competition in itself often creates opportunities for greater effectiveness.

Third, experience suggests that market-testing can lead to raised standards by making greater expectations explicit within contractual arrangements. Greater clarity about standards of service and better monitoring of performance against those standards, regardless of whether the work is retained in-house, is a vital feature of public sector reforms.

Reasons for caution

Market-testing is a demanding exercise placing considerable strain on existing personnel, on relations between management and public service unions, on technical skills and on political sensitivities.

The short-term risks arise under three headings:

- *Communication risks*: inadequate briefing of staff, managers, trade unions and suppliers and insufficiently considered contracts and specifications.
- *Management risks*: unclear objectives and uncertain review systems will undermine the management of a highly-charged process in which staff are being told, in effect, that a private sector organisation might better undertake their tasks.
- *Contract negotiation risks*: existing procurement procedures are unlikely to be sufficiently robust to manage major market-testing initiatives.

The more strategic risks concern underpricing by private sector bidders, with the possibility of cartel formations after the abolition of in-house providers.

Achieving change

A market-testing programme requires an adequately resourced and managed change team or unit, at Ministry level or centrally, with unambiguous authority to require detailed costing information.

In examining a particular activity, the following questions must be addressed prior to market-testing:

- Is the activity necessary? What are the implications if it is cancelled, reduced or combined with another?
- What is the full cost of the activity as currently undertaken within the public sector?
- Is the function or activity organisationally discrete? What will the consequential changes be of separating it?
- Are there any overriding policy reasons for deciding to abolish, contract out or privatise the activity?
- In the event of a decision being taken to contract out the activity, what use of existing staff and assets is proposed?

In general terms, activities which have been found to be particularly suitable for market-testing are:

- resource, especially human resource, intensive;
- relatively discrete;
- specialist or support services;
- subject to rapidly changing markets; and,
- subject to rapidly changing technology.

The process of market-testing will normally include the following activities for which appropriate time scales should be allowed:

- The activities to be tested must be examined to determine the precise scope of services, to define the requirements and determine the full cost. Using this information, a specification detailing the standards and performance targets is drawn up.
- The specification will then be used in the invitation to tender. Drawing up the invitation to tender will require appropriate legal advice. Normally, unless there are specific reasons, the existing providers will be asked to submit an in-house bid. They may be provided with access to consulting organisations to assist in the bid preparation.
- Tenders should be evaluated on the basis of quality, price, reliability and any other relevant factors to determine which offers the best overall long-term value for money.
- If the service is retained in-house, a service-level agreement is made with the in-house team. If it is contracted out, then a contract with the chosen supplier is established. In both cases appropriate standards of output and measurable performance indicators will be defined.

The time scale to be allowed for market-testing will vary according to the activity, its scale and degree of complexity. Any schedule must allow for the following activities:

- preparation of the specification of the work;
- preparation of the work standards and drafting of legal requirements;
- any necessary management reviews;
- invitation to tender and receipt of tenders;
- completion of the bid analysis process; and
- award of contract.

At all stages, the process of market-testing can promote adverse reactions from staff who will feel threatened with job insecurity and loss of status. Openness and frank communication is the only strategy for minimising resistance. When the decision to market test an activity is taken, staff involved must be fully informed both of the objectives of the exercise and of the criteria by which successful bidders will be judged.

Examples of change

In the *UK*, the Government White Paper, *Competing for Quality*, was issued in 1991. It set out the Government's plans to achieve better value for money by, in particular, opening up more of the public services to competition from the private sector.

Competing for Quality required Government departments to assess the scope for extending market-testing in their operations, and set targets for activities to be tested by September 1993. By that date, 1449 activities involving 44,000 activities had been scheduled for market-testing.

In 1992, the Efficiency Unit acquired responsibility from the Treasury for the overall policy on market-testing. While departments retained responsibility for their market-testing programmes, the Efficiency Unit acts in an advisory capacity, encouraging departments to examine opportunities, and acting as a clearing for best practices so that all departments can be made equally aware of prospects and opportunities and of practical considerations which need to be addressed.

In *Trinidad and Tobago*, Ministries and departments have been asked to determine whether a service might be more effectively provided by external agencies. Services already contracted out include:

- maintenance services for new police stations;
- security services at Inland Revenue Divisions, the VAT Administration Office and the District Revenue Office; and
- security services at post offices and mail delivery between the Airport and the General Post Office.

Other useful material (current as of 1996)

Administrative and Managerial Reforms in Government. A Commonwealth Portfolio of Current Good Practice. Proceedings of a Pan Commonwealth Working Group Meeting held in Kuala Lumpur, Malaysia, 19-22 April 1993. Commonwealth Secretariat, 1993 (ComSec)

"Competing for Quality". Government White Paper, HM Treasury. HMSO, 1991 (UK)

The Government's Guide to Market-Testing, HM Treasury. HMSO, 1993 (UK)

Realising the Benefits of Competition, The Audit Commission. HMSO, 1993 (UK)

2.2 Examining Structural Options

2.2.1 Introducing corporatisation

Commercialisation is a set of strategies which allows, and sometimes requires, services to compete within a market of similar services required by other suppliers. Commercialisation strategies do not require the ending of state ownership. They change the organisation from within by focusing on organisational and managerial restructuring, and can be supported by parallel initiatives aimed at changing the nature of the market itself, forcing the change on the organisation from without by exposing it to stronger competition.

Commercialisation strategies have two key dimensions: to provide a degree of managerial authority to pursue clear organisational objectives unobtainable within the mainstream public service; and to move towards competitive neutrality. Managerial authority provides the means with which to pursue an unambiguous set of organisational objectives. Competitive neutrality is, in essence, one aspect of the much discussed “level playing-field” on which goods and services produced by government-owned organisations do not benefit from direct or indirect subsidies, unless these are formally identified in the budget process. Service contestability is a significant step in this direction. This means that all inputs and associated costs are clearly identified and could, at least in principle, be tested against the costs of providing the service outside government.

The strongest form of commercialisation is *corporatisation*, a structural shift towards a more autonomous business unit, coupled with competitive neutrality.

The context for change

Corporatisation seeks to reduce costs and increase efficiency through the discipline of market competition, and by more flexible forms of human resource management. Where commercialisation has allowed competitive pricing and user charges for services, revenue may be generated, although this must be set alongside the capital and other investment necessary if the organisation is to compete successfully with comparable private sector services.

A reduction in the direct government involvement in service or manufacturing industries may be seen to bring political benefits where public sector inefficiencies are seen as linked to political interference.

Corporatisation may curb the power of producer interest groups, such as public sector unions, which might be regarded as having a restricting influence on the introduction of more flexible and efficient working practices.

The quality of services may be enhanced by allowing managers the freedom to manage within a clearly prescribed framework. In clarifying the political/administrative boundary, a clearer distinction can be made between strategic and operational issues, between policy formulation and implementation, freeing administration from political interference, and politics from administrative detail. One component of this separation of politics from service production results from the pressure within commercialised entities to expose costs of social commitments. The cost of, for example, subsidising transport for older people results from political concerns for equity, rather than managerial concerns for efficiency. Corporatisation encourages these costs to be exposed and subjected to more open debate.

Reasons for caution

As with all major changes in organisational structure, the conditions for successful corporatisation concern the ability and willingness of government to prepare the policy ground, to manage the change process, and to live with the political and administrative consequences.

Traditional public sector organisations can suffer from poor accounting systems, conservative management cultures, inadequate management or employee incentives and unclear performance conditions. Changing the organisational form, without changing the competitive environment or the management culture, will prove ineffective.

Preparing the policy ground begins with a consideration of deregulation. Tackling monopoly control by allowing privately-owned organisations to compete in markets which were previously the exclusive preserve of public service organisations places pressure on those organisations to commercialise, and provides subsequent incentives for efficiency.

The right to a degree of commercial freedom is balanced by the duty to report results back to key stakeholders, set against agreed targets. Sustainable structures for monitoring must be developed prior to corporatisation.

An emphasis on accountability provides an incentive to a corporatised entity to manage risk, but the necessary degree of autonomy given to the enterprise creates risks previously unfamiliar to the public service. Government may manage these risks through auditors' reports of the enterprises' financial position, and through monitoring of commercialised entities, capital expenditure programmes and debt positions. The risk of unanticipated financial or service problems is without doubt increased in commercial organisations.

Other consequences may include a degree of short-termism entering an area of production which is of fundamental importance to national development. The employment needs of particular communities, and broader social and environmental responsibilities may be traded for immediate efficiency gains. Without careful subsidy strategies, deregulation may encourage a reduction in service to those least able to pay but most in need, resulting in disparities in the perceived quality of services.

Finally, governments actively pursuing corporatisation strategies must undoubtedly live with some remarkable changes to the remuneration frameworks of senior managers. Autonomy in performance management for commercialised organisations has consistently led to the introduction of incentive payments and salary levels deemed to be comparable to the private sector. The relatively compressed salary structures of the public sector are decompressed with some vigour by newly-commercialised organisations. The results may provide some political difficulties.

Achieving change

Corporatising a public service function entails both restructuring and moves towards competitive neutrality.

Restructuring for corporatisation requires changes to organisational structures which are sufficient to allow the focused pursuit of explicitly commercial objectives, very particularly by ensuring adequate managerial autonomy in the areas of resource purchasing, marketing, employee performance management and pricing policy.

Driving an organisation towards commercial objectives implies a heightened degree of managerial accountability. All stakeholders, government, staff and customers, must be able to appraise the organisation's achievements in relation to commercial goals. This accountability implies some increased autonomy if the management is to be judged in terms of its commercial effectiveness. It must have real control of its resources, human and material, and must be sure of its environment.

Ensuring this increased autonomy requires an organisational framework which limits the involvement of government in decision making. This is generally, but not necessarily, achieved by establishing the organisation as a company or corporation, wholly owned by government. Such an entity is provided with some protection from shifting government policies, and subjected to clear performance targets through a performance contract. This specifies the assistance to be provided by government, and the commercial, service and other targets which the organisation has to meet. The legal employment framework provided by the organisation's incorporation as a company provides the opportunity for installing a more flexible management regime.

Service contestability is a necessary accompaniment to managerial autonomy. The identification of all inputs and associated costs prepares goods and services for entry into a competitive market. Of equal significance, however, service contestability acts as an indicator of the effectiveness of management in achieving value for money.

To assist the transition to a more commercial environment, it is probable that the organisation will be rationalised to some degree. Experience suggests that few areas of the public service can simply be converted into a commercialised entity, able to compete to any degree with other private sector providers, without some rationalisation of tasks and consequent downsizing as non-profitable areas of activity are closed down.

Rationalisation can clearly bring about considerable efficiency gains, but there may be high attendant costs depending on the scope of redundancy schemes for employees laid off as a consequence. Moreover, lay-offs may be concentrated within particular communities and there may be considerable pressure to divert public resources into these areas to prevent social and economic collapse. The budgetary burden for government may also be considerable for those countries providing unemployment and other public benefits.

Corporatisation requires that the setting of explicit commercial objectives and increased managerial autonomy are coupled with moves towards competitive neutrality. This means that in both resource input, and in product output, the organisation should not be subject to any special advantages by virtue of being owned by the government.

On the input side, achieving competitive neutrality requires that debt funding is not subsidised. Debt charges can be structured to eliminate the interest rate advantage traditionally associated with government ownership. In addition, the target return on government equity in the organisation can be set at a comparable level to that applicable in the private sector for an enterprise with a similar commercial profile.

Similarly, corporatised entities should not be restricted in their remuneration policies for staff, and should face charges on their commercial operations equivalent to the tax burdens faced by their private sector counterparts.

Competitive neutrality in output markets requires the removal of any barriers to competition, to ensure that prices and quality are fully subject to market disciplines. Competitive neutrality is not an obstacle to the government's use of corporatised entities to meet social obligations. Such obligations arise when government seeks to provide services at below cost prices. Within mainstream government operations, such subsidies are concealed within opaque reporting arrangements. Within some public enterprises, profitable activities may be used to cross-subsidise

non-commercial activities. In a fully corporatised organisation, operating within a framework of neutrality, such subsidies are not opaque internal transfers; they become transparent external subsidies from government, fully costed within the government budgetary process.

Corporatisation requires the setting up of the appropriate legal instruments. In some cases a single enabling act will be sufficient. However, more often, each individual organisation will require special legislation.

The two principle routes which are followed are:

- State-owned limited liability companies in which the government owns all of the shares – formed according to the appropriate sections of company law with Articles and Memoranda of Association, or their equivalents, which define the objectives and constitution.

The principle advantages of this method are relative simplicity and the additional ease of future part or total privatisation. Shares are simply sold on the stock market in the same way as in any other public flotation.

- The formation of public corporations, which generally requires specific legislation, which will define the objectives and constitution, and proposed methods of financing the new institution.

Public corporations do not represent new developments, and are generally associated with institutions which are service oriented. The vigour with which commercial discipline has been applied to more recently established public corporations does, however, mark a significant departure from previous practice.

Example of change

Since 1984, *New Zealand* has experienced widespread deregulation and financial reform designed to remedy decades of poor economic growth. In that year, Government spending amounted to over 40 per cent of GDP and 31 per cent of employment. Government trading enterprises accounted for 12 per cent of GDP and 20 per cent of the gross annual investment.

A substantial part of the reforms consisted of the corporatisation and subsequent privatisation of state-owned trading enterprises, known as State Owned Enterprises (SOEs).

The important policy change can be described as follows: previously, Government had intervened in conditions of apparent market failure, acquiring trading activities in a wide range of sectors for a variety of reasons. This was replaced by the concept of Government failure which was concerned with poor productivity and consequent high costs, associated with Government-owned commercial enterprises.

The process was preceded by a reorganisation of SOEs on the basis of five key principles:

- Non-commercial functions would be separated from major SOEs.
- Managers would be required to run them as business enterprises.
- Managers would be responsible for the use of inputs, pricing and marketing within objectives set by Ministers.
- SOEs would be required to operate without competitive advantages and disadvantages so that commercial criteria could provide an assessment of managerial performance.
- SOEs would be set up on an individual basis according to commercial purposes and would be guided by boards modelled on the private sector.

The principal mechanism used to facilitate the divestiture of these enterprises was the State Owned Enterprise Act of 1986. Before corporatisation, many organisations or SOEs had a combined mixture of commercial and social objectives. A major aim of this Act was to give SOEs a clear commercial mandate, and Section 4 required that they should operate as successful commercial businesses.

The State-Owned Enterprises Act provided for the appointment of Boards of Directors accountable to the Ministry of Finance. From 1987, government-owned trading enterprises were required to fund spending from unsubsidised private sector capital sources and were expected to pay taxes and dividends.

By 1989, fifteen SOEs had been created. The process was then taken over by the subsequent privatisation programme in which SOEs were transferred to the private sector, a separate idea which emerged subsequently.

Other useful material (current as of 1996)

Bollard, A. and Mayes, D. Corporatisation and Privatisation in New Zealand, New Zealand Institute of Economic Research, Wellington, 1991 (NZ)

2.3 Contracting Out of Services

Contracting out of services is the process of transferring to the private sector activities, such as the provision of goods and services, normally or traditionally performed by the public service.

When services are contracted out, the government ceases to be a provider and instead becomes a purchaser of services on behalf of the public.

The context for change

Contracting out of services can deliver three objectives. First, through the clear identification of costs and specification of volume and quality, contracting out can act as a stimulus to cost reduction.

Second, by enabling the public service as purchaser to make choices in its preferred supplier, quality can be increased.

Third, contracting out curbs the power of producer interests where service delivery goals have been subverted by the desire of the producers to improve the interests of their staff at the expense of their customers or service recipients.

Reasons for caution

The ability of contracting out strategies to improve efficiency and quality depends on three factors: market structure, the information available to purchasers and the administrative costs of undertaking the transactions.

- Market structure

The central motive underlying the contractual approach is to increase competition. However, competitive markets for particular services may not exist. There may be few outside firms willing or able to compete to provide the kind of service a government agency or department is looking for. This is particularly the case where the service is highly specialised in nature, such as some scientific services. Furthermore, there is evidence that on occasion originally competitive conditions may be undermined over time as provider organisations merge or form cartels.

- Information

Services vary in complexity – providing refuse collection is far simpler than running a service for the mentally ill. Generally speaking, the better the quality of information available to the purchaser, the greater their ability to make informed choices regarding the service they require and judgements about the quality of the service they have received. Services vary in terms of the ease with which the outputs and outcomes desired can be specified, and in the human services this is particularly difficult to accomplish.

- Transaction costs

The costs of managing the transaction between the purchaser and provider result from the process of drawing up a specification, putting it out to tender and awarding a contract, and then monitoring and enforcing that contract. Generally speaking, the less the information a purchaser has about a provider and the service being provided, and the lower the degree of trust that exists between the two parties, the higher the transaction costs.

Moreover, transaction costs will be greater with some kinds of contracts than others – lump-sum contracts may involve low specification costs, but, if trust between purchaser and provider is low, monitoring costs may be potentially high; price-per-unit contracts, however, may incur extremely high specification costs. As transaction costs escalate, so the advantages of contracting out strategies decline.

Achieving change

Contracting out is usually preceded by a market-testing programme. Such a programme will identify activities which may be carried out more effectively and efficiently in the private sector.

In general terms, activities which have been found to be particularly suitable for contracting out are:

- resource intensive,
- relatively discrete, producing specialist goods and services,
- subject to rapidly changing markets, and
- subject to rapidly changing technology.

Where the decision to put a service out to tender is made, the tendering process does not have to be competitive. The purchaser may already have extensive experience of a particular provider, albeit a commercial or not-for-profit organisation. In this case, the purchaser may use the established basis of trust to contract directly with this single organisation, indeed the purchaser may seek to sustain and develop this relationship over time. This model of “relational” contracting stands in contrast to the competitive tendering model which gives emphasis to a plurality of anonymous providers competing on a regular basis for a single contract.

Contracts themselves can vary according to the nature of the service being specified. The three basic forms of contract are as follows:

- *Cost-and-volume contracts*, in which the amount of work to be done and its total cost is specified, such as pay-roll services for x thousand staff.
- *Price-per-unit contracts*, in which the units of work are laid down and their price stated. In these contracts there may be little knowledge of the amount of work to be done, such as a standard recruitment service package.
- *Lump-sum contracts*, in which the contractor agrees to undertake a given quantity of work for a specified price, such as the management of a leisure centre.

In practice, contracts also vary in terms of whether they give priority to cost or quality, whether they include contract compliance clauses to ensure providers adopt good employment and equal opportunities practices, whether they focus upon the specification of inputs, outputs or outcomes, and so on. Where tendering is compulsory, the legislative framework will determine many aspects of the tendering process, in this sense defining the “rules of the game” within which purchaser and provider can operate.

Tenders should be evaluated on the basis of quality, price, and reliability to determine which offers the best overall long-term value for money.

If the service is retained in-house, a service-level agreement is made with the in-house team. If it is contracted out, then a contract with the chosen supplier is established.

The time scale for contracting out should be sufficient to allow for:

- preparation of the specification of the work;
- preparation of the work standards and drafting of legal requirements;
- any necessary management reviews;
- invitation to tender and receipt of tenders;
- completion of the bid analysis process; and
- award of contract.

Examples of change

In the *UK*, under a legislative programme beginning in 1980, local authorities have been required to subject an increasing number of services to competitive tendering. This formed part of central Government's programme of reforms of local government with a view to reducing the size and cost of local government expenditure, and to achieve greater value for money.

Reforms in the National Health Service have included the formation of provider agencies known as National Health Trusts and have been accompanied by active encouragement, through cash limits, of market-testing and the contracting out of numerous ancillary services, such as cleaning, security, laundry and catering.

The Government White Paper, *Competing for Quality*, was issued in 1991. It set out the Government's plans to achieve better value for money by, in particular, opening up more of the public services to competition from the private sector.

Competing for Quality required Government departments to assess the scope for extending market-testing in their operations and set targets for activities to be tested by September 1993.

By that date, 1,449 activities involving 44,000 activities had been scheduled for market-testing.

In 1992, the Efficiency Unit acquired responsibility from the Treasury for the overall policy on market-testing. While Departments retained responsibility for their market-testing programmes, the Efficiency Unit acts in an advisory capacity, encouraging departments to examine opportunities and acting as a clearing for best practices so that all departments can be made equally aware of prospects and opportunities and of practical considerations which need to be addressed.

In *Trinidad and Tobago*, Ministries and departments have been asked to determine whether a service might be more effectively provided by external agencies. Services that have already contracted out include:

- maintenance services for new police stations;
- security services at Inland Revenue Divisions, the VAT Administration Office and the District Revenue Office; and
- security services at post-offices, and mail delivery between the Airport and the General Post Office.

Other useful material (current as of 1996)

Competitive Tendering and Contracting out in UK Local Government, M. Paddon. Commonwealth Secretariat, 1992 (ComSec)

“Competing for Quality”, Government White Paper, HM Treasury. HMSO, 1991 (UK)

The Governments Guide to Market-Testing, HM Treasury. HMSO, 1993 (UK)

Realising the Benefits of Competition, The Audit Commission. HMSO, 1993 (UK)

2.3.1 Promoting devolution

Corporatisation, divestiture and contracting-out strategies give primary emphasis to competition as a means of improving performance. *Devolution* seeks to create simplicity within complex organisations and combine this with more flexible results-oriented and customer-driven forms of management. Devolution entails the establishment of smaller business units within the public service, with funding and other inputs, and responsibilities and outputs, clearly delineated. There are different forms of devolution, the most well-known of which, executive agencies, are built upon the value of separating the policy formulation function of the public service from its operational side.

Devolution focuses on the delegation of managerial decision making within the public service and should not therefore be confused with deconcentration, where existing hierarchical and bureaucratic forms of control are often maintained despite the spatial dispersal of existing government activities. Nor should devolution be confused with decentralisation, in which political and managerial powers are delegated and spatially dispersed within a country.

The context for change

The primary objectives of devolution are:

- to reduce political involvement in administrative matters – by separating policy formulation from implementation, and strategy from operations, elected representatives are freed from immersion in administrative detail, allowing them to concentrate on policy matters;
- to increase efficiency – by giving managers freedom to use resources in a flexible and responsive manner, inputs can be combined more creatively to produce desired results, particularly where managers have an incentive to make savings as these are not automatically clawed back by the centre;
- to enhance quality – by delegating decision-making powers to those closer “to the end user”, services can be delivered which are more sensitive to the user’s needs;
- to enhance managerial accountability/reduce corruption – the development of the cost and performance centre model makes the activities of managers and staff more visible, both in terms of accounting for the use of budgetary resources and in terms of accounting for performance.

Reasons for caution

Devolution to business units within the public service requires a series of delicate balances:

- *Balancing diversity and uniformity within the public service*

Devolution strategies seek to simplify the public service and improve management by freeing up business units and their managers to manage for results. However, the corollary of devolution is diversity, with the possible emergence of different charging practices, employment practices and financial accounting practices. Devolution ultimately points towards differential grading structures, performance incentive systems, and career structures. If managers are to be allowed to run business units as if they were divisions of a large commercial company, then they would expect this kind of freedom.

- *Balancing autonomy and co-ordination*

Managerial autonomy necessitates more systematic co-ordination. Experience indicates that devolution can encourage segmentalism, with units seeking to follow their own agenda and priorities with the overarching Ministry reduced to a “holding company”. Competition may begin to emerge between devolved units undermining co-operation and leading to opportunistic practices, such as the poaching of staff.

- *Balancing entrepreneurship and accountability*

If devolution is to lead to improved management, then it must provide scope for public entrepreneurship, that is, leadership, vision, innovation and even a certain degree of risk-taking. However, management leadership must be balanced with political accountability and risk-taking balanced with probity.

The primary concern is that as an “arms-length” relationship develops between a Minister and the devolved business units within the Ministry for which he/she is responsible, then there may be a loosening of the accountability of the Minister to Parliament and the general public for issues concerning those units. Arguably, Ministers may feel less personally responsible as chief executives become called upon increasingly to answer direct to the legislature for perceived problems or failings within their agency.

Attempts to resolve accountability problems for devolved units within the public service have generally focused on the split between policy formulation and implementation. In this model, the Minister is accountable for setting the policy, with assistance from central advisers in the Ministry, and devolved business units for the manner in which that policy was implemented.

This division assists in identifying accountabilities to a point. However, in the public service, policy is not just a matter of what is handed down from Cabinet. Policy is also embedded in the everyday routines and practices of counter clerks, telephonists, street-level professionals, and the many others within the public service who seek to interpret policies and objectives and juggle with competing priorities as they ration scarce resources.

The balance between entrepreneurship and accountability is most delicate in relation to the question of probity. On the one hand, it is argued, tight controls encourage the development of managerial short-cuts, which in turn open the door to misuse of public funds. On the other hand, looser controls provide fertile ground for those who are seeking to achieve personal rather than organisational goals.

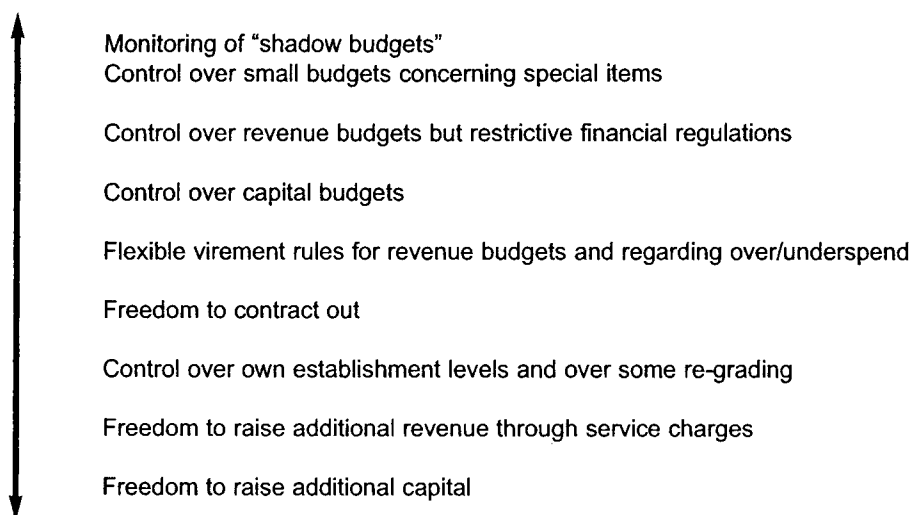
The enterprising manager of a devolved business unit must have flexibility to work with this reality, but the public and the legislature must be in a position to allocate responsibility for shortcomings without entering a complex debate as to whether the problem is policy or operational.

Achieving change

Devolution strategies are aimed at breaking down complex departmental structures into systems of accountable management units, in which unit managers have much greater financial, personnel and other freedoms which they exercise within a set of clearly specified boundaries – freedom within a framework. The devolved units are therefore both cost centres (identifiable units to which direct and indirect costs can be clearly attributed) and performance centres (units at which expedited performance standards can be clearly specified and monitored).

The degree of devolution can vary:

NOMINAL DEVOLUTION



RADICAL DEVOLUTION

Devolution strategies have been applied primarily to those areas of government engaged in monetary transfers, regulation, some services to internal clients, and the delivery of material services and programmes. In a recent review of the Next Steps agencies in the UK, the Fraser Report noted that agencies differ also in terms of the key role they play within the sponsoring department. The Fraser Report suggests that agencies may be grouped in the following fashion:

- Agencies which are fundamental to the mainstream policy and operation of the department.
- Agencies which execute, in a highly delegated way, statutory (usually regulatory) functions within a stable policy framework which changes relatively infrequently.
- Agencies which provide internal services using particular specialist skills.
- Agencies which are not linked to any of the main aims of a department but which nonetheless report to its Minister.

The character of the agency will therefore affect its relationship to the parent department and how this relationship should be managed. It also has implications for the degree of devolution seen as appropriate, the sharpness of the policy/operations split, and the extent to which it may become an autonomous internal trading unit or is regarded as a potential candidate for privatisation.

In some settings, internal markets have been created. Internal markets may also assume a number of forms. At the simplest level, internal support services such as personnel, training, library, secretarial and other services may be reorganised on a trading account basis. Quasi-contractual agreements are then constructed between these internal business units and other parts of the organisation which are purchasers of their services. These agreements are sometimes referred to as service-level agreements. Usually, they are not legally binding contracts though purchasers may be given certain sanctions should providers fail to deliver what was specified in the agreement. The ultimate sanction is the right of the purchaser to "go outside" for a service, should the internally provided one fail to satisfy; here the internal market models are combined with elements of external contracting.

Internal markets may also be established for the provision of direct services. In the UK, the outstanding current example of this approach concerns the reorganisation of the National Health Service. In this instance, provider organisations are constructed (Hospital Trusts) which compete for contracts from district health authorities or general practitioners. Health care is still publicly funded but the purchase of service has been separated from its provision.

Examples of change

In the Commonwealth developing countries in particular, many governments are decentralising responsibilities to regional levels. *South Africa* is working on a new constitution which favours the provinces. *Zimbabwe* is decentralising in the areas of health, education and social welfare to local government.

Devolution of powers to eight provincial councils has been envisaged as a major historical landmark in the evolution of political and social institutions in *Sri Lanka*. It has also provided a unique opportunity to restructure the administration in a manner that would strengthen and enhance democratic policy by the people.

Other useful material (current as of 1996)

Choices in the Design of Decentralisation. An Overview and Curriculum for central government officials responsible for the reorganisation of administration at the local level. Smith, B. C. Commonwealth Secretariat, 1993 (ComSec)

From Problem to Solution. Commonwealth Strategies for Reform. Managing the Public Service. Strategies for Improvement Series: No. 1. pp31-32. Commonwealth Secretariat, 1995 (ComSec)

2.3.2 Introducing privatisation

Privatisation is the transfer of control of ownership from the public to the private sector. Such a transfer is necessarily associated with extensive market liberalisation and deregulation, changing the macro-economic context, the competitive environment and the labour market. Equally, however, such moves must be accompanied by re-regulation, ensuring that monopoly or powerful enterprises do not use their newly-unleashed market position to pursue unfair pricing policies or to prevent other competitors gaining access to key markets.

The context for change

The most frequently cited objectives of privatisation strategies are:

- to improve the government's budgetary position by generating additional revenue from the sale of the enterprise, an increase in receipts from taxes on the sales revenue of the enterprise, and from a reduction in the size of the subsidy paid to the enterprise by government;
- to increase efficiency and improve quality and productivity through increased competition;
- to reduce the size and influence of the public sector in general, and the extent of government involvement in industry in particular;
- to promote wider public participation and control through the diffusion of share ownership or the creation of management or employee buy-outs;
- to encourage private investment and to develop local capital markets; and
- to signal strong support for the private sector as an engine for development.

These objectives are not necessarily achieved simultaneously. For example, if the enterprise performance improves following privatisation, then tax revenues may increase leading to an improvement in the government budgetary position. However, the private sector capital which may have contributed to this improvement is not now available for other investment opportunities.

Reasons for caution

Governments' abilities to seize the opportunities which privatisation can represent are restrained by both the national capacity to develop and sustain a privatisation programme and the availability of acceptable purchasers.

Preparing the policy ground will require the government to:

- prepare and publish a privatisation policy statement;
- develop an institutional infrastructure with the capacity to identify appropriate enterprises for privatisation, undertaking analyses of financial performance and competitive position for each enterprise;
- review the legal and policy framework, codifying company law and liberalising the tax regime if necessary;
- prepare rehabilitation and restructuring plans, as necessary, to prepare enterprises for privatisation; and
- ensure the capacity to identify potential appropriate purchasers.

Successful privatisation also rests on the government's ability to manage the process of change. This will generally entail the establishment of an institutional framework for driving privatisation programmes forward. There are more successful examples of this being undertaken by central bodies, often within the Ministry of Finance, than under a decentralised system in which the parent Ministries or bodies are responsible for divestiture of some of their own holdings.

The unit charged with responsibility for undertaking the privatisation will be faced with change management tasks involved in:

- amending the legal form of the enterprise;
- restructuring the enterprise's finances, including revaluation and debt management, if necessary;
- physical rehabilitation of plant, equipment and other assets;
- reorienting the performance management systems towards the achievement of commercial goals, this may include significant changes in terms and conditions of employment, and will very probably include some downsizing of the enterprise workforce; and
- steering the sale, whether this is private, through a full or partial share flotation, or as the result of a management or employee buy out.

Successful privatisation programmes also require that the government can live comfortably with the consequences. Experiences to date with privatisation suggests that the consequences can be very diverse. There is no difficulty for government in living with success: improved services, growing economy, satisfied shareholders and workforce.

The difficulties arise in living with:

- large scale unemployment;
- under-priced property transfers, cronyism, and outright corruption;
- aggravated differences in personal incomes;
- over-reliance on foreign capital;
- excessive short-termism and an inability of government to control the market to meet national priorities, including environmental concerns;
- regional disparities;
- abuses of monopoly positions; and
- costs of preparing for privatisation disproportionate to the economic gains.

There is certainly no evidence that such consequences are inevitable. However, some combination of these concerns can be found, to varying degrees in some settings.

Achieving change

In its narrowest sense privatisation is a shift of ownership, removing organisations from the public sector. This goal may be achieved through a variety of strategies, the key elements of which are:

- **Stock market flotation:** consists of the sale of the enterprise to the general public with equity offered on a fixed price or through a tendering process. Shares can be marketed internationally or domestically, and all the equity may be sold or government may retain a proportion.

- **Sale to a third party:** consists of the sale of all or part of the shareholding to a single purchaser or group of purchasers. The enterprise may be sold as a going concern, or the assets of a defunct operation sold. The sale may be by private placement with investors, or a trade sale to the private sector companies. The price may be determined by competitive bidding, or by negotiation with potential buyers.
- **Management or employee buyout:** managers and/or employees acquire a controlling shareholding in the enterprise. It is likely to require that a high proportion of the purchase price is funded by borrowing and strong cash flow is necessary to meet interest and capital repayments.
- **Leasing/Franchising:** in certain circumstances, only the operations of the industry are privatised and the necessary assets are leased, generally for a predetermined period, after which they return to government control. In some cases the process is mixed, in that the infrastructure is sold to one organisation which then leases the facilities to the operating company.
- **Sale of assets:** another form of privatisation is the public sale of state-owned assets such as land, building and housing stock.

Privatisation may result in the transfer to the private sector of natural monopolies, in which case consumer protection has to be ensured by appropriate regulation. Essentially, regulation is based on the following principle forms:

- **The control of profits:** profits can be controlled through regulations which set the appropriate ratios: margins, returns on investment or capital employed or on dividends paid. The weakness of this method is that it removes one of the forces promoting efficiency, and even investment.
- **The control of prices:** the control of prices, particularly if linked to a formula which provides for a progressive reduction, in real terms, has been adopted in many cases. While this method will promote efficiency it can, nevertheless, lead to situations where investment suffers and profits are deemed to be excessive.
- **Performance indicators:** in industries concerned with providing a public service, and in which output is difficult to measure in financial terms, regulation may also include the setting of clear performance standards as far as levels and quality of service are concerned.

Other prerequisites for privatisation include the creation of appropriate legal instruments, the existence of appropriate financial mechanisms and the existence of a capital market.

Examples of change

In *Zimbabwe*, a Regional Consultation Workshop on Capacity Building for Management of Privatisation was held in March 1994. This workshop, attended by senior representatives of the privatisation system in *Ghana*, *Sierra Leone*, *Tanzania*, *Zambia* and *Zimbabwe*, was organised by the Commonwealth Secretariat and the Foundation for International Training (FIT) in collaboration with the Zimbabwe Institute for Public Administration.

The meeting recognised the urgent need to address the problem of developing national capabilities to manage the process of privatisation currently taking place. It was recommended that steps be taken to carry this initiative forward through future activities that promote human resource development for privatisation. It was therefore resolved that an Advisory Steering Committee be established, comprising senior representatives from the participating countries to assist the Commonwealth Secretariat and the FIT to formulate a plan of action for capacity-building for the management of privatisation.

In the *UK*, the privatisation programme began in 1979 when the Government disposed of part of its holding in British Petroleum. During the following decade, sales of government holdings in seven private sector companies amounted to £8,389 million. During the same period, 21 further state-owned companies or public corporations were sold through private treaty for £1,250 million.

Sales of government-owned assets include the sale of motorway service areas and other property to lease or franchise holders, and, most significant, the sale of over one million state-owned houses to tenants which brought in £15 billion between 1979 and 1988.

The privatisation programme received added impetus when, in 1984, 51 per cent of British Telecom was floated for £3.9 billion, proving the fact that public flotations of this size were practical; 2.25 million applicants received shares. Institutions were excluded from this flotation and the premium on the part-paid shares rose to 90 per cent.

During the remainder of the decade, many utilities including the gas, water and electricity industries and a large part of the transport infrastructure were sold or prepared for sale.

While British Gas was sold as a single entity and the water companies were based on the previous regional authorities, the electricity industry was broken up between distributors, the supply network and the generators. (Subsequently British Gas has been required to separate the distribution network and make it available to competitors).

Preparation for privatisation of the rail network included breaking up the existing organisation into owners of the track and associated infrastructure, the rolling stock, and a number of operating companies which franchise the services.

Privatisation of utilities and monopolies gave rise to a number of concerns summarised into the following issues:

- the development of competition;
- protection of the public interest; and
- prevention of monopolistic pricing.

The main instrument of regulatory policy was either an operating licence which required certain activities or standards and, in the case of utilities, the development of industry-specific regulatory bodies charged with regulation in the light of the issues. Consequently, the regulator is charged with ensuring both satisfactory delivery and consumer protection.

In *Malaysia*, a “Privatisation Master Plan” was developed in 1993 with the aim of promoting the transfer to the private sector of as many as possible public sector activities.

The thrust of the policy includes the sale of equity, sale or lease of assets, management or private sector contracting out and “build operate” transfers or “build own operate” for infrastructure projects.

The plan assumes two main methods: a Government initiative where candidates are identified and bids for the organisation are solicited; and a private sector initiative where the private sector is encouraged to produce plans on the basis of its special strengths, including know-how, patents and capital.

Other useful material (current as of 1996)

Capacity Building for Management of Privatisation. Report of the Regional Consultation Workshop held at ZIPAM Centre, 1994. Commonwealth Secretariat, 1994 (ComSec)

Management of the Privatisation Process. A Guide to Policy-Making and Implementation. Commonwealth Secretariat, 1994 (ComSec)

Improvements and Development in the Public Service, 1990,1991 &1992, Malaysia (MAL)

2.4 Identifying Obstacles to Efficiency

2.4.1 Establishing an efficiency programme

Efficiency is the relationship between outputs, the goods and services produced, and inputs, the cost of the resources used to produce them. In short, efficiency is spending well.

Efficiency programmes are a series of inter-related examinations of current systems to identify opportunities for cost reduction (without lower standards) and performance enhancement (at no higher cost or, preferably, at lower cost).

The context for change

The point of entry for programmes to improve efficiency is commonly a requirement to reduce operating costs as part of budgetary restraint. The goal is to create a management ambition for cost reduction and performance improvement in all areas.

The rationale for efficiency programmes is that resources available to government are always under pressure: demand exceeds supply and expectations exceed what can be afforded. There is an ongoing requirement to review all activities to ensure that resources are used to best effect and that the public service can demonstrate sound stewardship.

Reasons for caution

Commonwealth experiences have highlighted some key pre-conditions for the introduction of successful efficiency programmes. First, they require a determination to develop implementation strategies – most frequently these entail:

- improved micro-accounting information systems, including the provision of expenditure and output information for cost centres and the development of activity-based costings;
- internal and external audit;
- management development training which produces managers who can be given the authority and incentive to manage efficiently, with freedom to maximise outputs from the resources they command;
- procedures for competitive tendering by existing suppliers of goods and services to government; and
- consideration of organisational changes to achieve greater efficiency, including corporatisation, contracting out, devolution and privatisation.

Second, Ministerial backing for change, and participation from those affected, with incentives to accept and support change and consultation with trade unions and representatives, are indispensable.

In general, efficiency programmes involve some expansion of the private sector's role in the provision of services. Purchasing and supply skills need to be further developed, which require:

- more and better training of managers in the skills of purchasing supply;
- mobilising the expertise of others, including the private sector, for example by seeking secondments and exchanges to improve these skills, or by buying in services; and
- sharing experience of contracting out between departments and agencies.

Finally, there is a key distinction to be made between static efficiency savings, such as the depression of wages, and dynamic efficiency savings in which organisational improvements lead to ongoing and systemic productivity improvements.

Achieving change

The introduction of efficiency programmes requires Ministerial backing and will be most successful when the reforms are overseen by a small unit with the authority to ensure compliance and with the resources to offer the necessary advice and assistance.

When examining individual tasks, three fundamental questions have to be addressed:

- Whether the task in question is necessary. If the task is judged to be unnecessary, or that its objectives can be achieved by other means at less cost, it can then be abolished with consequent savings to the public purse.
- Whether or not the task needs to be completed in-house. In many cases, tasks may be completed more economically by other departments or by the private sector.
- Whether or not the task can be completed more economically, either through better organisation and more effective management or as the result of better training, development or the recruitment of appropriate skills.

A typical efficiency programme includes the following steps:

- The setting up of a very small team at the highest level, perhaps directly accountable to the Head of Government.
- A requirement placed on individual Ministries and departments to make specific and quantified proposals for efficiency savings (cost improvements) in general administrative expenditure for a determined period of time.
- The team vets and, in discussion with the originating Ministries, approves the proposals.
- The team provides regular progress reports to the Head of Government.
- A requirement placed on Ministries and departments to subject a particular area of work to detailed critical review.
- The team approves or challenges the proposals for action, before requiring implementation within a fixed period.
- Wide publicity given to the establishment of the team, the first reports, and the savings and other benefits, to create a competitive climate of achievement.

Examples of change

In *Singapore*, the Government is always seeking ways of improving efficiency in the public service. As a major part of this programme, the Service Improvement Unit examines thematic areas of possible efficiency savings in the Civil Service.

In the *UK*, an Efficiency Unit, created in 1979, reports directly to the Prime Minister's Adviser on Efficiency and Effectiveness. Its role is to advise on the improvement of efficiency and effectiveness of central Government. The context of change included concern for three main items:

- securing value for money;
- improving the quality of service; and
- improving managerial and organisational effectiveness.

The Efficiency Unit is also responsible for assisting in the development of the Government's range of public service reforms and, since 1992, is responsible for co-ordinating market-testing policy and activity.

The main instrument used is the Efficiency Scrutiny Programme. Government Departments were required to develop an Efficiency Scrutiny Programme on the basis of the stated aims and objectives and to provide a scrutiny team drawn from other areas than that being reviewed.

The Efficiency Unit is involved at every stage, providing advice and assistance, and a nominated officer who works closely with the team. The Efficiency Unit does not replace Ministers and managers who retain responsibility for the scrutiny, preparation of the report and recommendations, and of a subsequent action plan, and ensuring implementation and compliance. However, the Efficiency Adviser will monitor the process and comment on the outcomes.

On average each scrutiny takes 90 working days, from commencement of drafting a plan to compilation of the final report, and is estimated to cost £100,000.

By 1995, approximately 350 scrutinies had been undertaken, at a rate of approximately 2025 per year. Accumulated savings are estimated to be £1.5 billion and are currently generating savings of £100-200 million a year.

Other useful material (current as of 1996)

Administrative and Managerial Reform in Government: A Commonwealth Portfolio of Current Good Practice. Proceedings of a Pan-Commonwealth Working Group Meeting held in Kuala Lumpur, Malaysia, 1993 (ComSec)

Bollard, A. and Mayes, D. 1991, Corporatisation and Privatisation in New Zealand, New Zealand Institute of Economic Research, Wellington (NZ)

Executive Agencies – A Guide to Setting Targets and Measuring Performance. HMSO, June 1992 (UK)

2.4.2 Focusing on productivity

As a ratio between outputs and inputs, productivity can be measured with some precision when product sales in a competitive market allow the value added per unit of input to be calculated. Such objective measures allow comparisons across a sector or internationally. Without a bottom line, the public sector must look to relative productivity – the possibility that improved systems might allow fewer people to provide the same level of service as before or which allows service quality to be raised with the same level of staff – as sector-wide measures which refer back to value added by staff do not readily apply.

Focusing on productivity, even in the absence of measures which could be used for comparisons with other organisations, provides a powerful method for drawing attention to the need for constant improvement in personal performance and in management systems. Focusing on productivity in the public service encourages a mindset of continual search for opportunities to improve efficiency and quality.

In effect, this entire Portfolio is concerned with productivity improvement. Improving service quality and reducing public service costs is a priority for all governments. All sections in the Portfolio look at Commonwealth experiences in a particular area of improvement.

This section considers the motivation that drives implementation.

The context for change

Productivity and quality have proved themselves to be powerful concepts in the manufacturing and service sectors. As globalisation has exposed service providers to more intense competition, distinctions in the cost and level of service offered have become of increasing significance.

The application of these concepts to the public sector, in general, and to the public service, in particular, has also had considerable impact. There is scope for some debate about the suitability of particular approaches, and the risk that the mechanical application of formulae developed for the manufacturing sector might cost more in additional process than is gained in output. However, the overall effect of focusing on productivity in the public service has been to change the mindset of public servants from that of holding a position to that of serving a customer.

Reasons for caution

Productivity in the public service is a mindset, an orientation in which public servants are searching for opportunities to improve the systems within which they work in order to serve their customers, however defined, better. This orientation has two elements:

- a determination to find creative baseline measures of resources used and outputs achieved in the complex public service environment; and
- the motivation to identify opportunities to improve systems and procedures.

The determination to find meaningful baseline measures, and the motivation to look continually for incremental improvement, find expression in mechanisms such as quality control circles or work improvement teams. The key issue is that the determination and motivation find an opportunity for expression in such mechanisms – the mechanisms do not create determination and motivation.

The risk in focusing on productivity is that of replicating the mechanisms which are seen to be successful in some settings without replicating the orientation that drives them. Hollow systems provide form without content and make meaningful discussion of productivity more difficult.

Achieving change

Focusing on productivity requires:

- measures of resources used and outputs achieved; and
- the identification of incremental opportunities for systemic improvements.

In the complex and frequently process-driven environment of the public service, these two steps require some considerable energy and enthusiasm. The challenge is to generate such motivation.

Commonwealth experiences suggest that this requires the introduction of three innovations which are best described by taking some examples at Ministry level:

Innovation 1 – A champion of change

In successful productivity initiatives at Ministry level, a senior manager within the Ministry, with the support of the administrative head, has identified personally with the need to improve productivity, has personally modelled productive work practices, has established through all opportunities within the Ministry that productivity is a valid issue for discussion, and has assisted in the establishment of new systems and structures in the Ministry.

Innovation 2 – Establishing awareness of resource usage

Apart from those staff directly involved in developing budget estimates, few other staff have an overall picture of the resource requirements of the Ministry. Even those staff involved in managing the recurrent budgets may have little appreciation of the additional cost of staffing, buildings and equipment. Traditional public service financial management systems have many limitations and such data on inputs is difficult to ascertain. However, successful productivity initiatives at Ministry level have fostered an understanding of the scale of Ministry resource requirements, even if the indicators employed have been approximate. Examples of actions include outline information on staff numbers and budgets in Ministry newsletters and briefing notes provided to section heads.

Innovation 3 – Establishing a mechanism which stimulated practical proposals for incremental improvement

Work improvement teams and quality control circles at Ministry level provide an opportunity for a small group of staff, drawn from all levels of the Ministry, to step outside their usual managerial positions and to contribute to collective problem solving. The challenge for the groups is to focus on the defined areas of service or of organisation where they consider that a small change may produce a large result. The group will need to identify some indicators of the outputs of the Ministry and their suggestions will indicate how these might be increased with the same, or reduced, resource usage.

Cautious and incremental development of these innovations has allowed systems to be introduced at the same time as staff motivation to use them. It is this balance which is the key to achieving change.

Examples of change

In *Botswana*, Work Improvement Teams (WITS) have been established across the Public Service. WITS co-ordinators are trained, and encourage the teams to propose efficiency and quality improvement proposals to departmental senior management through the WITS co-ordinating structure. A newsletter describes progress across the service.

In *Singapore*, Work Improvement Teams have been established for many years. WITS represent a complete network of mutually inter-linking action groups constantly examining opportunities for service quality improvement.

Other useful material (current as of 1996)

Stretching the Tax Dollar: Making Operations More Efficient. Treasury Board of Canada (CAN)

Development Administration Circular No. 6 entitled Guidelines on Productivity Improvement in the Public Service, Malaysia, 1991 (MAL)

Development Administration Circular No. 7 entitled Guidelines on Quality Control Circles in the Public Service, Malaysia, 1991 (MAL)

Development Administration Circular No. 8 entitled Guidelines on the Manual of Work Procedures and Desk File, Malaysia, 1991 (MAL)

2.5 Removing Obstacles to Efficiency

2.5.1 Using efficiency audits

Efficiency audits are also known as value-for-money audits, and have much in common with efficiency scrutinies. All three activities are driven by staff within the Ministry or department, are guided by a framework laid down across the public service, and are supported by a small central unit which is able to offer advice and technical support.

Efficiency audits or value-for-money audits are undertaken to complement traditional auditing of financial statements and compliance auditing. Efficiency audits assess whether departmental outputs are being delivered economically and efficiently, and whether they are effectively contributing to the achievement of outcomes.

Efficiency scrutinies are broader activities, intended to solve problems rather than specifically to reduce costs.

The context for change

Internal audit approaches are not new, but their traditional role has been to ensure that departments comply with administrative and financial regulations. Efficiency audits broaden the base of internal audits, providing a value-for-money focus to complement:

- *financial statement auditing* – which assumes that assertions made in financial records are accurate; and
- *compliance auditing* – which assumes the probity and legality of departmental activity.

Reasons for caution

Commonwealth experiences suggest that there are some important preconditions to the successful introduction of efficiency audits:

- managers must be convinced that efficiency savings might be used, in part, to ease pressures in other service areas at a time of reducing resources;
- the efficiency audit team must have the confidence of the department head, and in exchange the department head must be prepared to support any resulting recommendations;
- the Ministry or department must be aware of the work of the audit team, and must be advised of the authority which they carry;
- the audit team must be credible, and willing to guarantee confidentiality (other than to the head of department) where sensitive information is required;
- the audit team must be fully independent of all aspects of operation and management of the functions which it is to review.

Achieving change

The introduction of efficiency audits can take place under three guises:

- as part of the internal auditing procedure;
- as part of the external auditing procedure; and
- as part of a general programme of reform, often in association with a small central unit co-ordinating responsibility for an efficiency programme.

Effective efficiency audits have:

- *a team that is committed to improved performance* – better value for money through reduced cost/higher quality of services;
- *an authoritative process* – authority provided by the head of department or Minister;
- *complete independence* – although the auditors may come from the department, their independence should be assured, and they should report direct to the head of department or Minister;
- *clear terms of reference* – nothing should be taken for granted and the audit should examine activities at all levels, including the justification for the public service being involved in this function;
- *precise time schedules* – schedules should be fixed and short, broken into five parts: setting up; investigation; action plan; implementation; implementation report;
- *well-documented implementation* – the audit or specification might identify an action manager responsible for the implementation of recommendations and, in due course, the implementation report.

Areas for efficiency audits should be of sufficient size, with sufficient potential for savings to justify the cost of an audit. However, this does not preclude smaller programmes which may offer generalisable lessons.

Each audit will be based on an agreed specification which will include:

- background of the audit;
- terms of reference;
- names of auditors and action manager; and
- timetable.

A typical timetable for an efficiency audit is:

- development of detailed audit plan and work schedule: approximately 15 working days;
- preparation of first draft findings: after approximately 60 working days;
- of the final report: after 90 working days.

The report should, wherever possible, be published. Alternatively, it should be circulated widely at all levels to ensure both understanding and support, and implementation.

The action manager should produce an action plan, within a few months of the date of the report. The implementation of the recommendations is the keystone for achieving efficiency. The action manager should be responsible for the success of the implementation, the monitoring progress, and for taking appropriate remedial action, and should report directly to the head of department or Minister.

A subsequent implementation report, which completes the efficiency audit process, should be final and factual, produced by the action manager within an agreed period, and published or circulated in the same way as the original.

Examples of change

In *Trinidad and Tobago*, traditional cash-based audits were seen to be insufficient as other information, concerned with value for money issues, was sought. Consequently, the Auditor General's Department introduced a limited form of efficiency auditing in 1972. This new audit was called Performance or Comprehensive Auditing. In 1986, a Comprehensive Auditing Division was formed and full comprehensive auditing procedures and an auditing programme were established.

The 1993-97 Strategic Plan of the Auditor General's Department identified increased conduct of comprehensive audits as one of its strategic objectives. A training programme was established and, in 1993, 70 persons were trained in the conduct of management audits and 8 were trained as trainers.

In the *UK*, an Efficiency Unit was created in 1979. The Unit reported direct to the Prime Minister's Adviser on Efficiency and Effectiveness. Its role is to advise on the improvement of efficiency and effectiveness of central Government. The context of change included concern for three main items:

- securing value for money;
- improving the quality of service; and
- improving managerial and organisation effectiveness.

The Efficiency Unit is also responsible for assisting in the development of the Government's range of public service reforms and, since 1992, is responsible for co-ordinating market-testing policy and activity.

The main instrument used is the Efficiency Scrutiny Programme. Government departments were required to develop an Efficiency Scrutiny Programme on the basis of the stated aims and objectives; and to provide a scrutiny team drawn from within the department, but not from the area to be reviewed.

The Efficiency Unit is involved at every stage, providing advice and assistance, and a nominated officer who works closely with the team. The Efficiency Unit does not replace Ministers and managers who retain responsibility for the scrutiny, preparation of the report and recommendations, and of a subsequent action plan, and ensuring implementation and compliance. The Efficiency Adviser will monitor the process and comment on the outcomes.

On average, each scrutiny takes 90 working days, from the start of drafting a plan to compilation of the final report, and is estimated to cost, on average, £100,000.

By 1995, approximately 350 scrutinies had been undertaken, at a rate of approximately 20-25 per year. Accumulated savings are estimated to be £1.5 billion and are currently generating savings of £100-200 million a year.

Other useful material

Efficiency Scrutinies – Managing Scrutinies A Guide for Ministers and Managers, The Efficiency Unit, Whitehall (UK)

2.5.2 Improving records management

A record consists of any information, captured in a reproducible form, which is necessary for the proper conduct of the public service. Records management is the function concerned with the capture of complete, accurate and reliable documentation of organisational activity to meet functional, legal, evidential and accountability requirements. *Records management* does not simply consist of the management of information or of data processing or of the application of information technology.

The context for change

Effective records management is a cornerstone of a responsible public service. In the absence of reliable information and records, available when required, public servants will not be able to maintain continuity in decision making. This is likely to result in the following:

- the rights of citizens to register property, to seek redress of laws, and to obtain services for which public funds have been allocated, are compromised or arbitrarily withdrawn;
- the integrity of public assets becomes inadequately protected; and
- as a result, the public service, and consequently the government, may be brought into disrepute.

Reasons for caution

Administrators in many Commonwealth and other countries are finding it increasingly difficult to cope with the growing mass of often incoherently managed paper records, and consequently find it difficult to retrieve the information necessary for the proper fulfilment of their tasks.

In most countries, a common, immediate reaction to the increasing challenge of records management is an over-reliance on new technology and computerisation.

Although modern information technology systems can make information handling easier, more efficient and less costly, the new systems can never become a panacea. Commonwealth experiences point to three weaknesses of many computerised records management approaches:

- **Technological weaknesses:** Information technology promises impressive results, but the new systems and equipment must be sustainable in the local conditions.
- **Economic problems:** Information technology requires significant capital investment in equipment and training. It is important to be certain that the new systems are affordable, including the ongoing cost of maintenance.
- **Operational barriers:** The culture of the organisation, the management and staff may not be consistent with the use of the new systems.

The introduction of computerised systems will not obviate the need for paper and other records. In most countries, computerised records do not represent legal records. For some time, paper records may also be essential as verification of the data held in the system and as a back-up in the event of systems failure.

Achieving change

Planning a new or improved records management system must begin with an in-depth analysis of the existing systems. This analysis will begin with a detailed records inventory which will define the following:

- **volume:** the amount defined in cubic feet, number of records or files, space or capacity used with an estimate of future needs;
- **media used:** paper/files/books; microfiche/film; magnetic tape/disk, optical disks/CD ROM, etc.;
- **creation:** when, how, why, by whom, in what form, are key questions;
- **distribution paths:** who, why, how, how often, and in what order do staff require the records;
- **life cycle:** the length of time that information is current and should be retained, and when and how it can be destroyed;
- **format:** any standard classification system or special form on which the information is gathered and stored;
- **organisation:** the filing systems, codes and indexes currently in use;
- **legal requirements:** certain documents may require special formats, be in a particular media, such as paper, and be subject to particular retention periods; and
- **vital records:** identification of vital records, defined as those the loss of which would seriously prejudice or inhibit the ability of the public service to fulfil its key objectives.

Each of the above will be examined in the light of an in-depth analysis of the organisation's functions, activities and transactions. Taken together with the records inventory, this analysis will provide a basis for the creation of a new records management structure focusing on:

- **Systems and technology:** The choice of an appropriate medium and system for record creation, storage and retrieval will be based on established information flow charts. This will include the design of appropriate forms and security systems necessary to protect the confidentiality and integrity of the information. The use of the information, together with any legal or potential legal requirements should be the primary factors in determining the choice of media technology.
- **Vital records policy:** Vital records must be defined, analysed and categorised. Some major categories of records may require different treatment. In particular, records of information required during catastrophes must be both secure and accessible, and information necessary for later reconstruction must be protected. Records necessary to protect rights and other legal requirements may require special treatment to protect originals.

In each case, possible protection methods, such as duplication or dispersal, and potential storage facilities, appropriate operating procedures and accountabilities will be determined in the records management structure. The vital records policy should be consistent with disaster planning strategies.

- **Disposition:** The analysis of the information life cycle will indicate the period during which the information held will be active, useful or necessary. Legal requirements will play a central part in the process of determining a record preservation policy. The maintenance of records which do not fall into any of these categories is expensive and an unnecessary use of resources.

A disposition policy will include procedures for the regular review and appraisal of records with a view to deciding whether they need to be retained or whether they have other values, of a cultural or historical nature, which will determine whether or not they should be transferred to national or other archives.

Examples of change

In *Trinidad and Tobago*, an existing, manual system based on paper records allowed for the following:

- registration and indexing of all records,
- cross-referencing of records,
- tracking of the physical movement of records; and
- retention and disposal scheduling.

Given the importance of proper management and control of information and the timeliness of information flow and retrieval, a move from a manual to an automated record management system, informed on an appropriate business strategy, was deemed desirable.

The National Information Systems Centre developed a software application, the Registry Information System, which can perform some of the functions outlined above. This system, though limited in that it is designed for single-user use, has been installed in 26 Ministries or departments.

Divisions within the Office of the Prime Minister have been selected to participate in a pilot Electronic Mail and Records Management System, which, in addition to the above functions, will provide increased search and retrieval capabilities and will allow for the electronic transfer of records.

Further planned improvements will:

- integrate the management of records with the management of data processing and MIS systems;
- streamline information flows within government departments; and
- encourage and empower staff to upgrade skill in handling recorded information.

In *Malaysia*, in 1981, a change of administrative style emphasising efficiency and productivity in the public sector took place. Improving information and records management is part of the reforms associated with this.

A number of initiatives began the implementation of these reforms including a study by a Cabinet Committee which found various limitations in the information systems for managing developments, such as incomplete, absent, inaccurate or late reporting of information and records and the existence of a number of unintegrated separate databases.

In 1985, the National Committee on Data Processing was set up to oversee the development of an information technology and data processing policy. In 1988 the Malaysian Administrative Modernisation and Management Planning Unit distributed the manual on Guidelines for Computerisation for Public Sector Management which provides guidelines for all aspects of implementing new management information systems.

In the same year the need to co-ordinate IT development led to the formation of the National Consultative Committee on IT with the remit to set standards and to promote co-operation between the public and the private sectors.

Other useful material (current as of 1996)

Government Information Technology Policies and Systems, Success strategies in Developed and Developing Countries, Han, C. K. H. & Walsham, G. Commonwealth Secretariat, 1993 (ComSec)

Information Technology Policies and Applications in the Commonwealth Developing Countries, Odera, M. & Madon, S. Commonwealth Secretariat, 1993 (ComSec)

Records and Record-Keeping: Introducing New Concepts, Records Management Office, Sydney, Australia (AUS)

2.6 Eliminating Corruption

Corruption can manifest itself as individual, organisational or institutional and can be found in both the public and private sectors. In the context of the state, corruption most often refers to criminal or otherwise unlawful conduct by government agencies, or by officials of these organisations acting in the course of their employment.

Combating corruption is a key indicator of commitment to good governance. Poor governance and corruption are major constraints to the pursuit of economic development. For example:

- Bribery increases the costs of government development programmes and spawns projects of little economic merit;
- Corruption undermines revenue collection capacity, contributing to fiscal weaknesses and macro-economic difficulties;
- Diversion of resources from their intended purposes distorts the formulation of public policy;
- The use of bribes to gain access to public services undermines stated allocation priorities, benefiting the few at the expense of the many; and
- Widespread corruption brings government into disrepute and encourages cynicism about politics and public policy.

In public management, weaknesses in public administration result in a decline in the probity of public servants and an inadequate legislative oversight of government. Further, corruption erodes the authority and effectiveness of public institutions. Improvements, therefore, in the effectiveness and transparency of economic policies and administrative reform can contribute significantly to the fight against corruption as well as enhance good governance.

A variety of anti-corruption strategies and measures have been initiated in both developed and developing countries. Anti-corruption agencies have been established in some countries and some have also adopted codes of ethics (conduct), with emphasis on curbing corruption. However, it is not yet clear whether the leadership in these countries has the political will to ensure the effective functioning of these anti-corruption instruments: provision of adequate funding, qualified and independent staff and enforcement of exemplary sanctions. A significant development is the fact that several countries are receiving the assistance of Transparency International (an international NGO leading anti-corruption crusades focused largely on international trade) in fighting some aspects of corruption. There is strong evidence that corruption undermines development efforts. One illustration is the linkage between aid effectiveness and corruption, which has become a regular discussion topic in meetings on development assistance (Consultative Group meetings and Round Tables), since 1997. Since a significant proportion of public spending in some developing countries is derived from development assistance, the linkage is part of the explanation for the increased attention paid to the fight against corruption.

Where corruption is endemic, it is the means to winning and maintaining the benefits of power. Corruption can infiltrate every aspect of government. An understanding of corrupted power systems may be necessary to re-assess democratic integrity. Answers will not be found in political will or anti-corruption commissions alone. Action needs to be pursued in all development activities, as well as in specific anti-corruption measures.

Key outputs could include:

- Transparent mechanisms for political funding;
- Appropriate levels of regulation;
- Performance management and pay policy in public services;
- Transparency in government policy and use of resources;
- Independent audit functions;
- Parliamentary oversight of standards and conduct;
- Systems to respond to citizens' complaints;
- Detection and punishment of corruption at all levels; and
- Systems of national and international commercial and criminal law to deter corruption and encourage investment.

Finally, the growing tolerance of diversity in the mass media in most countries with the emergence of independent newspapers and magazines would help the fight against corruption and enhance the use of the other methods of enforcing accountability. The publicity provided in the Press is a check on the abuse of power and this is having some impact in some countries. Equally significant is the fact that the Press in some countries is undertaking investigative journalism and using it to comment on both the conduct of public officials and the quality (or lack thereof) of public services in a manner that was unthinkable in the 1980's. However, the mass media remains underdeveloped in some countries and there is evidence of restrictions on freedom of the Press in others.

Towards an anti-corruption strategy

Although such action was not conceived in the first instance as an element in an anti-corruption strategy, the intervention of the World Bank, Commonwealth Secretariat, United Nations, etc in a number of areas helps countries to control corruption. Four types of action are seen to reduce opportunities for rent-taking by simplifying rules and by replacing administrative rules with market mechanisms:

1. Trade regime reforms, which limit the scope for discretionary treatment by customs officials and replace administrative action with price mechanisms in the allocation of import licences and foreign exchange;
2. Tax reform based on lower, uniform rates and simpler rules and the strengthening of tax administration and record keeping;
3. Regulatory reform, such as the abolition of price controls, the simplification of licence requirements, and similar measures; and
4. Privatisation, to reduce the size of the state enterprise sector under bureaucratic control.

The next three actions are examples of institutional strengthening to improve controls and reduce incentives for corrupt behaviour.

1. Civil Service reform, to restore a professional, accountable, realistically paid, and well-motivated bureaucracy;
2. Strengthening public procurement systems through the reform of laws, more transparent procedures, adoption of improved bidding documentation, competitive bidding and staff training; and
3. Modernisation of public sector accounting, upgrading internal auditing capacity, and strengthening the supreme audit institution.

The agenda could be broadened to include a research programme aimed at a better understanding of:

- The framework of economic incentives for corrupt behaviour;
- Whether some kinds of corruption are more dysfunctional than others;
- The relationship between corruption and political systems;
- Best practices in countries that have succeeded in curbing corruption; and
- Measures that industrialised countries could take to discourage corrupt practices by exporters. In addition, the World Bank should maintain a dialogue with watchdog organisations established to fight corruption and with governments seeking practical ways to reduce the moral and economic costs of corruption.

Other useful material (2nd edition)

Agere, S., (ed) Promoting Good Governance: Principles, Practices and Perspectives. Commonwealth Secretariat, London, 2000

Eigen, P. "Transparency International - The Coalition against Corruption in International Business Transactions", Development and Co-operation, 2,1. 1998

Victor Ayeni, Linda Reif and Hayden Thomas "Strengthening Ombudsman and Human Rights, Institutions in Commonwealth Small and Island States: The Caribbean Experience", 2000.

Victor Ayeni and Keshaw C. Sharma "Public Protector: Ombudsman in Botswana", Commonwealth Consultancy, 2000.

2.6.1 Strengthening anti-corruption measures

Corruption is the misuse of public funds for private profit. No public service is immune from corrupt practices.

Examples include bribery, nepotism, misappropriation of public funds or stores, irregularities in granting import/export licences, under-assessment of income tax and estate duty, irregularity in assessment of tenders and allocation of contracts, remission or reduction of fines and other dues.

The challenge for the public service is to make corruption a high risk, low reward activity.

The context for change

Corruption is an enemy of democracy. It reduces respect for government and the public service and has a detrimental effect on the national economy. The immediate consequences of corrupt practices in the public service are as follows:

- the companies which receive contracts as the result of bribes may not be the best for the job;
- the cost of the bribe is usually added on to the price or financed by reductions in quality;
- the cost of bribes is generally an inflationary factor, and in many cases represents a considerable outflow of capital offshore; and
- systematic corruption has a lasting damaging impact on the morale and reputation of the public service.

There are a number of government activities which are particularly susceptible to corruption. These are:

- public procurement;
- taxation;
- customs and excise;
- police (especially traffic police);
- licences and permits;
- provision of services where there is a state-owned monopoly;
- public service infrastructure contracts;
- construction permits and land-zoning; and
- government appointments.

The scope for corruption is increased by a number of factors:

- low levels of Civil Service pay, requiring additional sources of income;
- lax enforcement or absence of adequate auditing systems within the public sector;
- absence of systems for the regular monitoring of assets and liabilities of public servants;
- absence of widely-shared professional values and ethical standards for the public service;

- under-resourced independent judicial systems providing redress to the public; and
- weak governance institutions which can prevent the deterioration of standards, (including the Civil Service Commissioners), and which can detect failure (including the Office of the Auditor General).

Reasons for caution

Corruption cannot be legislated away. Legislation aimed at deterring corruption is unlikely to be effective unless it is accompanied by a raft of measures designed to ensure implementation, and maximise accountability and transparency. Such measures should minimise temptation, and demonstrate that ethical conduct is both practised and preached at all levels of the public service.

Achieving change

Strategies to reduce corruption fall into six broad categories

1. Strengthening and implementation of legislation

This focuses on improving government integrity through the strengthening and enforcement of existing law, designing effective penalties for bribers and recipients and the development of international support mechanisms.

This strategy must include the development of corruption-free, independent law enforcement agencies and the provision of an effective complaints mechanism which has public trust. This may include the setting up of a specific independent anti-corruption agency.

2. Tightening of systems and audit procedures

This consists of reforms of government procedures to increase transparency which will also discourage corruption. This involves the reform of all bureaucratic, especially procurement practices; the reform of political campaign financing, and, perhaps, of the electoral laws. These reforms should be accompanied by a strengthening of internal and external audits and of the independent judiciary.

3. Improvement of public service performance

Poor service quality encourages corruption as service users seek to bypass official bottlenecks and outdated regulations. Implementation of many of the interrelated reforms designed to improve public service performance outlined in this Portfolio will also discourage corruption. This may include addressing government programmes themselves, some of which may be susceptible to corruption due to poor design or, even, as the result of being unnecessary.

4. Development of a culture of “outrage”

This strategy concerns changing public attitudes through well-planned, long-term education programmes, and “hearts and minds” campaigns, aimed at both the public in general and the public service. The objective should be that corruption should no longer be viewed with cynicism, resignation and acceptance.

5. Positive encouragement to public service integrity

All measures to combat corruption must be reinforced by general reform of and improvements in public service terms and conditions of employment. Improved employment practices, regular and transparent reward systems, and payment, together with appropriate opportunities for career development and promotion, will reduce the pressure for corruption.

6. Strengthening the institutions of governance

As one of the contributing factors to increased corruption is weak governance, anti-corruption strategies must include strengthening the institutions of governance. For example, the Service Commissions are responsible for preventing failure, while government auditing bodies have responsibility for detecting malpractice. The effectiveness of such institutions might be reviewed.

Examples of change

In *Tanzania*, the recent process of trade and economic liberalisation has increased concerns about integrity in the national economy and in the public service. Consequently, in August 1995, a workshop on the National Integrity Systems was held in Arusha, which drew up a detailed proposal for a National Integrity Plan covering all aspects of public life, the public service and the business community. The workshop culminated in the signing of the Arusha Integrity Pledge whereby all participants affirmed their opposition to all forms of corrupt practices and publicly requested actions to be taken against such practices.

When the National Resistance Movement in *Uganda* took power, it recognised the dangers of widespread corruption and, as an initial step, established the Office of Inspector General of the Government to receive complaints and generally investigate practices.

In 1994, a high-level mission representing the EDIDM of the World Bank and Transparency International visited the country. Its report outlines the Government's fight against corruption and makes comprehensive recommendations as to further measures which might be taken to strengthen those measures.

In 1995, the Constituent Assembly increased the authority of the Inspector General of the Government by giving him executive authority in certain areas.

In *Malaysia*, the Anti-Corruption Agency (ACA) is the Government institution directly responsible for enforcing the laws against corruption.

The laws applicable to corruption include:

- relevant Sections of the Penal Code;
- the Prevention of Corruption Act 1961; and
- the Emergency Ordinance No. 22, 1970.

Under these laws it is an offence for public servants to;

- accept or give any gratification as an inducement or reward for action;
- give any receipt or account which contains erroneous or defective information with intention to mislead; and
- use an official position for pecuniary or other advantages.

The ACA has been given a variety of powers including authority:

- to carry out positive vetting on public servants. Vetting is carried out from time to time, especially before or on promotion;

- to prepare the anti-corruption reports which are passed to the relevant Head of Department. As part of the streamlined procedure, Heads of Departments are required to take immediate action on any reports by the Anti-Corruption Agency;
- to investigate, arrest and prosecute those involved in corrupt activities, irrespective of position or post;
- to conduct surprise inspections or official visits to government departments in order to ensure the absence of corruption; and
- to initiate and conduct joint operations with other law enforcement agencies.

Other measures include requiring departmental managers to develop effective audit and control systems and ensure close supervision of Civil Servants' work; and ensure the application of the Clients Charter.

In *Trinidad and Tobago*, the conduct of public service employees is guided by Service Regulations and Codes of Conduct which, among other matters, prohibit gainful activities outside the service and the acceptance of gifts and rewards.

In addition, there is the Integrity in Public Life Act No. 8 of 1987 which requires persons in the public service to declare their financial affairs. Members of the House of Representatives, Ministers of Government, Parliamentary Secretaries and Chief Technical Officers are required to file declarations of incomes, assets and liabilities annually with the Integrity Commission.

Other useful material (current as of 1996)

The Civil Service of Malaysia – A Paradigm Shift (Chapter 7) (MAL)

Improvements and Development in the Public Service, 1992 (Chapter 7) (MAL)

Current Good Practices and New Developments in Public Service Management. A Profile of the Public Service of Trinidad and Tobago. The Public Service Country Profile Series: No. 4. p. 41. Commonwealth Secretariat, 1994 (ComSec)

2.7 Creating a Framework for Change

2.7.1 Introducing business planning

The public service, to be effective, must be concerned with the quality of the services that it provides. Government, therefore, needs to regularly review its operations in order to ensure that services are provided in the most efficient and cost-effective manner.

In the public service, a key tool in this process is the budget, which is the financial plan for the period in question. However, financial plans require organisations within the public service to think strategically about their programmes.

Business planning provides the opportunity for this strategic thinking. A successful business plan describes:

- the mission of the organisation – its identity and direction;
- the objectives of the organisation, and specific performance targets;
- the strategy by which those objectives will be achieved;
- the support mechanisms necessary; and
- the mechanisms for reviewing objectives and for reporting progress.

The context for change

The primary objective of business planning in the public service is to provide the government with accurate information regarding recurrent resource allocations and proposed capital expenditures. However, another important benefit is improved decision-making abilities at all levels, which result from the business planning process.

Business planning is applicable whether the service provided is internal to the government, such as policy advice, or external and mainly concerned with providing goods and services to the public.

This process ensures that Ministries are fully aware of the resource costs of their respective portfolios, and the value-added through long and short-term initiatives. Business planning is also important at the divisional and department level. In order to manage a programme effectively, a manager must be fully aware of the operating constraints, such as social, economic and policy considerations; financial and human resource concerns; impacts on other departments; trade issues and the external environment.

Benefits arising from business planning include subtle long-term advantages, such as changing and broadening managerial attitudes towards programme responsibility, and tangible, visible benefits, such as improved data collection for decision-making.

Reasons for caution

Business planning will fail unless the five main components of the process: mission, objectives, strategy, implementation and evaluation, are addressed in detail:

- The mission statement answers the questions: who are we? what is the business that the organisation is in? and where is it heading? The statement gives identity and direction. It states what the organisation aims to become, not what it is now.
- The objectives answer the “what” question. These are high-level objectives that an organisation wishes to fulfil and that translates the mission statement into specific performance targets. Long-term objectives, anything from three to five years, guide managers as to what to do now to have the organisation ready to produce desired results later. Short-term goals – or milestone accomplishments along the way – need to be established in order to ensure that the organisation stays on target and is in a position to evaluate progress. Objectives and goals must be measurable, they should be quantifiable, realistic and achievable.
- The strategy is the “how” of business planning. It determines the moves required in order to attain objectives. It addresses the questions: what must be done? when? how should we do it?

To plan the correct strategy the Ministry or department needs to analyse current operations as well as identifying strengths and weaknesses, opportunities and threats. This analysis is carried out within the context of the stated mission and objectives.
- For a Ministry or department to “implement” its business plan successfully, it must provide the relevant mechanisms and infrastructure. The process must be institutionalised through the development of supportive policies and procedures, reporting systems, reward programmes, training programmes and technology. Implementation requires an “action agenda” which involves listing all relevant steps, stating who is responsible and by when, and then regularly monitoring progress.
- Strategy and objectives need to be periodically reviewed and evaluated to assess whether actions occur according to plans, and to adjust for priority changes caused by changed circumstances. Evaluation is necessary to assess performance. If goals are not reached, either the performance target or mechanisms used to achieve that target need to be reviewed. Performance measures establish a clear link between results and resources. They foster a results-oriented culture. Performance measures also aid the performance management review process, making it more objective and motivating.

Achieving change

Piloting business planning in the public service and then subsequently gearing up to full business and financial planning allows for measurement of the capacity of the public service to undertake the process. Success is more likely to ensue by phasing in coverage of the complete business planning approach rather than attempting full implementation across the board.

Ministries may undertake planning at the departmental level and then aggregate it at Ministry level. This means ranking priorities, and looking for efficiency and shared resources across the portfolio.

To introduce the new approach, managers may be required to attend seminars on business planning and could receive “hands on” assistance from external consultants to develop their initial business plans following approved guidelines. A sample Ministry business plan can provide managers with additional information on the level of detail required to substantiate their programme resource requirements.

The success of business planning depends on the following factors:

- *Active, visible support from Permanent Secretaries and heads of departments.* This means communicating the business planning philosophy to all levels in all programmes, to all support units, and to finance officers, human resources officers, operational managers and major inter-ministerial committees. Senior managers must be prepared to help junior managers conduct planning meetings and develop plans. They must also evaluate their subordinate managers on their performance in attaining the stated targets.
- *Permanent Secretaries and heads of departments accountable for implementing business planning.* This accountability, however, has to be pushed down the line to the lowest appropriate level by ensuring that an individual is responsible for achieving each goal stated by the organisation. Accountability is secured by placing a high emphasis on business planning in performance agreements and performance review processes.
- *Internal mechanisms for business planning established.* Focus groups with employees; surveys – internal and external; task forces, and project teams can assist in developing achievable but demanding objectives and in securing wide ownership of the mechanisms for reviewing goals and reporting progress.
- *Assistance to Ministries in completing their planning submissions.* At each stage in the planning process, staff from the Ministry of Finance, or other central agency, could help Ministries and departments and parastatal organisations to develop a coherent framework, relevant to the specific situation of the Ministry.
- *Feedback.* Business planning is iterative and can only improve through trial, evaluation and feedback.

Examples of change

In *Trinidad and Tobago*, in 1993, all Ministries and departments were asked to develop five year strategic plans to include:

- a vision or mission statement defining core purposes, strategic objectives and strategies for attaining them;
- an estimate of the physical, human and financial resources required; and
- yearly action plans on which to base annual budgeting estimates and to monitor and evaluate progress.

Responsibility for the execution of these instructions was given to the Permanent Secretary of each Ministry and implementation was as follows:

- appointment of a change team or steering group representing all levels of the organisation;
- setting up of series of workshops, think-tanks, and “brainstorming” groups on the following issues:
 - defining organisations, either Ministry or departments, mission or vision statement;
 - assessing the impact of environmental factors and forces;
 - assessing and analysing current and future realities;
 - identifying stake holders; and
 - developing strategies for planning.

This was followed by the appointment of a “planning team” which might or might not be the “change team”, which then proceeded with the planning exercise.

During the exercise the following principles were followed:

- the relevant Ministers were kept informed of, and where possible, included in the process;
- efforts and results were communicated as widely as possible;
- responsibility for implementation was suggested and assigned; and
- plans included provision for evaluation of progress and compliance.

In *Malta*, business planning was introduced in pilot Ministries and geared up to full business and financial planning. The Ministry of Social Security and the Department of Health were first selected as pilots. The Ministry of Social Security being one of the largest spenders, while the Department of Health was in the process of reviewing its programme.

By 1993, all Ministries had submitted three-year business plans for the period 1994-1996. Plans were initially prepared at department level and were then aggregated to Ministry level.

Programme Managers were required to examine their activities over the period in question and had to concentrate on outputs resulting in:

- improved decision-making at all levels;
- smoother and more accurate budgeting and estimating;
- quicker identification of opportunities; and
- increased effectiveness, consistency and improved services.

Managers were provided with internal training through a series of seminars and received assistance from external consultants.

Other useful material (2nd edition)

Business and Financial Planning, Ministry of Finance, Government of Malta 1992 (MLT) Mission Statement of the Cabinet Secretariat, Trinidad and Tobago (TT)

Mission Statement of the Ministry of Health on a prototype for the proposed Regional Health Authority, Trinidad and Tobago (TT)

Institute of Public Administration of Canada, Business Planning in Canadian Public Administration, 2001

2.7.2 Managing change

In the public service, the key question is not whether change will happen, it is how it will take place.

Approaches for *managing change* are based on the following premises:

- change is always disruptive;
- change can be managed successfully;
- tried and tested approaches exist for successful change management; and
- when change is not managed, the results are often poor.

The context for change

The major dimensions of change in current public service reforms can be summarised as follows:

- changes in management culture and style following the move from administration, concerned with process, to managerial concerns to maximise efficiency;
- re-examination of work methods and changes in working practices consequent on the introduction of new technology;
- restructuring and reorganisation necessary to focus on outputs;
- changed performance management frameworks, emphasising output targets and accepting strict accountability through performance appraisal, with limited-term contracts and monetary incentives; and
- changes in financial management regimes to ensure transparency in the allocation of costs.

Reasons for caution

Change management presupposes that change drivers are able to influence key aspects of the process.

- **The establishment of measurable objectives:** effective change management requires that clearly defined, articulated and measurable goals, translated from organisational mission statements, form the basis of the action plans governing the change process.
- **The development of teamwork:** effective change management requires that team members identify with the department, Ministry or other unit, its objectives, as well as with their job; they participate in discussions relating to the effectiveness of the organisation; and respect their dependency on each other.
- **The strengthening of communication:** effective communication underpins effective leadership for change. Change management is a participatory process involving all levels of staff to ensure that all members of the organisation feel that they are making a contribution.
- **The recognition of mistakes:** change management requires that mistakes are recognised as opportunities to diagnose problems, and that dealing with them is part of the communication process.

If change drivers are unable to influence these four aspects of the change process, effective change management is weakened considerably.

Achieving change

Commonwealth experiences in managing change in the public service at the macro-level and in relation to incremental improvements indicate that:

- **Change requires a sufficient catalyst:** for successful and sustained change there must exist in the organisation a sufficient catalyst or tension, created either by a compelling vision of the future or a compelling threat in the present. In the real world, change is often driven by both, and the challenge for management is to harness them and achieve a balance.
- **People adapt to change more easily when they are involved:** successful organisations involve all staff in the change process, not just in providing feedback after the fact, but in the planning and implementation stages.
- **Managers must use power judiciously to build and maintain momentum:** successful leadership achieves far-reaching influence by delegating power and authority; giving staff responsibility for analysing critical issues; discretion and autonomy over tasks and resources, and recognition for their efforts.

Implementation of the change process involves four main steps, often described as the change journey:

Step 1: Preparation for change

Through continuous communication, this step includes securing the support and commitment of staff; ensuring that the reform goals are understood; identification of specific aspects of change and the contribution to be made by staff; and the establishment of a vision for the future.

Step 2: Analysis for change

The object is the identification of the gaps between the existing reality and the desired future, and the strengths and weaknesses of the organisation. This will include identification of both the forces and the “champions”, supporters of change, and the resistances, those who stand to lose from, or who might otherwise oppose, change.

Step 3: Design for change

This consists of the preparation of a detailed implementation plan for the changes and reforms identified in Steps 1 and 2. The plan will include engagement tactics through which people will be involved and committed to reform. These include communication; authority and accountability; training and coaching staff to accept change; demonstrations of concern for staff, including potential losers; the creation of monitoring and reporting mechanisms; the approach to the risks associated with change; and the learning and development process.

Step 4: Implementation of change

Implementation will include the establishment and training of project teams; the development of strategies to overcome resistance and of the appropriate communication channels. It should provide opportunities for regular monitoring and evaluation at key stages; and, for ensuring that successful changes are institutionalised.

Examples of change

The Government of *Malta* is committed to a more efficient Public Service following the report of the Public Service Report Commission. A large number of changes have already been put into place, including:

- amendments to the legal framework of the public administration function;
- the establishment of “central change agencies” to lead and support administrative reform; and
- the restructuring of senior levels of Ministries and departments.

Change management approaches have been developed by the Management Systems Unit to assist change drivers at all points in the public service.

Experience in the *UK* Civil Service indicates that successful radical change depends on committed senior management winning the co-operation of staff. In recent years, a number of such changes have been implemented, of which two examples stand out: The first example involves changes in the structure of government, particularly in the creation of Executive Agencies as outlined in the Next Steps Initiative. While the principal objective of such changes is always greater efficiency, value for money, and accountability, it has always been recognised that the co-operation of staff is essential.

Usually staff involved moved with their functions to ensure continuity, although they were always offered the opportunity of returning to their original departments if they wished. This recognised the existence of a considerable loyalty to the parent departments, which, if lightly discarded, might result in a loss of efficiency.

A second example of radical change was the introduction of the practice of work measurement. In planning work measurement, the approach is always influenced by both the views of senior management and of the trade unions involved. The support and co-operation of, in particular, the latter can ensure the absence of resentment and can contribute to successful implementation of any changes.

In *Canada*, the introduction of Special Operating Agencies represented a similar radical change. In the establishment of the Canada Communication Group, the employees were, from the beginning, seen as the key to the success of the agency. In order to ensure co-operation and commitment the management adopted a policy of open management, whereby employees were kept fully informed of and were invited to participate in the problem-solving process.

During the planning stage the Chief Executive made a point of meeting staff at all levels, making presentations, answering questions and listening to views.

In the transition period, the objects of change – output orientation and customer satisfaction – were continuously reinforced and employees were further encouraged to suggest methods by which performance could be improved.

Improvements in levels of service and efficiency were rewarded with token gifts as at that time other, private sector, incentives, such as profit-sharing, were not available.

Two comparative surveys of employee views and perceptions were carried out. These were used to monitor attitudes to change, general job satisfaction and confidence in management.

In retrospect, the key to success in adapting to change was considered to be the practice of total communication and consultation with staff in order to secure trust in, and co-operation with, management.

Other useful material (current as of 1996)

Becoming a Special Operating Agency, Treasury Board of Canada, 1991 (CAN)

Managing Change in the Public Service – A Guide for The Perplexed. The Task Force on Workforce Adaptiveness. Public Service 2000, 1991 (CAN)

Career Management and Succession Planning Study, The Efficiency Unit. HMSO, 1993 (UK)

2.8 Promoting Good Governance

Good governance can be defined as the exercise of political, economic and administrative authority to manage a nation's affairs. This includes the complex array of mechanisms, relationships and institutions through which citizens manage affairs involving public life.

While there are many challenges for public administration emanating from these declarations, there are a few critical ones, which deserve serious attention by public administrators and policy makers alike. The first challenge is to define what good governance is. The second is to formulate and apply principles, such as ethics and values, as the foundation of a strong public sector. This includes an understanding of the evolution of values, specifically the tensions between old and new values, and the ethical challenges brought about by the new public management. The third challenge is how to design codes of conduct that can ensure that organisations set standards that are applicable across the board, that are clearly understood and enforceable and upon which training may be based. The last challenge is how to institutionalise such values into bureaucracy and how elected officials can promote good governance with a public service whose ethos and values are changing.

The context for change

The concept of good governance has come into regular use in political science, public administration, and development management. It appears alongside such concepts and terms as democracy, civil society, popular participation, and human rights, social and sustainable development. Within the public management discipline it has been regarded as an aspect of the new paradigm on public administration which emphasises: the role of public managers in providing high quality services that citizens value; increasing managerial autonomy, particularly by reducing central agency controls; demands for measures and rewards for both organisational and individual performance; the importance of providing the human and technological resources that managers require to meet their performance targets; and is open-minded about which public purposes should be performed by public servants as opposed to private sector providers.

A number of important perspectives emerge from this new paradigm which has been the subject of debate since the beginning of the public sector reform in many countries of the world. As a result of these reforms and the emphasis on good governance, various bodies e.g. the Non-Government Organisations (NGO's) also claim to have a role in the promotion of good governance. The emerging perspectives regarding good governance structures are: relationships between governments and markets; governments and citizens; governments and the private sector, elected and appointed officials; local government institutions and urban and rural dwellers; legislature and executive and relationships between nation states and international institutions.

These relationships have led many public management practitioners to formulate various procedures, rules and processes through which genuine good governance can be achieved, and have further identified the principles and assumptions that underpin good governance. The practitioners have also drawn on examples of best practice for use in putting the concept into practice. Different perspectives, principles and best practices have been the subject of debate at many national and international conferences, attempting to define good governance.

Attempts have been made to develop some characteristics of good governance. Some practitioners have argued that good governance can be attained by identifying the following characteristics and practices of poor governance:

- Failure to make a clear distinction between what is public and what is private, hence a tendency to divert public resources for private gain;
- Failure to establish a predictable framework of law, government behaviour and rule of law;
- Excessive rules and regulations which impede the functioning of markets;
- Priorities inconsistent with development, resulting in misallocation of resources;
- Non-transparent decision-making processes; and
- Lack of a code of conduct in managing the affairs of the state.

Good governance is, therefore, a wide subject area that includes:

- Economic liberalism which constitutes private ownership, investment and greater equality;
- Political pluralism, which refers to the democratic participation of people in the development process and decentralisation of authority from the centre;
- Social development which includes human rights, rule of law, an independent judiciary and a free press;
- Administrative accountability which refers to transparency, less corruption, economy, efficiency and effectiveness; and
- Public sector reforms, strategic planning and management of change.

Reason for caution

Different states, civil society, non-government organisations and private sector organisations who are the key players in the process of good governance tend to place emphasis on aspects in which they have interest or in which they dominate in terms of their available resources or their mandate. Within the struggle for supremacy of good governance are:

- The fear of domination by powerful groups and interests;
- The threats by those not likely to benefit from good governance or those who are likely to lose when good governance is legitimised, e.g. the military, dictators;
- Many self-appointed bodies now claim a right to have a role in the governance of the country. Some NGO's might even represent not internal but external interested parties; and
- Tension between and among stakeholder's e.g. politicians and Civil Servants; state and citizens etc.

Concerns have been raised about some governance issues. These concerns centre on such issues as: accountability for an activity which has been contracted out, maintenance of ethical standards in privatised industries, etc. Other tensions exist such as tension between decentralising service delivery and accountability to citizens; between the desire for flexibility and the risk of political mistake; between democratic participation and the capture of interest groups.

Achieving change

While there may be no best way of achieving good governance, the following stand out as the most common elements through which changes could be assessed and maintained.

Accountability

Accountability is a cornerstone of public governance and management because it constitutes the principle that informs the processes whereby those who hold and exercise public authority are held to account. Accountability encompasses processes whereby citizens hold their governors to account for their behaviour and performance directly through elections and via representatives of citizens in legislative assemblies.

Political executives and public servants are accountable through mechanisms of public scrutiny and audit. Political executives hold their subordinate officials accountable through hierarchical structures of authority and responsibility. In addition, various administrative tribunals and commissions hold legislatures, executives or administrative officers accountable to law.

The purposes that accountability are meant to serve are essentially threefold:

1. To control for the abuse and misuse of public authority;
2. To provide assurance in respect to the use of public resources and adherence to the law and public service rules; and
3. To encourage and promote learning in pursuit of continuous improvement in governance and public management.

Central to the processes of accountability is the fact that various pressures on governments have led to changes in both governance and public management as governments have sought to respond to these several imperatives and demands. At least three broad sets of changes or reform are critical in this respect:

1. The first initiative is to introduce a greater degree of devolution in managing public affairs;
2. The second initiative is to introduce a greater degree of shared governance and collaborative management in the conduct of public business; and
3. Thirdly, the efforts of governments to address demands both for results and for demonstrated performance with respect to results have led to changes in the way that governments are managed and report to citizens.

Transparency

Transparency is broadly defined as public knowledge of the policies of government and confidence in its intentions. This requires making public accounts verifiable, providing for public participation in government policy making and implementation, and allowing contestations over choices impacting on the lives of citizens. It also includes making available for public scrutiny accurate and timely information on economic and market conditions.

Combating corruption

Combating corruption is a key indicator of a commitment to good governance. Corruption can manifest itself as individual, organisational and or institutional. Poor governance and corruption are major constraints to the pursuit of economic development. For example:

- Bribery increases the costs of government developmental programmes and projects of little economic merit;
- Corruption undermines revenue collection capacity, contributing to fiscal weaknesses and macro-economic difficulties;

- Diversion of resources from their intended purposes distorts the formulation of public policy;
- The use of bribes to gain access to public services undermines stated allocation priorities, benefiting the few at the expense of the many; and
- Widespread corruption brings government into disrepute and encourages cynicism about politics and public policy.

Stakeholder participation

Participation can be defined as a process whereby stakeholders exercise influence over public policy decisions, and share control over resources and institutions that affect their lives, thereby providing a check on the power of government. In the context of governance, participation is focused on the empowerment of citizens and addressing the interplay between the broad range of civil societies, actors and actions. It occurs at various levels: at the grassroots, through local and civic institutions; at the regional and national levels, through flexible and decentralised forms of government; and also in the private sector.

Legal and judicial framework

A pro-governance and pro-development legal and judicial system is one in which laws are clear and are uniformly applied through an objective and independent judiciary. It is also one in which the legal system provides the necessary sanctions to deter or penalise breach. It promotes the rule of law, human rights and private capital flows. Enforcement involves firm action against corrupt behaviour at all levels.

Activities for popularizing governance issues

The promotion of good governance is the responsibility of all sectors, civil society participants and international organisations. There are a variety of activities and programmes that can promote good governance:

- Identify emerging issues on the role of the state, private sector and civil society in service delivery;
- Promote programmes that encourage forms of partnership between the public and private sector and civil society organisations in the delivery of public services;
- Develop new guidelines and principles for new approaches to good governance and demonstrate some success. Improve efficiency and the scope and quality of public service provision;
- Assist governments with public sector reforms that facilitate the promotion of good governance and eradicate corruption;
- Persuade governments, through dialogue, of the need for institutional and public sector management assessments, respect for human rights and the rule of law; and
- Help deal with especially complex issues of poverty alleviation and environment for which the quality of government performance is important.
- Conduct seminars, debates and conferences in which the best practices are shared between and among government officials at both policy and programme levels;

Achieving change

In order to facilitate and accelerate the promotion of good governance, to share principles of best practices with governments and to find appropriate solutions, some Commonwealth countries have mounted programmes on policy and management development. The focus of these programmes has been in the following areas:

- **Governance structures and the democratic process**

The focus of this programme has been on the role of Parliament and its relationship with the Executive. The rationale for this focus was based on three factors: first, practically all Commonwealth countries have now embraced liberal democratic values. Their determination to guard these jealously has brought into greater focus the role of institutions such as Parliament and overseeing bodies in the consolidation of democratic reforms.

Secondly, is the impact of ongoing reforms in other sectors, notably the economy and public administration. A significant feature of these is the far-reaching change towards more open, market-based economic arrangements and public sector reforms.

Thirdly, the Commonwealth Secretariat, the Commonwealth Parliamentary Association (CPA) and other affiliate bodies such as the Local Government Forum, Commonwealth Association for Public Administration and Management (CAPAM) have striven to educate and support their members in dealing with the different dimensions of these developments.

- **Strengthening Cabinet decision making**

A few programmes have been mounted which focus on strengthening Cabinet as the executive leadership machinery of the state. To assist systematic thinking about improving Cabinet performance, the focus of programmes has been on the basic functions of Cabinet, some typical deficiencies in the outputs of Cabinet activity and some of the institutional and process devices that have been employed in different countries to remedy those deficiencies.

- **The political and administrative interface**

The programmes to support the formal relationship between the Minister (elected official) and the Permanent Secretary (appointed official) are based on the assumption that successful policy development and management depends upon a meaningful relationship between the two sets of officials and leadership. The interface or the working relationship between the politician and the Civil Servant becomes critical to the success of administrative reforms and good governance.

The purposes of these programmes have been to redefine the roles and responsibilities of the Minister and Permanent Secretary in the implementation of the administrative reforms, identify policy and administrative boundaries between elected and appointed officials, and to share best practices, processes and procedures of enhancing the functional relationship through the exchange of ideas and experiences.

- **Civil Service reform**

The reform of the state institutions so that they become more efficient, accountable and transparent, is a cornerstone of good governance. Effective reforms require political and administrative will and commitment, which should include the private sector and civil society.

- **Local governance and institutional development**

Several management programmes have been organised to support and strengthen local government institutions and to build capacity to respond appropriately to the needs of local people. The programmes have assisted governments in making choices when confronted with the need to reorganise administrative and political structures and procedures designed to decentralise government and administration. Administrative reform for decentralisation is intended to achieve both good management and good governance more generally. Such programmes have emphasised the participation of people in decision making and development at local level.

- **Support of overseeing institutions**

A lot of support has been provided to overseeing institutions, such as the Ombudsman. The support has been mainly in the training of staff and upgrading of skills and knowledge in the operation of their duties. Similar support has also been offered to electoral commissions, the judiciary, the comptroller and auditor general's office and anti-corruption commissions.

- **Anti-corruption measures**

Commonwealth Finance Ministers at one of their fora proposed a number of solutions and strategies to fight against corruption. The following suggestions were made:

- Popular mobilisation against corruption;
- Involvement of the private sector and civil society in fighting corruption; and
- The need for an international response: there is a strong case on a number of grounds for international co-operation in fighting corruption.

- **Leadership, policy development and managing change**

Support for leadership development and managing change cuts across governance efforts. Effective leadership, essential for a good governance programme, is particularly important when countries are undergoing complex or systematic change involving civil society and the private sector. Effective leadership entails developing the capacities of everyone who can increase political and administrative commitment to sustainable human development. The seminars organised by the Commonwealth Fund for Technical Co-operation for Permanent Secretaries are a clear outcome of good governance as they focus on leadership and change management.

Effective public sector leaders:

- must be aware of both their internal and external environments and the implications of change;
- must be prepared to question prevailing assumptions and facilitate dialogue;
- must develop and articulate visions for the future;
- need to allow people to explore new possibilities and to develop their potential;
- need to build coalitions and collaborative relationships;
- must ensure an alignment of performance with vision;
- must be able to integrate different cultures, styles, sectors and disciplines;
- must be receptive to information and be open to feedback;
- must build support teams; and
- must be willing to experiment and take risks in the areas of transformation and change.

Principles of good governance

Examples of building and implementing these components of a good governance programme are evident across the Commonwealth and include:

- The Commonwealth Secretariat has held many top-level seminars to formulate the strengthening of Cabinet offices in Barbados, Malawi, Zambia, etc.;
- Joint workshops for Ministers and Permanent Secretaries were conducted in Grenada, St.Kitts & Nevis, Sierra Leone, Mauritius, Swaziland, etc;

- Periodic workshops have been held to improve the leadership role of the Permanent Secretary and senior officials. Such workshops have been held in Canada, New Zealand;
- Anti-Corruption Commissions were set up in Zambia, Zimbabwe, etc. Ombudsman's offices have long been established in the UK, Canada, Namibia, Trinidad and Tobago, and Botswana. Vanuatu now has an Ombudsman's office staffed by qualified personnel;
- Governance Policy Units were established in the UK, Zambia, and Zimbabwe;
- CAPAM, the Local Government Forum have all addressed issues of good governance in the workshops that they have conducted; and
- The survey on how Canadians perceive governance and public service have resulted in the finding that five drivers determining service quality.

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2.9 Strengthening Cabinet Decision Making

The constitution provides the fundamental governance framework within which a society allocates and constrains the powers to govern in the public interest. It is a necessary, but insufficient condition of good government. Sufficiency comes from the Executive having the effective means of ensuring that good decisions are taken and executed. Major policy decisions are formulated by Cabinet, which also oversees the implementation of the same policies and programmes. In the Commonwealth, the apex of the policy process is the Cabinet.

Contextual issues

The questions which arise about Cabinets and their supporting systems are typically of very different kinds. For example:

- How does Cabinet stay in charge? How is Cabinet held to account to the legislature and ultimately the public?
- What kinds of decisions should go to Cabinet?
- How can national vision be linked with the budget and with the direction of the public sector?
- Where does Cabinet get advice and support on cross-sectoral and whole-of-government issues?
- What is the appropriate division of labour between Ministers and Permanent Secretaries?
- What information should Cabinet require from the public service on a regular basis?
- How can Cabinet Ministers and central agencies keep spending within agreed budget policy limits? and
- How does Cabinet control its own policy making when development resources are from foreign sources?

Role and functions

The role of the Cabinet is to shape and oversee the whole of government policy. It is through the Cabinet that the major interests relevant to whole-of-government policy are integrated and, where necessary, reconciled. For example, between Ministers collectively and Ministers individually; public interest and partisan politics; and commerce and social welfare.

In playing this role the Cabinet has three main functions which it and only it can perform effectively. These are:

- Giving strategic direction to the government as a whole;
- Ensuring effective decision-making arrangements for the government as a whole; and
- Maintaining the effectiveness and integrity of government systems.

Beyond its specific functions, the Cabinet, as the top decision-making body for the Executive sets the standard for policy making at subordinate levels of the system.

Common Cabinet failings

The successful performance of these functions is inhibited by a variety of failings. The most important ones include the following:

- Decisions made by the Cabinet are inconsistent with its own strategic framework and agreed priorities, whether because of pressure of events, crises, sectional (including donor) interests, unexpected developments, inadequate information, defective policy analysis or any combination of these;
- Decisions or actions taken by individual Ministers are inconsistent with agreed Cabinet strategy;
- The Head of Government dominates decision making to the point that important national interests are given inadequate attention;
- Important collective decisions are not taken, or taken badly, because of the hold-out power of individual portfolio Ministers;
- Departmental Ministers and officials pursue sectional interests to the detriment of “whole-of-government” objectives;
- There is inadequate co-ordination between departments either in introducing new policies or in implementing existing policies;
- Cabinet decisions are ignored by operating units or are implemented in ways not intended;
- Decisions taken by the political leadership are ignored by the Civil Service;
- The achievement of objectives which, in political or administrative terms, should be given high priority, is frustrated by the inflexible application of financial policies;
- Conversely, the achievement of agreed financial objectives is frustrated by inappropriate activities on the part of individual Ministers and departments; total expenditure frequently exceeds agreed budget limits;
- Cabinet decisions take inadequate account of other parties’ (the legislature, public, international – including donors) opinion;
- Different parts of the government speak with different voices in public; and
- The government does not command the confidence of the public.

Some contributory causes

The essential first step in correcting these failings is to identify the contributory causes. The causes will often be multiple. The most common include the following:

- The Cabinet has no agreed strategy or clear order of priorities to provide a framework for individual decisions (including decisions on donor proposals);
- The Cabinet is over-burdened with business; the supporting structure of sub-committees is absent, inadequate, under-used or lacks authority;
- The Cabinet agenda is not systematically managed; too many minor issues come to Cabinet while major decisions of concern to government as a whole are taken in other forums or at lower levels;
- The Cabinet pays insufficient attention to long-term issues and to anticipating undesired developments;
- Portfolios are organised in a way which makes good decision making difficult, either by excessively concentrating power in some individuals, or by dissipating authority so that there is no coherence on important national interests;
- Issues are not fully discussed in the Cabinet; consensus in Cabinet discussions tends to develop prematurely; Cabinet members have no incentives to express dissent;
- The Chief Executive/Head of Government tends to by-pass Cabinet;
- Cabinet decisions are not effectively communicated to or understood by operating units;

- Cabinet size and composition are inappropriate; Cabinet members are chosen for the wrong reasons; Cabinet members have too few incentives to collaborate;
- There are neither adequate rules for the conduct of Cabinet business nor any authority capable of enforcing such rules;
- The Finance Ministry has excessive authority in relation to the rest of government;
- There is no public servant with the authority to manage from a whole-of-government perspective;
- There is inadequate differentiation between the roles of Ministers and Civil Servants;
- The competence, skills and values of the Civil Service, and the systems and structures of government, are inadequate or inappropriate for the tasks to be performed; Civil Service career patterns reinforce sectionalism;
- There are no agreed standards or systems for measuring the performance of government, nor institutional resources available to Cabinet for improving performance;
- There are no systems for managing external communications;
- External mechanisms for accountability and scrutiny are inadequate and/or are ignored; and
- There are no internal mechanisms for correcting these defects.

Remedies

To a large extent the remedies to these and other failings must rest on clarifying the responsibilities and relationships between and among the principal actors. Other remedies include:

- Establishing and maintaining the right balance between groups of activities and objectives as Cabinet's major task. Especially important are the relationships between the public interest and the interests of the party; between politics and administration; between policy and finance; between long-term and short-term objectives and policies;
- Heads of Government **must** also consider the appropriate checks and balances on power in the allocation of Cabinet responsibilities; and
- Institutions, processes and rules should be put in place to correct some of the above deficiencies.

Ensuring effective decision-making arrangements for government as a whole

- Cabinet must make some decisions for the government as a whole and this collective role must be able to override individual Ministerial interests;
- Arrangements are also needed to ensure that decisions, once made, are actually acted upon; and
- There must be a unit with authority to enforce rules in the interests of orderly decision making.

Maintaining the effectiveness and integrity of government systems

- Cabinet must ensure that the systems and structures of government, through which it receives advice and which implement the policies which it has approved, are fully effective for their tasks;
- Capability of the public service must be ensured through good human resources management practices;
- The operation of the processes around statutory appointments, and the governance arrangements for, and accountability of, Boards of Directors exercising state powers and/or resources should be ethical, transparent and accountable; and
- Cabinet must know, for a start, how well the government is doing. It needs both internal and external means of monitoring, evaluating and, wherever feasible, improving the performance of government.

Other useful material (2nd edition)

David Walker, “Tigress Surrounded by Hamsters” article in the Guardian, March 1999
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United Kingdom Cabinet Office, “Cabinet Committee Business: A guide for Departments”, 1997.

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January 1995.

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Century, Ottawa, 1997.

Alex Matheson and William Plowden. Excerpts from Governance for the XX1st Century Series:
Occasional Paper No2 Strengthening Cabinet Decision-making in Commonwealth Countries.
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Nick Manning, “Institutional Arrangements for Supporting Cabinet”, Economic Development
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2.10 Management of Transitional Government: Change, Choice, Continuity

The Commonwealth Heads of Government committed themselves, amongst other issues, to the promotion of just and honest government. Following this declaration there have been numerous workshops, conferences and seminars held by CAPAM and the Commonwealth Secretariat to translate what just and honest government means, the form it should take, the values and ethics that underpin it. These fora have also included discussions of best practices developed by the public administration as an instrument of the state, the relationship between agents of the state e.g. elected and appointed officials, executive and judiciary, etc.

In essence, all these conferences and seminars have addressed the best ways and means of promoting and adjusting to change and crisis, making choices in management and the delivery of service, and simultaneously maintaining some elements of continuity within the political and administrative system. Change, choice and continuity, while sounding contradictory, can be managed effectively by both the political and administrative machinery of the state in the right environment. It is the critical balance of advocating changes and making choices and at the same time continuing with tradition that can constitute crisis and uncertainty about the outcome.

Transition is defined as a movement, development or passage from one stage or form to another. It connotes an element of foresight, planning and purpose. Transitions require a particular management style. It is in the movement from one type of management to another that transition problems can be experienced which would require a new type of management different from the traditional approach.

The crisis in transition has come about as a result of experiences that many Commonwealth countries are facing. The transformation is unprecedented and is characterised by the need for greater freedom for self-expression in the political sphere and improved material well-being and better delivery of services.

Many Commonwealth conferences and workshops have shown that, despite the diversity of Commonwealth countries, there has been a common pattern in their responses. So strong was the common pattern that it could be labeled a new paradigm in public administration. The new paradigm which has emerged in a little more than a decade emphasises the role of public managers in providing high quality services that citizens value; advocates increasing managerial autonomy, particularly by reducing central agency controls; demands measures and rewards of both organisational and individual performance; recognises the importance of providing the human and technological resources that managers need to meet their performance targets; and is receptive to contestation and open-minded about which public purposes should be performed by public servants as opposed to the private sector.

It is the response to these inevitable changes that can result in management crisis, choices in service delivery, and at the same time continuity with the past practices or improving upon them.

The context for change

The new paradigm in public administration has been variously known in different countries by different names. The names, while different, have a similar meaning. Such names as re-engineering, revitalising, renewal, restructuring, rejuvenation, modernising etc., have been used by different countries in an attempt to address the issues of change, choice and continuity. The change process is driven by a number of pressures such as:

- The emergence of a post-industrial, knowledge-based, global economy;
- The need to reduce the cost of government;
- Improved quality of services to citizens;
- Increased accountability through delegation, decentralisation, devolution or empowerment whatever the peculiar circumstances dictate;
- The increasing trend towards the separation of the policy and delivery aspects of government;
- Increased managerial autonomy and setting clear performance targets;
- Re-evaluating the role of the state, which led initially to an extensive privatisation programme and then to the involvement of the private sector in financing public sector infrastructure; and
- Introducing competition into the public sector through market-testing initiatives.

Both public administrators and policy makers face these challenges, for while government policies may come and go, the Civil Service represents the corporate memory to provide the continuity to a nation's administration and sustain its well-being. They both require skills, knowledge and information on how to adjust to the changing environmental and political agenda.

Typology of political, economic and administrative transitions

While transitions vary in quality and quantity, the common characteristic is that there is a change in the political control and management of the state. The following are different types of transitions:

- Transitions following systemic and political collapse;
- Transition brought about by armed conflict in which the former opposition assumes power or from military to civilian rule;
- Transition through popular revolt;
- Transition through negotiation between the powers that be and democratic leaders;
- Aborted transition by the rulers of the day refusing to hand over power to elected representatives;
- Transition from a colonial government to a national government;
- Transition from a multi-party system of government to a one-party system committed to socialism;
- Transition from a one-party system to a multi-party system that is based on the principles of a free-market system; and
- Transition from a democratic state dominated by one political party for many years to one in which the political party that has been in opposition for years assumes power following democratically held general elections.

Some of the consequences of these transitions on public management are:

- The Civil Service can be highly centralised and politicised;
- The Civil Servant can be partisan through active participation in implementing political programmes of the ruling party and its government;
- Restructuring, downsizing, decentralisation, devolution, deregulation, debureaucratisation, privatisation;
- Focus on customer orientation;
- Use of performance standards for service delivery;
- Empowerment of employees; and
- More transparency and improved accountability mechanisms.

Implications for Civil Servants

The challenges to bureaucracies include the ability to:

- work with the new government's framework;
- contribute to holistic programmes that cut across other departments;
- manage consultation with diverse policy communities that contribute to the policy development of a Ministry;
- manage partnerships with Non-Government Organisations, private sector, contractors, and donors;
- respond to demanding and sophisticated clients who may be knowledgeable in the use of the Internet to diagnose a problem;
- work effectively in a diverse, multicultural and multilingual society;
- use information technology; and
- lead complex and diverse management teams.

From the top Civil Servants, i.e. the Permanent Secretary, Cabinet Secretary, etc., the challenges focus on leadership style in that he or she is expected to develop:

- Stronger leadership with a clear sense of purpose, trust, vision, values, and leadership qualities;
- Better business planning from top to bottom;
- Sharper performance management;
- A dramatic improvement in diversity;
- A public service more open to people and ideas and which hires relevant talent and expertise; and
- A better deal for staff.

For the political and administrative interface, the choice between change and continuity often manifests itself in the intricate and sensitive relationship between the public service and a new government during a transition. There are two dimensions in this relationship:

1. Administering politicians

If a transition is to be smooth and a new government is to take charge with the minimum of problems, it becomes incumbent upon senior public servants to prepare for the prospect of a change of government. For public servants, transitions are tense and uncertain times based on speculation about election outcomes, new Ministers and even new policies.

During the period of uncertainty associated with transition, public servants will implicitly tend to seek to ensure survival of the department, to stress policy continuity and to meld overall organisational purpose in terms of a prospective new government's expressed policy preferences. The basic thesis is that public servants want transition to proceed with as little disruption of their normal managerial environment as is feasible.

New governments invariably assume that public servants not only control policy but also even control those who front for their chosen policies, the Ministers. The process of socialising new Ministers into their positions by public servants, so that government functions, can be misinterpreted as administering the politician.

2. Politicising the Administration

When new Ministers and their governments assume their new positions, they are likely to be simultaneously uncertain, nervous and eager. The combination can lead to tension between public servants and their new masters as each tries to sense the respective boundaries of their interactive relationship. Crisis in the relationship generally surfaces when enthusiastic new Ministers encounter their senior officials in formal hierarchical relationships for the first time.

As Permanent Secretaries are the fulcrums from which a new government's policy launch will be made, it is probably wise to treat them with care. Permanent Secretaries will expect to be heard by Ministers. Abusing a Permanent Secretary will not serve government well in the long run. The process of ensuring that public servants take the political perspective of the Minister can be misinterpreted as politicising the administration.

Reasons for caution

The transformation and consequential transitions in the political and administrative machinery of the state have their origins in global and domestic developments in politics, trade, technology and public management that are outside the jurisdiction of any one state or group of states but that impact powerfully on domestic aspirations, policies and institutions.

The national responses to global challenges differ from one country or region to another. Success in one country may be a failure in another because of the prevailing socio-economic and political conditions. The solution, therefore, of a problem in one country may not necessarily have the same result when adopted and implemented in a different country. However, public sector reform and the new public administration paradigm have emerged in response to a number of pressures including: globalisation which has become a reality at all levels (political, economic and social); the rapid pace of change, as demonstrated by the information revolution; rising citizens' expectations of governments, for quality and service; the ongoing pressures of the debt crisis; the overall international promotion of reform ideas, particularly in developing countries and via the reform initiatives of international organisations.

A consensus emerged out of the CAPAM Inaugural Conference, in 1994, and was reconfirmed at the CAPAM Biennial conference in 1996, that New Public Administration provides high-quality services that citizens value. It advocates increased managerial autonomy, particularly from central control, it measures and rewards organisations and individuals on the basis of whether or not they meet demanding performance targets, and it provides the human and technological resources that managers need to meet their performance targets.

In transitional governments, it should be noted that in general, political parties, particularly those with a strong ideological bent, are impatient to put their own stamp on numerous areas of public policy. Many politicians in new governments fear the prospect of being captured by permanent

officials whose experience is vastly greater than their own. The incoming politicians are likely to share the general suspicion of the growing influence of permanent officials over public policy and government decision making.

It should be noted that there are no courses one can take on how to be a Prime Minister, Premier or a Cabinet Minister. However, for politicians, transition planning in many ways thus becomes a crash course in what to do and how to do it the day they take power. It is worth noting that a transition signals the arrival of a new government with maximum energy but minimum knowledge replacing one with minimum energy but maximum knowledge. A new government without a clear policy agenda will often arrive with firmly held prejudices about bureaucrats, with an appetite for quick fixes and a strong desire to do things differently from the outgoing government.

Public servants should equally be aware of the general criticisms laid on them by politicians upon assuming power. New governments now speak openly about the need to bring bureaucratic organisations under political control. Many have accused the public service of being uncreative, lethargic, overstaffed, incapable of challenging the status quo or of being self-critical.

The lesson that can be learnt is that a transition brings together two groups with markedly different values and perspectives and no assurance that the relationship will work. We have also learnt that no two transitions are alike, that careful planning is vitally important and that the ideological bent of an incoming government is important as is its previous experience in government, the political mood and economic circumstances. Further we have learnt that there are no two political leaders that are alike. Each has his or her own distinctive set of prejudices, values and priorities.

Achieving change

Commonwealth experiences suggest that there are lessons to be learnt from managing transitions:

- Leadership plays an important role in managing transitions. Every leader has a combination of strengths and weaknesses and a wise leader will take steps to reinforce the weak areas. The newly elected Prime Minister or President should take an objective look at themselves and then take steps to strengthen their weak points. On assuming power, the new Prime Minister should carefully review the existing machinery of government;
- Political leaders should also refrain from bureaucrat-bashing;
- Political leaders who wish to re-orient government policy on what they perceive as an entrenched bureaucracy should arrive in government with a game plan which sets out clearly its objectives and directions. The game plan must be sufficiently detailed for Cabinet Ministers and senior officials to understand its implications for their departments;
- Upon being elected into office, most governments set up transition teams composed of party officials, public servants, academics, etc, to manage succession. The transition teams are temporary organisations whose role is to provide advice on logistical, personnel, organisation and policy considerations that influence how the leader chooses to establish the government.
- The leader should form a strong transition team and put a transition plan in place when being sworn into office. It should be recognized that relations between the public service and incoming governments, especially during the transition period, are greatly influenced by the decision-making process of the outgoing and incoming Cabinets;

- In some countries the opposition parties and public service share information on transition planning and the requirements of government before the elections. This gives the opposition party an appreciation of how the public service works and in turn gives senior public servants an appreciation of the general direction the party would like to give to government. However, the sharing of information between public service and opposition parties before assuming power should be carefully planned;
- Political parties are advised to strengthen their research and policy capacity. In some countries party affiliated policy research centres or institutes are developed. These institutes could well push political parties to be more forthcoming in presenting detailed policy prescriptions and in educating politicians on the requirements of policy making and in understanding the challenges of governance; and
- Most governments appoint political advisers to the Minister. The advisers are not necessarily Civil Servants but are a link between the party, Civil Service, constituency and other public bodies related to the Minister's functions. Equally some Ministers do not necessarily rely on the advice of public servants but widen their area of consultation to even include university think tanks.

In all these transitions, the key players are the Minister, Cabinet Secretary, Permanent Secretary and the political adviser if he or she is available.

Examples of change

In *Canada*, both in the Federal and Provincial governments, transitional teams were formed to manage succession and firmly assume power in the political and administrative machinery. Transitional teams were temporary;

In the *UK* (2001), each Minister is allowed to appoint two political advisers to assist in the assumption of power and management of a Ministry. Political or special advisers can handle relations with the party, write briefs on departmental policies for government backbenchers and deal with constituency parties;

In the Caribbean, special advisers are increasingly playing an important role in the political and administrative interface. While it is a new phenomenon, it is now being practised in *Trinidad and Tobago*, *Barbados*, and *Grenada* (2001);

In Africa, *Nigeria* (2000) seems to have instituted a system of appointing special or political advisers to assist the Minister in his management of a government department; and

Australia and *New Zealand* have long established the traditions of appointing special advisers who are not necessarily public servants to assist with transitions.

Other useful material (2nd edition)

Ahmad Sarj , Public Administration in Transition: Global Challenges and local perspectives: Paper presented to CAPAM, July 28, 1997.

Sandford Borins, A Report on the Second Biennial Conference of CAPAM: The New Public Administration: Global Challenges, Local Solutions, June 1996.

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