MECHANISMS FOR IMPROVING SERVICE DELIVERY

Public service restructuring programmes in recent decades have resulted in the adoption of a number of different mechanisms for the improvement of service provision, most involving competition and market forces to varying degrees. These are outlined below.

FOCUSING ON EFFICIENCY

Since government resources are always under pressure – demand exceeds supply and expectations consistently exceed what can be afforded – there is a continuing requirement to review activities to ensure that resources are used to best effect and that government can demonstrate sound stewardship.

Efficiency programmes comprise both improvement in standards and performance at no higher, and preferably lower, cost. They question whether a task should be undertaken at all, whether it should be undertaken by government directly, or by contractors paid by government, or left to the private sector to consider its commercial viability.

Efficiency Unit in the UK

The Efficiency Unit, created in 1979, reports to the Prime Minister's Adviser on Efficiency and Effectiveness. The role of the Unit is to advise on how to improve the efficiency and effectiveness of central government and to help government departments to improve the value for money of the resource which they use. It does this through an Efficiency Scrutiny Programme. These scrutinies are then publicised within the public service to create a climate of competitiveness and achievement.

Since 1995, departments and agencies have drawn up efficiency plans each year, including what measures they propose to take to stay within their running cost limits for the coming three years. These include privatisation, contracting out and market-testing. The Efficiency Unit, in co-operation with the Treasury, reviews these plans and liaises with departments where necessary.

Under the overall direction of a central co-ordinating unit, such programmes can progressively review the functions of all ministries to ensure that only essential activities are undertaken, and examine whether privatisation of some services would be more efficient. Where there is no strategic reason why an activity should be privatised, corporatisation or contracting out should be considered.

While the Canadian Government has no efficiency unit per se, the Treasury Board Secretatiat has developed two guides for managers which help them determine the most efficient ways of delivering public services. *Stretching the tax dollar: Making the Organisation More Efficient* outlines a five-step process for focusing on the examination of various scenarios for service delivery:

- Preliminary Assessment involves choosing an activity and reviewing the service to define the major issues. If the cost of the study is determined through the preliminary assessment to be greater than the potential savings, the process ends.

- Comprehensive Assessment defines the output specifications of a service, examines various delivery options, reviews the in-house performance of the work and designs a more efficient in-house organisation.

- Reports include the impact of the preferred scenarios and the necessary implementation plans.

- Implementation of the option approved by senior management.

- Monitoring and Review to assess the continues efficiency and relevancy of the service.

DECENTRALISATION

Decentralisation of service delivery – moving resources and responsibilities to lower levels of government – is another potentially powerful means of introducing internal competitive pressure, particularly for the provision of public goods with inter-jurisdictional spill-overs or economies of scale. Local governments get the flexibility to match supply to local preferences or demands, while local accountability and inter-jurisdictional competition in supply provide potential restraints.

The rationale for decentralisation is that power over the production and delivery of goods and services should be handed over to the lowest unit capable of dealing with the associated costs and benefits. In many countries this will involve scaling back the power of central government. Depending on the institutional environment, decentralisation can improve state capability by freeing it to focus on its core functions; it can also, however, undermine that capability.

The appropriate institutional preconditions that need to be in place if decentralisation is to improve efficiency and equity include:

- *Political will* – specifically, consensus that decentralisation constitutes an effective means of increasing local participation and making government more representative.

- *Regular consultation with all major interested parties*, both local and central, on the principles, methods and timing of the process.

- *Administrative commitment* of concerned institutions and their personnel to the success of what in most Commonwealth settings has proved to be a gradual decentralisation programme. Co-operation is required so that new responsibilities are successfully assumed.

- Realism and prudence on the part of *local government* in analysing its capacities and abilities to handle the various tasks to be decentralised.

- Acceptance of *incrementalism*, applying decentralisation features as and when the right conditions are created. Incrementalism can include an asymmetric approach in which reforms are adopted differently in different parts of the country, accepting the need to co-exist with different organisational models according to specific conditions, and relaxing the principle of administrative uniformity.

- Collaboration with local associations and organisations in the implementation of the decentralisation process.

- Sufficient *capacity of the central government* to manage the process, create the conditions for success, and reinforce weak local organisations.

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

While in principle, service provision at provincial and regional levels are more sensitive to the needs of local communities, in practice, enhancement of responsibilities depends on the viability and vitality of the local government system and the capacity of local agencies to strengthen social infrastructure and improve access to resources.

Decentralisation mirrors the broader devolution of managerial authority and has been one of the key strategies of reform. Traditional bureaucracies have been characterised by a high level of central control and direction. Increasingly, it is being accepted that managers in public service must be held responsible for results

but be allowed to manage. In many countries, such devolution will require legislative and even constitutional changes.

- In Sri Lanka, devolution of powers to eight provincial councils was a major historical landmark in the evolution of political and social institutions. It also provided a unique opportunity to restructure the administration in a manner that would strengthen and enhance democratic policy by the people.

Monitoring arrangements appropriate to the new devolved environment need to be devised by the central bodies to determine how policies for which it is responsible are working in practice. Many countries have found that the shift away from centralised control has resulted in a decline in the quantity and quality of information received by central bodies, thereby impeding effective monitoring. Monitoring systems need to satisfy the centre's legitimate requirements for policy information without infringing the new operational autonomy of line units. The centre can develop incentives for the provision of information by making available both the information it has collected and information it generates itself.

As well as the notion of devolving power, decentralisation incorporates the idea of moving functions away from central government in the geographical sense. The relocation of government departments can also improve efficiency and cut costs.

- UK Government departments are expected regularly to consider relocation to sites offering best value for money, easier labour markets and increased operational efficiency. Since 1988, Departments are required to report to the Treasury each year on their progress with, and plans for, relocation.

HMSO

Her Majesty's Stationary Office, one of the oldest sections of the public service in the UK, founded in 1786, provides printing, publishing and office requisites for the British Government and, in 1988, became an executive agency. Since 1982, other government departments have been free from the requirement to buy all stationary and printing through HMSO, thus providing an incentive to offer a better quality service at competitive prices.

The message that the government does not owe the department its living has been picked up. Managers appreciate that the Agency will only survive as long as the value added by the involvement of an in-house enterprise outweighs any additional cost.

Discontinuation, privatisation and contracting out of an activity should be considered before relocation. If none of these options is practical, relocation is a further possibility.

INTERNAL COMPETITION

Some countries are experimenting with ways to increase competition within the public sector to improve service delivery. Most agencies have traditionally received services such as property and printing from a central body free of charge and have therefore had no incentive to economise in terms of quantity or quality. Recently, several countries have introduced user-charging for these services. As a result, the supply of services is determined by the amount the consuming agencies are prepared to pay.

A number of countries have gone further to create internal markets by allowing the purchase of services from alternative suppliers. The public sector provider must compete directly against the private sector for public sector business.

USER CHARGES AND COST RECOVERY

In many countries, user fees are charged on external customers for services in an attempt to strengthen market signals and thus improve resource allocation decisions in the public sector. User charges are also part of cost-recovery schemes. As for internal markets, the introduction of charging linked with the breaking of monopoly supply can considerably strengthen market discipline. It institutes stronger incentives to control and reduce costs, increase quality and generally be responsive to consumers' needs.

- Client service improved dramatically when the Attorney-General's Legal Practice in Australia moved to user-charging. It now conducts regular surveys of clients and has established client focus groups. This has enabled the Legal Practice to customise its service delivery to the particular needs of clients. The move to user-charging has also had a positive effect on staff. An extensive programme was put in place to upgrade the commercial skills of staff and sustain the cultural change needed to adapt to the new environment.

User-charging can also improve access to public services where governments lack the finances to provide them from tax revenues.

- Willingness to Pay surveys conducted for the Sri Lanka National Water Supply and Drainage Board indicated that among households that did not have existing connections to mains water, ninety per cent were willing to pay for access to the mains supply.

It should also be recognised that charging fees creates a direct accountability relationship with clients of public services. Accountability arrangements ensure that

revenue-generating organisations continue to focus on their critical tasks and do not give undue attention to revenue-generating activities. Good public relations and open communication are important to the success of cost-recovery initiatives.

- The Australian Government has introduced user-pays principles to public sector agencies, so that when one part of government needs a service from another, it is increasingly common that it has to pay for it. The purpose of this approach is to make it clear to managers that nothing is free of charge, and to encourage them to modify their behaviour accordingly. Before ordering a service, the manager who has to pay for it will determine whether or not it is essential.

Risks associated with fee-charging include:

- limiting access to services for which fees are charged, which may lead to social exclusion, undermining the 'public good' role of the service;
- encouraging government organisations to focus more on value-added activities and pursuit of markets, e.g. international, that generate revenue rather than on their core responsibilities;
- the introduction of what amounts to an additional tax in cases where fees exceed the costs of providing the service; and
- protection of government monopolies from the need to improve efficiency.

Thus, fee-charging can create pressure to minimise costs and increase responsiveness to client needs, but may also be putting at some risk policy support and maintenance of public values, such as fairness and consistency.

It is crucial, therefore, that in introducing user charges the equity considerations of potential clients are recognised. Reduced charges should be considered for users where full cost recovery would represent an excessive financial burden on individual users. This may be especially relevant to lower-income individuals, smaller entities, users located in remote areas, and heavy volume users of services.

COMMERCIALISATION

At its core, commercialisation allows agencies to act flexibly in response to market signals, even though they may continue in the public sector. Commercialisation entails transparent funding arrangements in which financial 'ring-fencing' identifies all funding inputs, including government subsidies, allowing subsidised and unsubsidised prices to be established for all outputs. It frequently involves vertical

restructuring – the separation of inter-dependent activities previously undertaken within the same organisations. There is also generally a need to change the legal basis of the entity, to establish an organisation which is capable of trading and which can address commercial objectives.

Commercialisation in Namibia

The Department of Communications has been commercialised with two corporations, namely Namibia Post and Telecom Namibia, freeing them of unnecessary restrictions and enabling them to adopt a more commercial and customer-oriented approach. The Namibian Press Association has also been commercialised and the Communications Commission is now going through the same process. The Namibian Government is also commercialising and privatising the promotion of tourism and wildlife resorts.

The aim is to develop a market environment that requires management to mimic the behaviour of the competitive firm. This requires, first, that they be given as much independence as possible and be placed at arm's length from departments, ministers and the parliament. They also need clear directions regarding strategic objectives and responsibilities, for which ministers remain politically responsible. Achieving objectives and meeting responsibilities is then left to the management of the enterprise. The process of commercialisation requires separating regulatory functions from service delivery functions.

A number of countries have favoured privatisation in the interests of ensuring operational independence, reducing the risks of capture by special interest groups, and raising much-needed funds. But the problem of regulatory control remains unresolved where the privatised enterprises have natural monopolies and/or where there is believed to be a large element of 'public interest'. Commercialisation, when properly monitored, can offer the benefits of privatisation without the associate risk.

Competition is the essential catalyst to improved performance. A lesson learned from industrialised countries is that all enterprises, whether public or private, are found to be more efficient when product markets are competitive or contestable. When market forces are allowed to operate in such settings, large efficiency and consumer welfare gains are forthcoming.

ESTABLISHING OPERATING AGENCIES

Traditionally, the primary structural choices facing government concern the height and breadth of departmental bureaucratic pyramids. Accountability is assumed to

Positive use of the public enterprise model in New Zealand

Since 1987, the New Zealand Government has "corporatised" numerous government departments producing goods and services (e.g. electricity generation, forestry and mining) into "State-Owned Enterprises"(SOEs) that operate along commercial lines with a board of directors, accountable to the Minister of Finance, appointed to each. As fully commercial enterprises, they have achieved substantial productivity gains and higher service quality and returned dividends to the government. Government functions are now largely grouped in accordance with a new rationale: trading activities are in the commercial mainstream, policy advice activities are close to the government, and service delivery activities are being aligned more closely with their consumers, under the supervision of management boards. In several cases, corporatisation was accompanied or followed by regulatory reform and privatisation.

In 1991, the key principles governing the operation of SOEs were set out as follows:

- non-commercial functions would be separated from major state trading organisations;
- managers would be required to run them as business enterprises;
- managers would be responsible for using inputs, for pricing, and for marketing their products within performance objectives agreed with ministers;
- the enterprises would be required to operate without competitive advantages or disadvantages, so that commercial criteria could provide a fair assessment of managerial performance; and
- enterprises would be set up on an individual basis depending on their commercial purposes, under the guidance of boards comprising members generally appointed from the private sector.

Later, these principles were altered to require financing of expenditure from market sources and not from government loans, and payment of taxes and dividends.

flow upwards, with the administrative dimension funnelled smoothly towards the Permanent or Chief Secretary, and the political dimension towards the Minister. By contrast, recent experience shows that governments are choosing from a considerably broadened range of structural options. The core public sector has been divided into separate business groups or operating agencies. In general, these agencies have greater managerial flexibility in the allocation of financial and human resources and greater accountability for results.

Special Operating Agencies

In 1989, the Canadian Treasury Board established Special Operating Agencies (SOAs), identified as one of the key initiatives of public service reform. These are service units within departments that are given more direct responsibility for results and increased management flexibility where this is necessary for them to reach new standards in service delivery. The SOAs have the following characteristics:

- they are discrete units of sufficient size to justify special consideration;
- they are concerned with delivery of services rather than with policy advice;
- they are able to be held independently accountable within the parent;
- they are amenable to the development of clear performance contracts;
- they operate under a stable policy framework with clear on-going mandate; and
- they are staffed with managers and employees committed to the SOA goals.

The Canada Communication Group (CCG), one of a number of SOAs within Public Works and Government Services Canada (PWGSC), was one of the first five SOAs to be established and by 1993 already boasted much improved employee moral and performance and a 90% customer-satisfaction rating.

- In the UK, almost two-thirds of the civil service has been moved into executive agencies which have specific service delivery functions. These changes have been accompanied by substantial devolution of managerial authority and accountability for results.

- Among developing countries, Singapore was the first to create focused business units. In the early 1970s, the Singapore civil service adopted the concept of Statutory Boards to achieve specific social development goals. They were designed to counter the traditional public service emphasis on regulation and monitoring, and were structured specifically to encourage the return of talent previously lost to the private sector.

The establishment of operating agencies and the experience of corporatisation in Australia has allowed a clear delineation between the functions of policy formulation and policy implementation. In this way, areas of relative freedom from bureaucratic constraint have been created in which a more business-like climate can be maintained. Establishing an operational unit around a clearly demarcated and

coherent set of functions, allows the development of operational goals, uniting staff with a clarified sense of mission.

However, countries with inadequate controls need to proceed with caution. The industrialised countries that have now relaxed detailed control over inputs did so from a position of strength having developed over many years a series of restraints on behaviour that was not credible or accountable. For the many countries that have not yet succeeded in instituting credible controls over the use of inputs, greater managerial flexibility will only increase unaccountable and corrupt behaviour. Furthermore, writing and enforcing contracts, particularly for complex outputs require specialised skills that are often in scarce supply.

While performance contracts have not succeeded in most developing countries, many have sought to create operating or performance-based agencies for easily specified and high priority tasks, such as, tax collection and road maintenance. These agencies are typically set up as free-standing business groups within the civil service, with greater managerial flexibility in the allocation of financial and human resources, better pay, and greater accountability for results. In Africa, operating agencies have been created to achieve tax collection targets in Ghana, Uganda, Zambia. Other countries are likely to follow suit.

In these instances, tax collection through agencies has been considered a prerequisite for boosting a government's capacity to raise revenues and improve incentives for the rest of the civil service. The results have been impressive.

- Ghana was the first country in sub-Saharan Africa to introduce a performance-based approach to tax and customs revenue collection. Total revenues nearly doubled in the first five years, from 6.6 per cent of GDP in 1984 to 12.3 per cent in 1988, largely due to better collection. However, problems arose at the special treatment given to tax collectors and the Ministry of Finance objected to its loss of authority. The programme could not have succeeded without strong support from the top.

Agencies are usually designed to accomplish short-term goals, but they can also create obstacles to deeper institutional reform. Where output is easily specified – tax revenues collected, for example – agencies may be useful as an experimental stage of reform that can be progressively extended, and as a demonstration that reforms can be effective. But it is important that systematic criteria are employed in selecting which agencies to hive off. And although they are a useful first step, agencies cannot substitute for the longer-term institutional reforms needed to create a motivated, capable civil service.

MARKET-TESTING

Market-testing is helping the government to improve the quality and cost-effectiveness of many services. In market-testing, an activity or service currently performed in-house is subjected to fair and open competition so that departments and agencies can achieve the best value for money for the customer and for the taxpayer. Market-testing compares with 'make or buy' decisions in the private sector.

Market-testing involves:

- identifying the scope and nature of the activity to be considered for market-testing, including regrouping them, if appropriate;
- establishing what level of service is necessary;
- identifying baseline costs;
- assessing the market;
- developing a specification and outline contract/service level agreement documents;
- inviting interest from potential suppliers (though this is not a compulsory step – it is possible to go straight to competitive tender);
- selecting a suitable list of bidders;
- calling for bids from the selected participants;
- evaluating competing bids from external providers and the in-house team;
- awarding a contract or service level agreement;
- monitoring the performance and cost of the operation on a continuous basis; and
- re-testing.

There are three principal benefits to be gained 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 cost savings. Where an activity is market-tested, and an external bid is successful, it is likely to be because that bid offers 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 public sector activity to competition in itself often creates opportunities for greater innovation and effectiveness.

Finally, experience suggests that market-testing will lead to raised standards by making expectations explicit. Greater clarity about standards of service and better monitoring of performance against those standards, regardless of whether the work is retained in-house, will improve the quality of service.

According to UK Treasury Guidelines, in establishing a market-testing programme, each department needs to review its activities and identify possible candidates for market-testing, questions to be addressed include:

- Is the function or activity essential? What are the implications of not doing it? Or of doing it in a reduced or combined form elsewhere?
- Can the activity be performed more economically by other means?
- What is the full cost of the level of service currently provided and that which is considered necessary?
- Is the function or activity organisationally discrete?
- What are the working methods, organisation and use of capital assets?
- What use is proposed of existing staff and assets?

Few activities cannot be subject to market-testing, and therefore managers will be required to justify their decision not to market-test activities. From past experience, those activities which offer the greatest scope for contracting out include:

- those that are resource intensive (running costs or capital investment);
- relatively discrete areas;
- specialist and other support services;
- those with fluctuating workloads;
- those subject to quickly changing markets and where it is costly to recruit, train and retain staff; and

- those with a rapidly changing technology requiring expensive investment.

In the case of new services, where there is no in-house operation, there should be a preference for contracting out subject to management or policy requirements and relative value for money.

COMPETITIVE TENDERING

Competitive tendering covers the stages in the market-testing process from developing the specification up to, and including, awarding the contract or service level agreement. All activities included in the specification which are being market-tested would usually be subject to subsequent competitive tendering.

UK Efficiency Unit's role in market-testing

In 1992, the Efficiency Unit acquired responsibility from the Treasury for the overall policy of market-testing; although the responsibility for developing market-testing programmes rests with individual departments as they are best placed to know their own business and to identify which activities are most appropriate to market-testing. The Efficiency Unit also acts in an advisory capacity, encouraging departments to examine market-testing possibilities, and as a clearing-house for best practice to ensure that all departments are equally aware of the prospects and of the practical considerations that they need to address.

Surveys have shown that the introduction of competitive tendering has yielded significant benefits in the provision of public services. The effect of competition on costs and prices is unambiguous and the weight of evidence indicates that substantial savings are typically achieved, in the order of 20 per cent.

- In Australia, the McCarrey Commission estimated that competitive tendering had the potential to save about $250 million (or 20.3 per cent of the total cost of these functions) from 34 selected government functions in Western Australia. The evidence on quality is less clear cut and its interpretation is made more difficult by data problems.

The main problems with tendering processes associated with the delivery of public services are that they are cumbersome, time-consuming and inefficient; and in some situations there may not be multiple, qualified, private sector providers aware of, and willing and able to participate in a competitive selection process. The process also opens up the possibility of cartel formation after abolition of in-house providers, and the problem of fixed wage costs even after staff transfers.

Australia's Job Network

In 1997-98, Australia's Department of Education, Training and Youth Affairs undertook the largest competitive tendering exercise of its kind in Australia. Organisations within the private, community and public sectors were invited to tender for the provision of a range of services to unemployed people. This resulted in the creation of Job Network – a national network of more than 300 different organisations which specialise in finding jobs for people, particularly the long-term unemployed. The successor to the old Commonwealth Employment Service is now exposed to full and open competition on the same basis as other tenderers. This new market provides the means to tap into the expertise of the private and community sectors to deliver improvements in efficiently, innovation, quality and choice. Contractors are paid primarily on a fee for employment outcome basis, ensuring that the reforms genuinely make a difference to those in need.

CONTRACTING OUT

Contracting out, which follows competitive tendering, is the purchasing of a service from an outside organisation and can be as a result of a market-test involving an in-house bid or a strategic decision to obtain the service from the private sector. The contract becomes the instrument through which relations between the parties are managed and regulated. Contracting-out may also be described as operational privatisation.

Competitive tendering and contracting are considered to be most attractive in the following conditions:

- where competition exists and contracts are usually determined by price;
- where markets have a clear capacity to provide a service;
- where activities are subject to wide fluctuations in workloads or market conditions;
- where agencies do not possess "in-house" capabilities; and
- where functions are new, discrete, or non-core activities.

Contracting out has been well tested within government. Although specialist services (e.g. maintenance, security services, catering etc.) have always been purchased from the private and non-government sectors, it is the development of market-testing techniques which is providing the strategy for assessing the ability of the market to provide goods or services historically considered to lie at the core of government.

The following activities are now commonly bought in:

- Audio-visual services
- Building maintenance
- Catering
- Cleaning services
- Construction
- Courier services
- IT management
- Estate management
- Payroll management
- Personnel management
- Publicity and marketing
- Research and development
- Security guarding
- Social services
- Market research and consumer surveys
- Travel and Transportation

Significantly, market-testing is showing considerable potential as a technique for stimulating change through the assessment of internal efficiency. In a limited number of situations, where contracting out is not feasible because of market weaknesses or political restrictions, the development of internal markets is being explored with, as yet, uncertain results.

Flexibility and a concern for service quality and sustainability, rather than preconceptions concerning the efficiency of the private sector, have been the key features of successful initiatives.

- In the UK, government policy as given in the White Paper *Competing for Quality* considers that the widest possible range of activities should be subject to competition. Targets for market-testing have been set for ministries and agencies and officials are appointed with clear overall responsibility for each organisation's market-testing programme.

- In Australia, the Industry Commission's report on competitive tendering and contracting argues that "competitive tendering and contracting can lead to significant improvements in accountability, quality, and cost-effectiveness, providing benefits to clients, taxpayers, and the broader community", and "is an under-utilised option for improving government throughout Australia"

Monitoring service contracts raises two important areas of concern. First, contracting arrangements have often been associated with a decline in evaluating

programme outcomes; and a second area of concern is the measurement of performance. Contract arrangements have mostly been concerned with the cost of providing a service and the number of service units provided. Assessing client outcomes and the quality of services has often been avoided because of both political and technical difficulties associated with this type of analysis.

- In the UK, a study of privately-owned residential homes for the elderly highlighted the incapacity of competitive markets to ensure accountability and monitor implementation. The capacity of markets to monitor programmes depends on the capacity of consumers to articulate demands and assert their interests. However, by definition those are the very attributes consumers of care services are likely to lack. Market mechanisms were considered to be particularly imperfect in situations where proprietors were able to persuade, influence or even intimidate their clients.

While there is general agreement that contracting out is not always appropriate, country experience has provided differing results. Organisations are generally reluctant to contract out sensitive or strategic functions and in any contracting out situation, ensure that critical decisions remain the sole responsibility of in-house staff. The final choice as to whether and what to contract out is a matter for ministers and delegated officials after assessment of the appropriateness in each case. Nevertheless, it is clear that to achieve its full potential, contracting out needs powerful support from the centre.

SERVICE LEVEL AGREEMENTS

If market-testing the in-house bid indicates that it would represent better long-term value for money to keep the service in-house, departments and agencies should proceed with:

- *negotiation* with the in-house team;
- *award* of service-level agreement to the in-house team;
- *implementing* management changes and monitoring the in-house team's changes to the new agreed working practices reflecting the new customer/ supplier relationship; and
- *monitoring* performance and cost of the activity against the service level agreement.

DIVESTITURE

Market-testing and client surveys may ultimately reveal that the public would be better served if the full responsibility for the provision of certain services were handed over to the private sector. Although historically conceived as a revenue-raising initiative, it has become clear that, for certain services, the selling off of public companies results in significant benefits for the consumer. The role and contribution of privatisation will vary between countries and across time, according to economic objectives, political imperatives and institutional and structural constraints.

The Balanced Scorecard

The Australian Taxation Office is beginning to use the Balanced Scorecard to measure performance in its service Level agreements between Corporate Service and each programme and policy unit. A Scorecard is a method of measuring service delivery based on both qualitative and quantitative measures. It supplements traditional financial indicators with information on three additional perspectives of organisational performance: customer satisfaction, operational processes, innovation and learning.

Divestiture is achieved by three alternative methods:

- public flotation;
- private sale; and
- management buy-out.

There are a number of steps which need to be taken in order to ensure a successful divestiture. Most importantly, this divestiture should be supervised by a strong central authority responsible specifically for the privatisation process.

- The National Investment Bank of Jamaica is an example of such an agency. It undertakes the following tasks in preparing a divestiture:
  - Financial review of the enterprise.
  - Identification of means of removing impediments to divestiture.
  - Valuation.
  - Recommendation of an appropriate method of divestiture.
  - Invitation of bids through advertisement.

- Screening of prospective investors.
- Negotiations with short-listed applicants.
- Final recommendation to cabinet for approval.
- Supervision of legal arrangements in order to complete the transaction.

However, privatisation can be extremely difficult to achieve and can carry significant social costs, not just as a result of the job losses normally associated with the transfer to the private sector, but also because the company will cease to have any obligation to serving all sections of the public as citizens and will deal instead only with customers. Therefore, plans for privatisation often encounter considerable resistance from labour unions and management in state-owned companies alike.

- Both Sri Lanka and India have experienced such obstacles to the privatisation process, but Nigeria has gone some way to overcoming them by implementing the following measures.
- A code of conduct which prevents members of the privatisation committee and their families from buying the shares or assets of the companies they are responsible for privatising.
- Encouraging transparency by disclosing information on the implementation of the programme to the general public.
- Public awareness campaigns designed to encourage mass participation.
- Deliberately allotting shares sold by the public share offer in favour of the lower income groups.

Two major economic factors are seen as crucial if the privatisation process is to be effective in improving levels of service and efficiency:

- The enterprise should be divested into an open, competitive market. If privatisation simply converts a public monopoly into a private monopoly, the improvement is unlikely to occur.
- Overall macro-economic conditions and policy frameworks should be 'market-friendly.'

Furthermore, it should be noted that certain costs may arise from the difficulties of measuring and controlling the performance and service quality of privatised entities. For example, many countries rely on private companies for waste disposal. It is extremely difficult for governments to ensure that waste products are being disposed of safely by the privatised companies as they tend to resist government attempts to monitor their practices. It therefore requires strong commitment form the government to regulate in this domain.

It is also as a result of complications such as these that the role of divestiture in public sector reform has come to be reassessed. Privatisation can be a very helpful short-term mechanism for raising government revenue, but its value in terms of standards of service provision is not always clear. Its value in best practice terms has depreciated now that it has ceased to be fashionable to see the ideal government as a minimalistic one.

PARTNERSHIP WITH THE PRIVATE SECTOR

Given the risks of privatisation, and the impossibility of implementing privatisation successfully in countries which lack a sufficiently market-orientated macro-economic structure, governments are looking for alternative methods of exploiting the expertise available in the private sector for better service provision. One such alternative is to seek mutually beneficial partnerships with private companies.

The South Bristol Learning Network

This is a good example of how a computer firm, in this case ICL, can improve services in a disadvantaged community by working in partnership with local government in the UK. ICL hired a diverse group of 50 unemployed people, trained them, and they in turn trained their communities in the use of IT. After three and a half years, 15,000 people had been trained. Local teachers and students also participated in the scheme as computers in their school were outdated. The schools benefited from a marked improvement in student behaviour, attendance and performance.

The project has not made any immediate profits for ICL, but the company sees it as a long-term investment in building IT literacy and the market for its services.

Partnership with private enterprise can offer the following advantages:

- *Access to specialist skills.* It is neither practicable nor cost-effective for the government to employ full-time specialists in every conceivable field when individuals from the private sector are willing to take on consultancy when needed.

- *Opportunities to meet demands beyond current government capacity.* When a government does not want to add to its permanent staff or it cannot build up its capacity quickly enough, it may turn to the private sector.

- *Providing clients with more choice of providers and levels of service.* Some alternative service delivery approaches allow clients more choice regarding provider, location, and particular service characteristics. Clients usually have much more limited options if the service is provided only by public facilities.

- *Reduced costs.*

PARTNERSHIP WITH NGOS

The development of partnerships with non-governmental organisations and the private sector has emerged as a key element in implementing some development policies and programmes. In the developing world, NGOs will be major service-providers within the government-managed portfolio.

NGOs can be both partners and competitors in the delivery of public services. When backed by public support, they can exert useful pressure on government to improve the delivery and quality of public services.

- The Grameen Bank in Bangladesh has effectively developed programmes that target services to poor sectors of society.

In most developing countries, NGOs engaged in service delivery are small in scale, working in communities and settings where the reach of government or private providers is weak or non-existent. In Africa, NGOs are the main providers of health care. The importance of these NGOs reflects their ability to substitute for weak public sector capacity and to mobilise funds from a range of different sources, including national and international organisations.

Even though outputs are difficult to specify, governments have contracted NGOs where they are committed to high quality or where, because of their religious or ideological orientation, they can better service certain groups.

- The Government of Uganda is forming partnerships with NGOs to deliver both preventive and curative health services previously in the public domain.

In Asia, co-operative organisations, trade unions, women's and youth clubs, and religious groups are all involved in some aspects of public service provision. Non-governmental and religious organisations provide health, education and training programmes that supplement those offered by governments. In Africa, for example, religious groups have played an important role in supplementing the health system by running hospitals and health clinics and providing social services that are either not available from the government or are inadequate.

- In India, the Government registers and assists housing co-operative societies that buy land and obtain financing for the construction of low-cost housing for their members. Housing co-operatives may account for one quarter of all private formal housing construction in urban areas in India.

Partnership with NGOs creates new management problems for governments. For instance, how can governments manage a credible budget process when many of the resources to be deployed are not in their control? How can governments supervise the national interest, without being drawn into the trap of either micro-management from the centre or intruding on the rights of partner organisations over their own resources? Co-funding, special tax status and review mechanisms are preferable to over-restrictive legislation on these matters.

The involvement of NGOs need not, though, be solely at arms-length level. Strategic intervention by government public service managers can be effective in creating the sort of employment opportunities normally only associated with the private sector. In partnership with NGOs, government can help mobilise local people for social causes by enlarging service delivery. Programmes for sustainable development, such as the Grameen Bank in Bangladesh, normally emphasise schemes for self-employment, but it is also possible to create public service entrepreneurs within the networks provided by NGOs and community organisations. Prudently distributed government grants can facilitate the mobilisation of service delivery at grassroots level.