

# **New Public Management and its Implementation in the CEE Region: What do we know and where do we go?**

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## **IZVLEČEK**

**The paper presents a short literature review on New Public Management (NPM) and public sector reforms in CEE. It also includes selected practical experiences in CEE countries with the implementation of NPM, data collected for most cases by the author and his team. On this base the conclusions about very limited success of NPM in Central and Eastern Europe are suggested, including explanations of some region specific factors, determining the level of success of NPM strategies.**

**Our findings argue in simplified way that: "Adieu NPM" should mean that managing by contracts, objectives, competition, etc. as the goal, is a forgotten story (not only for CEE, but generally). But governing by predictable, reliable and coherent, open and transparent, accountable and responsible bureaucracy, using evidence and consultation based policy making and simultaneously properly managing efficiency, economy and effectiveness of any government operation is the future target.**

*Key words: New Public Management, reforms, Central and Eastern Europe, Neo-Weberian state*

*JEL: H83, D73, P20, L33, H11*

## **1. Introduction**

The global (or even systematic?) crisis that visibly started in 2009 in the form of the financial crisis in the USA, has created new challenges for all national and supranational governments. States need effectively to react to existing global and local problems, not only by short term anti-crisis measures, but above all by

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long term strategies, including further revitalisation of their public administration systems.

In the middle 2010 it is already visible (in Greece, but also in many countries in our region) that the sustainability of the public finance will be the core target to achieve. Two options are available – simple cost cutting (as the “bad” choice) or improving efficiency and effectiveness of any governmental actions (we feel that this is the way forward).

Many difficult changes “stay in front” in the situation when many authors still feel that public administration reforms in CEE region represent “unfinished or recently started stories” (despite many governments using different rhetoric!). Unfinished (especially “performance”) changes and the so called “post-accession crisis” (slowing or even reverting needed changes almost everywhere in new EU member states), combined with new “crisis challenges” create really difficult environment and risk for future progress.

However, compared to the phase after 1989, the chance to react properly is much higher. More developed CEE states are now in better position. Transformation from “socialism” to “capitalism” was a unique process; without any previous experience from such change, and mistakes were unavoidable (and their scale was partly manageable). Now, when we need to react to new challenges, the local intellectual capacity has been (at least partly) created (also on the base of more than twenty years long experience with transformation and from international experience) and evidence collected. Progressive governments (do we have such in CEE region?) have now the chance to respond to new challenges by evidence based reform policies.

The paper tries to provide a specific input for future evidence based public policies in CEE. It discusses the role of New Public Management (NPM) in our region, with the focus on new CEE EU members and their experience. NPM was, with very limited success, used in many developed countries at the end of the last century. It was also part of reforms at least in some CEE countries. It may be “misused” for simple cost-cutting but also well used for better efficiency in the near future of public finance crises. The issue – our core question - is very simple:

How to understand: “Adieu NPM”?

## **2. New Public Management and CEE public administration reforms**

The brief introductory part of the paper summarises findings from the recent NISPAcee project (Bouckaert et al., 2009) concerning the NPM contents of reforms<sup>1</sup>. Although the pre-accession period was very much connected with capacity building, where both “classic” public management reforms measures and “CEE specific measures” were realised, like fine-tuning or legal-structural retrenchment of existing institutions, improving the bureaucratic workflow and control in administrative organisations, or measures to achieve EU conformity of certain institutions or policies, important differences of approach are visible.

To describe the situation we can use Coombes and Verheien (1997) and Pollit and Bouckaert (2000) classification of reforms – these two classifications have the same base and can be simplified as follows:

1. Radical public management type of reform
2. Mixed type of reform
3. Incremental reforms.

Excluding Eastern European countries, where reforms are still in their early phase and it would be very difficult and preliminary to try to label them, the situation in the rest of countries seems to be as follows in Table 1 on the next page.

The table indicates that NPM “weight” in reforms was very different. Visibly, Estonia is the country, where NPM ideas have prevailed in various public administration reform concepts and strategies originating in the second half of the 1990s. Substantial privatisations have led to the selling off of strategic enterprises such as railways (in 2001 until its re-nationalisation in 2007) or crucial services as emergency medical aid without much public discourse or market-testing. Czechia seems to be the other pole, still reluctant to marketisation of the public sector.

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<sup>1</sup> The main base for this part is the author’s text published in the NISPAcee book Public Management Reforms in Central and Eastern Europe (2009)

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**Table 1: Classification of reforms in the Central Europe**

Country	Reform type
<b>Czech Republic</b>	Dominantly incremental and legalistic reforms during the entire evaluated period. Few management reforms after 2000. The "Conception of public administration reform" from 1999 planned for complex changes, but only administrative measures were really implemented. New liberal government elected in 2006 tried to propose NPM changes, but has not had the power to implement them.
<b>Estonia</b>	Estonian reforms seem to be the most radical and NPM based. One of the main challenges in Estonia has been induced by the desire to jump straight into having modern management systems without previously establishing a solid base – the classical hierarchically-structured public administration. The central aim in Estonian public administration has not been to build a solid ground for democracy but to improve efficiency of public institutions. Yet, as a consequence of the policies adopted by successive neo-liberal governments, the underlying theme behind government reform initiatives has been decreasing the role of the state. Such an anti-state attitude has contributed to the development of ideas based on the minimal state.
<b>Hungary</b>	Hungarian reforms can be characterised as a mixed model, starting from dominantly incremental and legalistic reform approach in beginning of nineties, slowly changing to the mixed type with radical NPM switch in the post-2006 period. Current NPM changes focus on two central elements – downsizing (including radical decrease in civil service employment - on the territorial and local levels well in two-digit range, in some cases possibly even achieving 30 to 50 per cent) and radical reforming the human resource management system.
<b>Latvia</b>	Latvian reforms can also be characterised as a mixed model from its beginning to the current reform activities. Several NPM types of reform changes were implemented, especially in the later phases of reforming the public administration system, but NPM never dominated reform strategies.
<b>Lithuania</b>	The country report suggests that Lithuania appears to reach the second category (mixed model) of states called "modernisers" according to the classification by Pollitt and Bouckaert (2000). In the pre-accession period Lithuanian public management reform was characterised by ad hoc and sectoral efforts. First two attempts for comprehensive reform, which were undertaken by the Ministry of Public Administration Reforms and Local Authorities in 1995 and 1997, were not successful. More intensive competition over NPM type reforms started only in the post-accession period.
<b>Poland</b>	Poland is the typical representative of prevailing legalistic approach to the reforms and it can be allocated to the third (incremental changes) group of reforms countries. Poland is continuously reorganizing management systems in the public sector. New Public Management had a limited impact on Polish administration, by providing ideas and demands for recognition of the need to modernise Polish administration and at the same time reducing its size.
<b>Slovakia</b>	Slovakia from the point of view of the whole investigated period represents the mixed ("modernisers") approach, but a deeper analysis may distinguish between three main phases. Before 2003 the reform was dominantly incremental and legalistic, with few NPM ideas realised. During the second election period of the liberal prime minister Dzurinda government (2003-2006) radical NPM changes were realised, like massive decentralisation and introducing performance financing schemes. New prime minister Fico coalition, in power from 2006, has returned to the ideas of powerful state dominating in the system of delivery of public functions.
<b>Romania</b>	The information from the country report suggests that Romania lies somewhere between group two and three. Each government after the 1989 revolution has on its agenda the reforming of public administration. Though the concept of public management has not always intertwined with the reform of public administration, some new managerial ideas as use of contractualisation, strategic management and planning, performance measurement systems, reform networks, etc were included in reform packages.

Source: Bouckaert et al, 2009.

## **2.1 Did NPM “deliver”; what do we know?**

In this section we briefly analyse the existing experience with NPM implementation in CEE regions. On the country level we use the example of Estonia for brief evaluation, then we discuss in detail impacts from the use of different NPM type mechanisms in selected CEE countries.

Estonia reforms were heavily based on NPM approaches. From two choices – legalistic reforms led by German PA experts in the country (Drechsler, 2001) or radical NPM changes, Estonia selected the second option. Already after some years the best PA experts in the country (Drechsler, Randma, Kattel and others) started to provide important warnings in connection with non-critical implementation of NPM ideas. Today Estonia, who was the main proponent at the beginning, belongs to “strong opposers” of NPM based reforms. Not only the opinion of the academic society (Drechsler, 2005, Randma, 2008, Drechsler and Kattel, 2008) has now been cleared, but also the government has recognised some important failures. Such change is an obvious confirmation of the fact that expectations connected with NPM reforms in the country were not fulfilled. The Slovak experience with decentralisation reforms provides a similar picture. With the respect to existing experience the lesson from/for “macro-level” is self-evident:

Overestimating of the role of NPM, implementing NPM as the reform ideology and main goal, when reforming administrative systems in transitional countries, is an evident mistake.

We should also add, not on the base of our research, but on the base of conclusions by most important PA “gurus” (Pollitt, Bouckaert, Lane, Peters and others):

NPM strategies did not work as expected also in developed “Western” democracies, they delivered some success but also many failures, and their general impact (positive or negative?) on PA development is really difficult to verify.

## **2.2 Some experience with NPM approaches/ mechanisms/tools**

In this section we try to provide some evidence about the results from implementing NPM techniques in CEE, largely using the evidence from the Czech and the Slovak Republics. The main focus will be on contracting, outsourcing and performance evaluation and management, where we have already collected a lot of direct data, other areas providing similar lessons.

**Contracting of local public services**

Contracting of local public services is a very frequent delivery solution in CEE. Several experts deal with the issue (Péteri and Horvath, 2001 and Zoltán, 1996 for Hungary, Pavel, 2006 and Ochrana et al, 2007 for the Czech Republic, Tonnisson and Wilson, 2007 for Estonia and Setnikar-Cankar et al, 2009 for Slovenia) and their results are very similar. We use Slovak and Czech data partly benchmarked to the Estonia situation.

The Table 2 data are a clear example of the situation; more samples available limit the risk of interpretation mistakes.

**Table: 2 Scale of contracting in Slovakia**

Service	2001	2005	2006	2008/I	2008/II	2009
Waste	49	64	69	80	56	80
Cemeteries	27	12	16	13	35	13
Public green	16	18	33	14	38	6
Maintenance of local communications	21	41	45	38	37	55
Public lighting	30	35	40	39	49	38

Source: Own research, Transparency International Slovakia 2006, 2008

The main results from contracting should be higher economy for the same quality or slightly higher costs for much better quality. Both dimensions have been checked for Slovak conditions. Data provided by Merickova (2006 and other) indicate that there are no major differences in quality of delivered services, thus we should focus on economy.

The Table 3 indicates that there is no general trend on unit costs, when comparing internal and external forms of delivery. Data differ between sources, municipalities and are also not very reliable. Costs for internal delivery solutions are underestimated; normally do not include depreciation, overhead and transactions costs. In such conditions external delivery costs below, let us say, 125% of internal delivery costs might still represent an economical decision.

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**Table 3: Costs for external delivery of local public services per inhabitant in Slovakia (internal = 100%)**

Service	2001	2005	2006	2008	2009
Waste	94	94	125	184	60
Cemeteries	64	13	67	146	66
Public green	82	192	150	151	133
Maintenance of local communications	70	109	119	114	104
Public lighting	100	138	128	156	127

Source: Own research, Transparency International Slovakia 2006

Two connected issues need to be mentioned – limited results may be caused by non-competitive selections of suppliers, and the differences between unit costs in municipalities of the same size are too high. The Table 4 provides evidence for the first problem (no answer normally means “direct award”).

**Table 4: Selection of an external supplier for local public services**

Method of selection	2001	2005	2006	2008	2009
Open tender	16	17	27	32	17
Restricted tender	5	0	5	3	14
Negotiations	0	13	30	0	7
Price bid	0	0	0	25	4
Direct award	31	17	38	30	11
Municipality did not answer	48	55	-	25	66

Source: Own research, Transparency International Slovakia 2006

The problem of too large differences for similar conditions was evident especially in the beginning of our research, but it still remains (Pavel, 2009). In some cases municipalities pay for the service more than 100 % of costs in similar conditions. Such situation persists also because regular performance benchmarking is not the rule in Slovakia, in Czechia, but also in most of other CEE countries.

### **Outsourcing of supportive services in public organizations**

Outsourcing for supportive services is a less frequently investigated issue, but existing data show that it is also a relative frequent solution in CEE. The Table 5 provides some older data for the Czech Republic (more recent research in Slovakia – Merickova, 2006, shows similar patterns).

**Table 5: Frequency of use of contracting-out of supportive services – the Czech Republic, 2000 (figures indicate number of organizations)**

Type of organization	Services contracted-out					
	Cleaning	Catering	IT systems	Accounting	Legal services	Other
<b>Educational bodies –</b> total 11 organizations	1	2	0	1	0	2
<b>Hospitals –</b> total 4 organizations	3	1	0	0	0	4
<b>Culture –</b> total 5 organizations	2	0	1	0	1	2
<b>Local government offices –</b> total 17 organizations	3	0	4	2	6	1
<b>State administration offices –</b> total 19 organizations	9	0	0	1	0	1

Source: own research



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The outcomes from outsourcing started to be investigated only recently, and the data for Slovakia provide very “bad” picture. Because data obtained via questionnaires are not reliable and cannot be reliable, we performed in 2009 a direct research in two chosen organizations (municipality and administrative body) in Slovakia. The results were depressive – from the ten investigated decisions all the ten were non economical. Most apparent problems were connected with internal transport, internal catering and external IT maintenance.

**Program (performance) budgeting and performance  
evaluation and financing**

Together with Estonia, Slovakia is the country where performance tools have been introduced in large scale. In this section we will describe some of its experience.

**Program performance budgeting**

Slovakia began with a full accrual medium-term programme and performance budgeting at the national level from 2005 (legal base created in 2004), and from 2010 this method will also be applied at the municipal level.

In theory (Ochrana, 2003) program performance budgeting is a crucial budgeting tool, because it helps linking inputs to outputs, outcomes and results, and, if properly implemented (or with some time delay), it can significantly increase “value for money” from public expenditure. This approach was also recommended by the EU (Allen and Tomassi, 2001).

The reality in Slovakia is different. The current situation clearly shows that if program performance budgeting is implemented by top-down orders and in bureaucratic way, it cannot deliver results, it just increases costs. As of today, programme goals are formulated similarly to rhetoric from the past, indicators and targets are formal or fully missing. As an example of bad practice we present a selected sub-program of the Ministry of Health (most of others were similar) from 2009 budget:

- Program: Prevention and protection of health
- Sub-programme: Improving quality of life and health of population

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- Goal: Improving and securing the health status of inhabitants by the realization of projects focusing on better natural and working environment.
- Planned resources: not defined
- Indicator: yes

**Performance financing and its pervasive effects**

In this section we will also use the Slovak facts as example – the case of the performance financing of universities. Another similar case is the Czech Republic – performance (public schools) and fee financing (private schools) plus demographic trends are main factors of interesting situation, when high schools may soon be ready to accept about 90% of populations, rather too much.

The revenues of universities in Slovakia consist of two main sources - public grants/transfers (80-90 %) and own incomes. For the allocation of public grants the Slovak Republic uses an almost 100% based formula based performance financing system. The system is as follows:

**Program: University education, science and social  
support to students**

- subprogram University education → Grant to finance accredited study programmes
- subprogram University science and technique → Grant to finance research and development
- subprogram Universities development → Grant to finance development needs
- subprogram Social support for students → Grant to provide support to students
- subprogram Targeted transfers

Source: <http://www.minedu.sk/FaR/FINVS/finvs.htm>

As indicated, public transfers represent main source of income of Slovak universities and have developed as described by the Table 6.

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**Table 6: Public transfers to public universities 2002 – 2006 (mil. Sk, current prices, 1 EUR=40 Sk)**

	2002		2003		2004		2005		2006	
Grant to finance study programmes	5825	78,3%	6660	80,1%	7460	79%	8023	77,5%	8745	76%
Grant to finance research & development	584	7,9%	638	7,7%	948	9,1%	1066	10,3%	1119	9,7%
Grant to finance development needs	378	5,1%	370	4,4%	330	3,5%	450	4,3%	500	4,3%
Grant to provide support to students	648	8,7%	650	7,8%	700	7,4%	810	7,8%	1150	10%
Total	7435	-	8318	-	9438	-	10349	-	11514	-

Source: [www.minedu.sk](http://www.minedu.sk)

The expectation was that the allocation formula would motivate schools to focus on quality and not so much on number of students. The reality was quite different; all the schools reacted by the significant increase of newly accepted students (Table 7). Significant increase of newly accepted students might be a positive fact, but because the total amount of allocated resources they increased very slowly, marginally “faster” than inflation, and the outcome was tragic – the grant per student decreased significantly during the last five years. “Performance trap” was established. With less unit resources the quality was sacrificed (well documented by the national ranking agency ARRA). The government reacted ex-post and started to increase the weight of scientific results in the formula (from 5 % at the beginning to 40 % today).

**Table 7: Number of newly accepted students in Slovakia**

	1990/91	1995/96	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
New full time students	13 404	20 809	24 279	24 270	26 974	24 150	32 488	35 542
% of new full time students from 18 (19) old population	15.9%	21.8%	27.2%	27.2%	30.4%	27.2%	36.7%	41.3%
New part time students	1 868	3 881	9 665	12 763	8 057	15 057	15 718	17 254
Total	15 272	24 690	33 944	37 033	35 031	39 207	48 206	52 796

Source: [www.minedu.sk](http://www.minedu.sk)

The explanation of reasons for such failure is simple. The management of a university was allowed to maximise the level of the public grant by maximisation the number of accepted students. This also really happened. The only open question is – was such planning mistake by the government intentional or caused by lack of experience?

### **2.3 Selected experience with NPM approaches/ mechanisms/tools: Conclusions**

On the base of the above analysis, supported by similar findings of other experts in the same or different areas, we might conclude as follows:

Results from the use of concrete NPM type tools and mechanisms are significantly different, and depend much on concrete local conditions and the environment.

Implementation of any NPM mechanism should be deeply investigated for pervasive effects and other dysfunction *ex-ante*. *Ex-post* corrections are costly, if possible.

### **3. Possible explanations**

As already indicated, several analyses (like Pollit and Bouckaert, 2000 and 2004, Lane, 2000) clearly indicate that NPM strategies are not just positive multidimensional tools and NPM as the simple dominating ideology has not been the best base for the public sector reforms anywhere. This is the general lesson, almost fully accepted by academics today.

In the following text we first provide important statements and then discuss some explanations, why NPM was less successful in CEE region compared to the more developed states.

“NPM is particularly bad if pushed upon transition and development countries because if it can make any sense, then it is only in an environment of a well-functioning democratic administrative tradition” (Drechsler 2005: 101).

“The greater the shortcomings in a country’s established management practices, the less suitable are the “NPM reforms” (Schick 1998: 124).

“Once a so-called Weberian administrative system is institutionalised, then it may make sense to consider how best to move from that system towards a more “modern system of PA” (Peters 2001: 176).

“Importing NPM techniques that needed to improve Weberian bureaucracies when these were not present, and simultaneously building classical checks and balances was a tough reality. Reforming in such cases sometimes was organising dysfunctions” (Nakrosis and Nemec, unpublished).

#### **3.1 What was missing, what was and what is different in CEE?**

The use of NPM in transitional countries, to be successful - to deliver positive outcomes and impacts, has to reflect specific “transitional” circumstances, which may limit the possible positive impacts of NPM for reforming public sectors and exaggerate its negative features. The following text provides examples of main region specific features that clearly limit (already controversial) positive potential of NPM use.

#### **Competitiveness and business strategies**

The early phases of transformation from command economy to market system were clearly characterised by the fact that even potentially competitive markets in transitive countries were not well developed, dominated by

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monopolistic or oligopolistic structures and behaviour. Therefore it is rather optimistic to expect that competition may help to improve the performance of the public sector: one of main arguments for NPM competitive arrangements are costs savings from competition.

Examples of non-successful attempts to use competition in regulating public service are the failures of beginnings of health reforms in Slovakia and the Czech Republic. Both countries switched from general taxation system to pluralistic health insurance system too early (1993). Many health insurance companies were established, most of them collapsed soon, creating just extra transactions costs and no benefits for the system. When financial markets do not function, pluralistic insurance cannot deliver (Nemec and Lawson, 2003).

Did the situation improve? Can public bodies get enough competitive bids? Is the private sector ready to compete and co-operate with government today? We feel that the responses will not be just positive. Certainly, the situation improved. However, the business environment in most CEE countries is still far from perfect. According to our (and other) opinion short term profit strategies prevail, fair long term business strategies are still rare. The following example from our research may support such statements.

The cities Michalovce in Slovakia performed seven large scale procurements in 2009. The average weighted (for financial amounts) number of bids per one invitation was 1,1. We cannot prove that this is just the result from low level of competitiveness, wrongly formulated tender conditions may be also the purposes, but at least it is a clear example that competition is not present. If the failure had been caused by the city management, why (fair!) business did not complain?

**Democracy, citizen as the watchdog for  
government's malfunctions**

At the beginning of transformation the expectations were optimistic, but today we well know that democratic institutions and norms have not been fully developed in CEE during the twenty years long period of transformation. The structures exist, but behavior is "semi-socialist".

A lot of research on attitudes, disillusion and norms has been realised in connection with changes in twenty years from 1989. Their results are not very positive for any NPM attempts (Tables 8 and 9).

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**Table 8: Opinions of citizen – selected CEE states**

Country	Agreement with pluralistic democracy		Agreement with market economy		People worse off than in communism	
	1991	2009	1991	2009	Better	The same or worse
East Germany	91	85	86	82	x	x
Czech Republic	80	80	87	79	45	51
Slovakia	70	71	69	66	29	66
Poland	66	70	80	71	47	47
Hungary	74	56	80	46	8	88
Lithuania	75	55	76	50	23	63
Bulgaria	76	52	73	53	13	80

Source: Two Decades After the Wall's Fall. The Pew Global Attitudes Project.  
www.pewglobal.org

**Table 9: Three most critical problems (%)**

Country	Corruption	Criminality	Drugs
East Germany	x	47	50
Czech Republic	71	55	51
Slovakia	52	55	46
Poland	58	49	49
Hungary	76	69	x
Lithuania	78	76	66
Bulgaria	76	76	74

Source: Two Decades After the Wall's Fall. The Pew Global Attitudes Project.  
www.pewglobal.org

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Lack of sense to individual responsibility, paternalism and fiscal illusion remain important features of citizen's behaviour. For example in Slovakia 67% of respondents believe that their problems need not be solved by the state (Buncak et al, 2009). In the Czech Republic the issue of co-payments in health care significantly influenced regional elections in 2009, social democrats used their introducing as main fighting tool against the governing party – people still feel that “there is a free lunch”.

In such conditions rent-seeking behaviour of politicians and bureaucrats is fully effective (from the economic point of view), as the simplest way to maximize individual benefits, at least from a short-term viewpoint.

On the other hand we need to stress that rent-seeking strategies will be realised independently of NPM measures presence. The service may be out-sourced to relatives or friends, but it can be also channeled internally (Beblavy and Sicakova, 2006). Our data about the costs of local public services clearly support this statement.

**“Quality of the state of law”**

The possible success of NPM is also connected with the “quality of the state of law”. The state is switching from the role of provider to regulator function: such change is impossible (technically possible, but cannot deliver results) in conditions, where the regulation and guidelines do not exist and where the law is not respected.

As of today we can find too many evidence that respecting the law is not the rule for governmental officials and not required by citizen. In CEE a Minister can publicly say: “I know that the Law has not been respected by our action. However, as a fine is just a transfer from one state pocket to another one, we should not be concerned. And we have fire engines, which is the most important” (simplified statement of the Slovak Minister of Interior, commenting a breach of public procurement law, 2005), and nobody cares, party preferences remain unchanged.

Many complicated NPM instruments are introduced without having any explanations, recommendations and guidelines for users available. Some countries have for example public procurement offices, but if we check their web pages for standard templates, guidelines and other navigation, too few might



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be found – very poor results after more than 15 years of passing first procurement laws. Navigation for implementing NPM techniques like outsourcing, contracting, benchmarking is almost invisible on government's web pages. And even if some navigation exists – like for today very popular PPP projects – it includes also apparent mistakes (like ideas that PPP is the tool to react to lack of public resources, or PPP just starting today).

The effective use of NPM tools should be based on data and evidence. Those are almost not available. For example only recently countries started to switch to accrual accounting rules, but this is still not enough: full costs accounting might be found only in very small sample of public organisations (universities, hospitals).

The effective use of NPM tools needs also to be supported by new control and audit approaches, focusing both on legality and results. However, the current systems of public sector control/auditing in use in most if not all CEE countries are predominantly the old-fashioned administrative procedural types of control. New laws on financial control were passed by national parliaments under pressure from Brussels, but in reality effective mechanisms to control/audit real efficiency, economy and effectiveness and quality of public sector institutions and processes are still not in place (Pavel, 2009).

**Territorial fragmentation**

Several CEE countries “suffer” from extreme territorial administrative fragmentation (Table 10). Classic examples are Slovakia that has only 5.5 million inhabitants but almost 2900 municipalities, 68% with less than a thousand inhabitants and the Czech Republic with almost 10 million inhabitants, but close to 6000 municipalities, 80 % with under a thousand inhabitants (see also Table 10).

According to Davey (2002, p. 35) such municipalities struggle with large implementation deficits: “Reform programs are challenged by the inability of such communities to provide administrative and financial capacity, and the scale economics and catchment areas necessary for essential services”. For this reason we feel that territorial fragmentation, in the absence of effective inter-municipal co-operation, might also be an explanatory factor in accounting for the differences between Estonia and Czechia and Slovakia.

**Table 10: Average size of municipalities in selected CEE countries**

Country	% of municipalities below 1000 inhabitants	Average population of municipality	Average area of municipality (sqm)
Bulgaria	0	35 000	432
Poland	0	16 000	130
Hungary	54	3 300	32
Slovakia	68	1 900	17
Czech Republic	80	1 700	13

Source: Davey, 2002, p. 36

**Corruption**

It is difficult to measure corruption. The probably most frequently used Transparency International CPI indexes describe opinion about corruption and do not measure it directly. Many methodologies are sensitive to the level of awareness – when respondents become more aware about the problem, results worsen. In any case the risk of corruption in CEE is relatively high. We present the following set of data as example (Table 11).

**Table 11 Indicators of corruption in selected CEE countries**

Country	Year	Observations	A	J	K	L	M
Czech Republic	2002	182	35.93	26.58	1.21	14.29	..
Czech Republic	2005	208	29.73	36.82	1.98	25.49	..
Czech Republic	2009	250	8.73	30.31	1.49	25.12	35.15
Estonia	2002	134	35.14	24.76	1.04	4.58	..
Estonia	2005	172	18.31	7.97	0.18	3.68	..
Estonia	2009	273	1.60	0.28	0.00	5.43	66.45
Slovakia	2002	110	64.44	56.18	3.35	32.04	..
Slovakia	2005	143	35.87	38.20	2.02	13.64	..
Slovakia	2009	275	11.63	23.06	2.31	33.11	20.67

Source: <http://www.enterprisesurveys.org/>

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A - % of Firms Expected to Pay Informal Payment to Public Officials (to Get Things Done)

J - % of Firms Expected to Give Gifts to Secure a Government Contract

K - Value of Gift Expected to Secure Government Contract (% of Contract)

L - % of Firms Identifying Corruption as a Major Constraint

M - % of Firms Believing the Court System is Fair, Impartial and Uncorrupted

High risk of corruption is the source of increased risk connected with implementation of most NPM arrangements. To consider this issue in its complexity, we need to be fair: as already indicated - if officials are corrupted, they will withdraw their rent with or without NPM arrangements. However, in case of NPM tools, such rent might be “channelled” to two partners – bureaucrats and suppliers, and thus its total amount higher.

### **Education and training**

NPM needs public managers and not only public bureaucrats. Our recent findings (Nemec, Spacek and Suwaj, 2009) from the research in Poland, Czech Republic and Slovakia are very interesting in this respect. We found that public management programmes are rare in Poland and do not exist in the other two countries. In this stage we were only able to check some selected administrative reasons for this situation. At least for Czech and Slovak conditions it is apparent that neither regulations for civil service education and training, nor accreditation rules motivate for establishing public management programme.

### **3.2 CEE countries differ!**

The previous text provided many examples of missing mechanisms and limited environment for successful implementation of NPM. To provide complex picture we need again to stress that our picture was just a general simplification, concrete situations differ. For any of above mentioned (and not mentioned) facts, some countries are better off, some are still underdeveloped.

The best way to check the situation is cross-country studies with a uniform and tested methodology. We tried to perform such research (Table 12), as the response to too large differences between Slovakia, Czechia and Estonia concerning the use of benchmarking (Nemec et al, 200.). Why Estonia is better off? Difficult to prove, but we feel that less fragmentation and less corruption and more responsibility may be some explanation.

**Table 12: Selected responses from municipalities (%)**

	Strongly disagree/disagree			Agree/ strongly agree		
	EST	CR	SR	EST	CR	SR
1. The municipal employees are committed to continuous service improvement.	3	4,11	7,32	96	95,89	92,68
2. My authority reviews the need for the services we provide at least once every three years.	12	37,20	29,27	87	62,80	70,73
3. Municipal employees are encouraged to question the need for each service to be provided.	13	25,79	39,03	87	74,21	60,97
4. My local authority delivers high quality services.	7	18,32	19,51	93	81,68	80,49
5. My authority regularly compares the costs of internal and external delivery alternatives of supportive services (cleaning, catering, etc.).	x	17,37	35,37	x	82,63	64,63
6. My authority compares the costs of its services with other local authorities.	5	51,41	45,12	94	48,59	54,88
7. My authority regularly compares the quality of internal and external delivery alternatives of supportive services (cleaning, catering, etc.).	x	22,05	35,37	x	77,95	64,63
8. My authority compares the quality of its services with other local authorities.	7	45,98	39,15	92	54,02	60,85
9. In my authority there is a zero level of corruption.	x	5,43	17,07	x	94,57	82,93

Source: Author's research for Czechia and Slovakia; Tonnisson and Wilson (2007) for Estonia

#### 4. Where should we go?

The analytical part of the paper leads to clear conclusions. NPM as the reform ideology cannot help the developing countries. Also NPM tools and mechanisms have delivered in CEE region very mixed results, more negative

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than positive: mainly not because of their character, but because of wrong implementation, or non-implementation (we still feel that for example benchmarking could really help).

As indicated at the beginning of the article, the current global crisis would motivate governments to a new phase of public administration reforms, at least to revitalise public finance system, currently coping with large deficits and fast increasing debts. If IMF prognosis (Table 13) becomes reality, we may expect not only for Greece to be close to state bankruptcy. Simple cost-cutting (also via some NPM mechanisms, including the sale of last state owned resources) may be a short term escape, but what we really need are more long term policies.

**Table 13: Debt prognosis (% to GDP)**

	Average 1993-2002	2003	2007	2008	2009	2010	2014
USA	64.9	61.2	63.1	70.5	87.0	97.5	106.7
Euro Area	68.6	68.7	65.8	69.1	78.9	85.0	91.4
Japan	117.3	167.2	187.7	196.3	217.2	227.4	234.2
UK	43.1	38.5	44.1	51.9	62.7	72.7	87.8

Source: IMF World Economic Outlook Projections, April 2009

What "reform model" shall we propose to CEE governments? Returning to pure legalistic "Austro-Hungarian" traditions would not deliver enough - in the conditions of limited respect of the law, typical for most transitional countries, attempts to improve the performance of public administration by extra laws, norms and regulations cannot work. Other potential option may be available: more and more frequently we hear about "Neo-Weberian" state (Pollit and Bouckaert, 2004, in CEE especially Drechsler, 2009).

Already in 2004 Pollit and Bouckaert (Table 14) tried to define main features of such model of the state.

**Table 14: The Neo-Weberian State (summary)**

Neo-	Weberian
Shift from an internal orientation towards bureaucratic rules to an external orientation towards meeting citizens' needs and wishes. The primary route to achieving this is not the employment of market mechanisms (although they may occasionally come in handy) but the creation of a professional culture of quality and service;	(but:) Reaffirmation of the role of the state as the main facilitator of solutions to the new problems of globalisation, technological change, shifting demographics, and environmental threat;
Supplementation (not replacement) of the role of representative democracy by a range of devices for consultation with, and direct representation of, citizens' views (...);	(but:) Reaffirmation of the role of representative democracy (central, regional, and local) as the legitimating element within the state apparatus;
In the management of resources within government, a modernisation of the relevant laws to encourage a greater orientation towards the achievements of results rather than merely the correct following of procedure. This is expressed partly in a shift from <i>ex ante</i> to <i>ex post</i> controls, but not a complete abandonment of the former;	(but:) Reaffirmation of administrative law – suitably modernised – in preserving the basic principles pertaining to the citizen-state relationship, including equality before the law, legal security, and the availability of specialized legal scrutiny of state actions;
A professionalisation of the public service, so that the »bureaucrat« becomes not simply an expert in the law relevant to his or her sphere of activity, but also a professional manager, oriented to meeting the needs of his or her citizens/users;	(but:) Preservation of the idea of a public service with a distinct status, culture, and terms and conditions.

(Pollitt and Bouckaert 2004, pp. 99-100)

If we compare the description of "Neo-Weberian" model with important EU documents, especially "European governance: a White Paper" (2001) and European Principles for Public Administration (1998), we may conclude that the contents are almost similar. Thus the most important norms for the "Neo-Weberian", but also "Modern Governance" state would be:

- reliability, predictability, coherence,
- openness and transparency,

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- accountability and responsibility,
- professionalism,
- participation,
- effectiveness.

## **5. Conclusions**

What is the meaning of our findings? In a simplified way: “Adieu NPM” should mean that managing by contracts, objectives, competition, etc. as goal, is a forgotten story (not only for CEE, but generally).

But governing by predictable, reliable and coherent, open and transparent, accountable and responsible bureaucracy, using evidence and consultation based policy making and simultaneously properly managing efficiency, economy and effectiveness of any government operation is the future target.

Is such a model also realistic? In general and in CEE conditions? We are afraid that no model can be fully implemented in reality. How far will governments be able to go, depends on many factors – internal and external. Could the possible future public finance crisis be such a moving factor?

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POVZETEK

**NOVI JAVNI MENEDŽMENT IN NJEGOVO  
UVAJANJE V REGIJI SREDNJE IN VZHODNE  
EVROPE: KAJ VEMO IN KAM BOMO ŠLI?**

Prispevek predstavlja kratek pregled literature o Novem javnem menedžmentu (NPM) in o reformah v javnih sektorjih Srednje in Vzhodne Evrope. Prav tako analizira nekatere praktične izkušnje v državah Srednje in Vzhodne Evrope z izvajanjem NPM s podatki, ki jih je v večini primerov zbral avtor v raznih raziskovalnih projektih. Na tej osnovi avtor sklepa, da je imel NPM v Srednji in Vzhodni Evropi zelo omejen uspeh. Posebej obrazloži nekatere, za regijo specifične dejavnike, ki vplivajo na uspeh strategij NPM.

Globalna kriza, ki se je začela v obliki finančne krize v ZDA, je ustvarila nove izzive za vse nacionalne in nadnacionalne vlade. V sredini 2010 je že očitno, da bo vzdržnost javnih financ temeljni cilj posameznih držav. Na voljo sta dve možnosti - enostavno zmanjševanje stroškov (kot "slaba" izbira) ali izboljšanje učinkovitosti in uspešnosti vseh vladnih ukrepov (kar naj bi bila prava pot naprej). Precenjevanje vloge NPM, uvajanje NPM kot reformna ideologija in glavni cilj pri reformi upravnih sistemov v državah v tranziciji, je očitno napačno. Strategije NPM niso delovale po pričakovanjih niti v razvitih zahodnih demokracijah, kjer je sicer prišlo do delnih uspehov, pa tudi do številnih slabosti. Njihov splošni vpliv (pozitiven ali negativen) na razvoj javne uprave pa je težko oceniti.

Nekatere analize jasno kažejo, da strategije NPM niso samo pozitivna večdimenzionalna orodja; NPM kot prevladujoča ideologija ni bila dobra osnova za reforme v javnem sektorju za nobeno okolje. To splošno lekcijo so teoretiki skoraj v celoti sprejeli. Da bi bila uporaba NPM v tranzicijskih državah uspešna - da bi zagotavljala pozitivne rezultate in učinke - bi morala upoštevati posebne, "tranzicijske" okoliščine, ki lahko omejujejo pozitivne vplive NPM na reformo javnega sektorja in poudarjajo njegove negativne lastnosti. Avtor navaja primere glavnih posebnosti regije, ki očitno omejujejo (že tako sporen) pozitivni potencial uporabe NPM.

V zgodnjih fazah prehoda iz monopolnega gospodarstva v tržni sistem je značilno, da tudi na potencialno konkurenčnih trgih v tranzicijskih državah, ki niso dobro razvite, prevladujejo monopolne ali oligopolne strukture in temu primerno ravnanje. Zaradi tega je precej optimistično

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pričakovati, da bi konkurenca lahko pomagala izboljšati učinkovitost javnega sektorja: eden od glavnih razlogov za konkurenčno ureditev NPM je namreč zmanjšanje stroškov zaradi uvedbe konkurence. Primeri neuspešnega uvajanja konkurence pri regulaciji javne uprave so napake pri uvajanju zdravstvenih reform na Slovaškem in Češkem. Obe državi sta prešli iz splošnega sistema obdavčitve na pluralistični sistem zdravstvenega zavarovanja prezgodaj (1993). Ustanovljenih je bilo več zdravstvenih zavarovalnic, od katerih je večina zelo kmalu propadla, ustvarila le dodatne stroške in nobenih koristi za sistem. Ko finančni trgi ne delujejo, pluralistično zavarovanje ne more zagotoviti rezultatov. Poslovno okolje je v večini držav Srednje in Vzhodne Evrope še vedno daleč od popolnega. Prevladujejo kratkoročne strategije, dobre dolgoročne poslovne strategije so še vedno zelo redke.

Veliko zapletenih instrumentov NPM je bilo uvedenih brez kakršnih koli pojasnil, priporočil in smernic za uporabnike. Npr. države imajo urade za javna naročila, če pa preverimo njihove spletne strani, najdemo po več kot 15 letih, odkar so začeli veljati zakoni o javnih naročilih, zelo slabe rezultate. Spletno svetovanje za izvajanje tehnik NPM, kot so zunanje izvajanje, sklepanje pogodb z zunanjimi izvajalci, primerjanje najboljših praks je zelo skromno. Če pa že obstaja - kot npr. za zelo popularne projekte javno-zasebnega partnerstva - vsebuje tudi napake (kot je pojasnilo, da je javno-zasebno partnerstvo rešitev za pomanjkanje javnih sredstev, ali da se javno-zasebno partnerstvo v današnjih dneh šele začinja).

Učinkovita uporaba orodij NPM mora temeljiti na podlagi podatkov in dokazov, ki jih skoraj ni na voljo. Šele pred kratkim so države začele s spremembami računovodskih pravil na podlagi nastanka poslovnega dogodka, vendar to še vedno ni dovolj: računovodstvo na podlagi modela celotnih stroškov bi lahko našli le v zelo majhnem vzorcu javnih organizacij (npr. pri univerzah, bolnišnicah). Učinkovito uporabo orodij NPM je prav tako treba podpreti z novimi vrstami nadzora in revizijskih pristopov, s poudarkom tako na zakonitosti kot na rezultatih. Sedanji sistemi nadzora v javnem sektorju še vedno v večini, če ne vseh državah Srednje in Vzhodne Evrope, temeljijo predvsem na zastareli, upravno postopkovni vrsti nadzora. Pod pritiskom iz Bruslja so nacionalni parlamenti sprejeli nove zakone o finančnem nadzoru, v praksi pa se učinkovit nadzor dejanske učinkovitosti, gospodarnosti, uspešnosti in kakovosti javnih institucij še ne izvaja.

Analitični del članka vodi do jasnih zaključkov. NPM je reformna ideologija, ki državam v razvoju ne more pomagati. Tudi orodja in mehanizmi NPM v regiji Srednje in Vzhodne Evrope omogočajo zelo mešane rezultate; več negativnih kot pozitivnih. V glavnem ne zaradi svoje narave, ampak zaradi napačnega izvajanja ali ne-izvajanja.

Glavna pot za doseganje premika od notranje usmerjenosti v birokratska pravila v zunanjo usmerjenost k izpolnjevanju potreb državljanov in njihovih želja, ni uporaba tržnih mehanizmov (čeprav lahko včasih koristijo), temveč ustvarjanje profesionalne kulture kakovosti in storitev. Potrebna je posodobitev ustreznih zakonov za spodbujanje večje usmerjenosti v doseganje rezultatov, ne le pravilne uporabe postopkovnih pravil. To se deloma izvede s premikom od predhodnih v naknadne kontrole, vendar ne s popolno opustitvijo prvih. Upravno pravo naj se ustrezno posodobi z ohranjanjem osnovnih načel, ki se nanašajo na odnos med državljani in državo, na enakost pred zakonom, pravno varnost in razpoložljivost specializiranih pravnih mehanizmov za nadzor nad državnimi ukrepi. Najpomembnejše norme tako za "neoweberijansko", kot tudi za sodobno upravo so: zanesljivost, predvidljivost, medsebojna povezanost, odprtost in preglednost, odgovornost in odzivnost, strokovnost, sodelovanje in učinkovitost.

"Zbogom NPM" pomeni, da je vodenje s pogodbami, s cilji, s konkurenco, pozabljena zgodba (ne samo za države Srednje in Vzhodne Evrope, ampak na splošno). Predvidljiva, zanesljiva in povezana, odprta in pregledna, odgovorna uprava, ki izkorišča informacije in posvetovanja za oblikovanje strategije s hkratnim upravljanjem učinkovitosti in uspešnosti katere koli dejavnosti je pravi cilj za prihodnost. Ali je tak model tudi uresničljiv? Na splošno in v pogojih držav Srednje in Vzhodne Evrope? Verjetno ni mogoče nobenega modela v celoti izvajati v praksi. Kako daleč bodo vlade lahko šle, je odvisno od mnogih dejavnikov - notranjih in zunanjih. Bi bila lahko prihodnja kriza javnih financ tak spodbujevalni dejavnik?