

PUBLIC MANAGEMENT AND POLICY  
TRANSFER IN SOUTHEAST ASIA

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# Public Management and Policy Transfer in Southeast Asia

## *Abstract*

New Public Management (NPM) is considered by many scholars to be the new global paradigm for public administration. Although NPM is a highly contestable term, it appears that the methods and techniques that constitute NPM are being adopted by governments the world over. To challenge the apparent globalisation of NPM, this thesis analyses administrative change in three Southeast Asian countries: Hong Kong, Malaysia and Singapore. This is achieved by employing an integrated multi-level framework, which is systematically applied to each country. At the macro-level, a model of administrative change is presented to identify the pressures for change both outside and within a particular administrative system. At the meso-level, policy transfer analysis is used as a mode of inquiry to establish whether the globalisation of NPM is the consequence of decision-making elites actively searching for policy solutions from the international environment. At the micro-level, a model of NPM is developed to analyse the extent to which administrative change in an individual country is coterminous with NPM. In addition, the thesis provides a critical evaluation of the policy processes of individual countries with the aim of assessing whether standard accounts of policy formulation need to be recast so that policy transfer is regarded as an increasingly integral part of the policy process. The empirical research found that the implementation of NPM in each of the three case-study countries was uneven and could not simply be explained by policy transfer activity alone. In fact, strong countervailing tendencies exist that served to mitigate against the introduction of NPM. Moreover, the distinctiveness of the appeal of NPM lies in its rhetorical value, which serves a number of political and social purposes, rather than its capacity to deliver meaningful and lasting administrative reforms.

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# Introduction

Perfection in public administration is a holy grail. Politicians and administrators alike are in a constant search for the 'one best way' to deliver public services. 'New Public Management' (NPM) promised to deliver this holy grail. Developed in Western liberal democracies in the aftermath of economic crises in the 1970s which had caused a fundamental questioning of the way in which government works, NPM was regarded as a new approach to administrative systems that were increasingly regarded as outdated, burdensome, expensive and remote from their users. Moreover, it appeared that NPM could be grafted onto administrative systems way beyond the Western liberal democratic context within which it was first promulgated. Hence, NPM has a global appeal based on its apparently pragmatic approach to solving administrative problems that ignore ideological considerations. Furthermore, the ease of its dissemination around the globe was guaranteed by policy-makers that now operate in an increasingly interconnected environment.

However, the acceptance of the globalisation of NPM is problematic. This is the focus of the thesis. It appears that thus far, the global dissemination of NPM has proceeded unchallenged. The implicit assumption that NPM is the 'one best way' for public administration also assumes that it can be applied independently of local political, economic and social contexts. This thesis fundamentally challenges the notion that NPM has become the new global orthodoxy for public administration. It does this by seeking to provide an understanding of what NPM is. Thus far, commentators have struggled with mapping out the constituent parts of NPM and have failed to adequately explain the mechanisms through which NPM has been carried around the world.

However, this does not appear to have prevented governments in widely different settings from adopting and implementing NPM. Why has this occurred? Is there something about the nature of NPM that means that it is amenable to being transferred between different polities? Thus, the analysis of policy transfers, or why governments adopt policies from other countries rather than engage in their own policy innovation and development, lies at the heart of this thesis. In order to explain the apparent globalisation of NPM, the project employs a multi-level framework that attempts to provide a comprehensive and rigorous approach to the diffusion of public policy.

The multi-level approach is necessary to explain policy change at the micro-level, which is a consequence of macro-level forces. Consequently, there is no uni-dimensional over-arching macro-theoretical approach employed in this thesis. As the multi-level theoretical approach is concerned with how the international environment impacts upon the public sector of individual countries, a comprehensive framework needs to be developed. Thus, at the macro-level, globalisation provides a theoretical context for the appearance of NPM that overlaps with other theories of the state such as neo-Marxism. Although in this instance, it is possible to link the globalisation of capitalism to the appearance of a neo-liberal world order, this perspective alone would invite the rather narrow view that the appearance of NPM can be explained simply in terms of states encouraging capital accumulation. Moreover, such macro-theorisation cannot explain how NPM might be 'globalised'. Thus, policy transfer analysis as a meso-level framework is also employed as it examines the interactions between organisations to account for the dissemination of policy ideas and practices. In fact policy transfer analysis openly invites theorisation yet it offers a method for observing and recording the process. At the micro-level, the extent of the implementation of NPM as an observable reform movement can be assessed and compared across individual states.

The multi-level framework develops existing models as well as developing new models for accounting for administrative change. At the macro-level, a model of administrative change is developed for application to individual countries in the Asia-Pacific region. At the meso-level, Dolowitz and Marsh's model of policy transfer analysis is adopted. At the micro-level, a model of NPM is developed in this thesis for application to individual polities.

A central argument here is that the intensification of cross-national policy transfer activity, is

potentially damaging. If countries are too quick to copy policies developed beyond their own contexts, there may be unintended consequences. What appears to work for one country may not work in another. Despite this problem, NPM is used here to ascertain whether or not policy-making is becoming increasingly globalised and the multi-level framework is used as an approach for analysing individual political systems to determine whether or not they are more susceptible to policy transfer activity.

The thesis will provide a new perspective on theorisation concerning the implications of policy transfer for standard accounts of policy formulation. In addition, original case studies in the thesis will add to our understanding of the development of NPM in settings that are outside Western liberal democracies. Therefore, the thesis will bridge gaps in policy analysis accounts in addition to gaps in the public administration literature that assume the globalisation of NPM based on extrapolations made from the experiences of a few Western liberal democratic countries.

To test the central thesis that NPM has been globalised, the empirical research in this project will provide three case studies to which the multi-level analysis will be applied. These case studies are the Hong Kong Special Administrative Region of the People's Republic of China, Malaysia and Singapore. The methodological approach taken in this thesis was to target key interviews with public officials responsible for the adoption of NPM in each of the three countries. In addition, relevant government documents and official publications were scrutinised to provide substantive evidence for the transfer of NPM and the extent of its implementation.

The thesis is organised in the following way. Part One develops the multi-level theoretical approach and raises methodological issues. Policy transfer analysis is addressed in Chapter One, where it is placed in the context of globalisation. Chapter Two develops the theoretical and methodological issues raised in Chapter One as well as outlining the methodology employed in this thesis. Chapter Three concentrates on New Public Management, its origins and development and relationship to globalisation. In addition, the NPM model is produced which will be systematically applied in the empirical part of the thesis. Chapter Four provides an initial application of policy transfer analysis as well as developing the international context for the transfer of NPM by focusing on the role of international organisations. Part One closes with Chapter Five, which develops determinants of administrative change to be applied in the empirical part of the thesis. Chapters Three and Four thus concentrate on macro-level issues; Chapter Three will critically

examine NPM as a globalised phenomenon and Chapter Four critically examines the role of international organisations in policy transfer as actors in the international system that either constrain or facilitate policy development in public administration. Therefore, within the multi-level approach, globalisation provides the international context for the spread of NPM, policy transfer analysis provides a meso-level approach for understanding the transmission of NPM and the determinants of administrative change in Chapter Five provide a framework for understanding administrative change in individual countries.

In Part Two, each theoretical framework (the determinants of administrative change, the NPM model and policy transfer analysis) will be systematically applied to each country, in Chapters Six, Seven and Eight respectively. Chapter Nine will compare the experiences of each country before concluding with a summary of the main research findings plus key theoretical and empirical conclusions as well as suggesting future avenues for research.

The thesis should be of interest to a wide audience. Practitioners should be interested by the problems encountered by the administrators in the case study countries of adopting and implementing NPM. As the study is essentially comparative, students of comparative politics may wish to utilise the project's findings, as it will point to some of the challenges and difficulties associated with comparative political analysis. Students of public administration and management may benefit from studying the application of NPM in different administrative contexts. Finally, students of Southeast Asian politics will find the case-study chapters to be of interest.

# **1 Is Policy Transfer Analysis a Useful Mode of Enquiry in Political Science?**

## **INTRODUCTION**

The latter half of the twentieth century has witnessed rapid advances in communications and transport technology combined with the internationalisation of politics. These developments have served to intensify interest in the study of policy transfers, or explanations of why one country should transfer a public policy from another country to its own. Policy transfer analysis is at the crux of the multi-level framework employed in the thesis. The chapter will begin by discussing how macro-theories of globalisation have influenced the international diffusion of public policy, while policy transfer analysis, as a meso-theory about relationships between governments and how they interact, offers an explanatory framework for the diffusion of NPM. Thus the rest of the chapter will question the usefulness of policy transfer analysis as a useful mode of enquiry in political

science and how it might be used to develop the analytical framework for the thesis. Policy transfer is an increasingly integral part of the policy process, but it remains largely absent from standard accounts. There is evidence to support the argument that policy transfer takes place but its dynamics remain poorly understood. This lack of understanding provides further cause for concern if we consider that policy transfer is potentially damaging. As Peters (1996a: 25) observes 'the desire to transplant reforms points clearly to the failure to adequately investigate conditions of policy learning'. Undue haste to seize on policies and programmes developed in other countries apparently shows little appreciation for the potential consequences of importation and transplantation. Peters (1996a: 25) also points to the lack of the development 'of a method for analyzing the crucial attributes of social and economic systems that may make them amenable to transplantation'. This is a primary aim of the thesis.

There are roughly four categories germane to developing the policy transfer approach and these are explored in this chapter: the globalisation of politics, policy convergence, policy diffusion, and more narrowly, policy transfer itself. Before we can focus on policy transfer analysis, we are inevitably drawn into the intensifying and topical debate about the impacts of globalisation on nation states. Globalisation, as a term, defies exact definition despite being the subject of many contemporary debates in the social sciences. This vagueness stems from globalisation meaning different things to different people, for example, health and environmental issues and popular cultures are often viewed as 'global'. As Cerny (1994a: 4) points out 'globalisation is already a widely used conceptual term in International Relations and International Political Economy, but its substance is vague. Its boundaries are unclear and its constituent elements and multi-dimensional character have as yet been inadequately explored'. Globalisation processes in general are simpler to unravel; international communications and the internationalisation of capital have facilitated the global spread of goods, services, culture and ideas. In political science, the impact of globalisation has been considerable as 'today, interdependence, not isolation, characterizes every jurisdiction of government' (Rose 1993: 6). However, the term remains largely undeveloped in British Political Science where the concept of globalisation

has generally been used to describe a global convergence in public policy. I will turn to the notion of 'policy convergence' later.

## 1. THE PROBLEMATIC NATURE OF GLOBALISATION

Globalisation apparently affects the ability of individual states to make policies that are appropriate to their particular political, economic and social contexts. As Luke (1992: 19) explains, globalisation means, 'public policies have dispersed, nonlocal, and unintended consequences. In such an environment, urban and social problems easily piggyback on one another; each problem becomes linked to every other problem, interweaving and causing unpredicted new problems'. As governments struggle with their new, uncertain globalised environments, the appeal of policy transfer is that it offers a 'short cut' or a 'quick fix' to pressing policy problems. The central thesis here is that policy transfer results in an increasing number of 'inappropriate' policy adoptions that ignore local political, cultural, social, economic and administrative contexts. Thus, inappropriate policy transfer can easily create more problems than it intends to solve. If policy transfer activity is increasing, as Dolowitz and Marsh (1996) argue, is this increase simply due to globalisation processes? If this is the case, established policy analysis models will need to be recast and assumptions about the policy process need to be reviewed.

Globalisation can be treated as a complex structural process leading to changes in the nature of the state and the international system, with policy transfer becoming one of its increasingly visible manifestations. The implications of globalisation are vast, as 'the very process of governance seems to be escaping the categories of the nation state' (Held 1991: 204). To a casual observer, it appears that more globalisation will effectively foreshadow the end of the nation state as a major international political actor. However, as Cerny (1994b: 321) observes, 'in a changing - globalizing - international and transnational environment, the state has been not only an agent of its own transformation, but also a major source of the development of globalization itself'. It is the changing relationship between the state and governance that is of central concern here. If the globalisation of politics has affected the decision-making capacity of the state, then the



ways in which the state governs will also be affected. The focus here is on how systems of public administration respond to the changing global environment, as these systems remain firmly embedded in the nation state.

The administrative actions of the state should therefore be understood in terms of their structured context. Administrative systems are products of their environment. According to Luke (1992: 15-16) the 'new' globalised context for public administration incorporates:

- communications, computer technology, and a global 'infostructure';
- economics and the internationalization of trade, finance, and technology transfer and;
- natural resource interdependencies in the biosphere.

Further implications of globalisation are highlighted by Salleh (1992: 15), who argues that it increases the demand for existing public goods and services but also creates a new set of demands for new public goods and services. These demands are a consequence of changing societal expectations and value systems, and the creation of new pressure groups and alternative political agendas. Globalisation thus precipitates a *shift in values and patterns of demand* to which public administration must respond. Therefore, a key impact of globalisation appears to be the appearance of the NPM phenomenon as a new 'global' model of public administration. However, despite a vast literature on NPM and changes in public administration, there has been little analysis or measurement of the link between these changes and the process of globalisation (Massey 1997). It is assumed that NPM has appeared because of globalisation and that the internationalisation of the ideas that underpin NPM has facilitated a relatively rapid reconfiguration for systems of public administration.

Globalisation might be regarded as both a process and an ideology. As a process, most commentaries concentrate on its economic aspects, but there are considerable debates about cultural and political globalisation. As an ideology, some see globalisation as destructive and exploitative whereas others see it as potentially beneficial. Very broadly, these views dichotomise between neo-Marxist (negative) and neo-liberal (positive)

commentators. Problematically, what most perspectives share is the diminution of the role of the state as a primary actor in the international arena. A predominant view is that the end of the nation state is the logical consequence of the processes of globalisation and that the state is weakened by the increasing number of inputs into the policy process as a result of globalisation. Alternatively, a further view is that politics has been internationalised by a growing number of global actors. It has also been argued that policy elites in individual states are more open to suggestion in an increasingly globalised world, and are therefore more amenable to policy transfer. As McGrew and Lewis (1992: 7) note, 'modern societies display an incredible permeability to transnational forces'. Whichever view of globalisation one takes, there is a general consensus that the exercise of political authority and bureaucratic power is no longer constrained by the boundaries of nation states.

The dominant ideological perspective is 'the neoliberal vision of a globalized market utopia (associated with the ideology of business civilization)' (Gill 1996: 217), although many now dismiss this as both theoretically and practically unachievable. It was Fukuyama (1992) who popularised the 'end-of-the-nation-state' notion by claiming that all societies were converging on the democratic-capitalist model of political organisation. Such arguments have been in currency for some time. Held (1991: 200) cites Hayek (1960: 405-6) who argued for a world market order based on the principles of free trade and minimum regulation: 'for Hayek, 'congruence' (between decision-makers and the recipients of decisions) is ultimately a feature of an international market order and a network of ultra-liberal states'. This utopian form of economic globalisation assumes the decline of the nation-state based on an increasing global interconnectedness that ultimately leads to a decline in state autonomy. It therefore becomes necessary for nation-states to work closely with one another, or to become interdependent. The state arguably retains its arbitrary role but is increasingly incapable of restraining historical forces once globalisation starts to restrict state power. Globalisation thus influences the capacity of individual states to act by confronting them with a new set of constraints. These include the globalisation of capital, the growth in the power of trans-national corporations (TNCs) and the liberalisation of financial markets. Thus, the demands of the global economy on

economic policy-making in nation states may serve to intensify policy transfer activity as a result of the new state of interdependence. As Mittleman (1996: 7) argues:

...faced with the power of globalized production and international finance, including debt structures, leaders are constrained to concentrate on enhancing national conditions for competing forms of capitalism. Statecraft, tested as it is by nonstate actors, is reduced in efficacy relative to transnational forces.

It seems difficult to deny that structural change in the form of international economic forces drive globalisation, but the net result is not necessarily a decline in the autonomy of the state. At least for Western liberal democracies, a consequence of the need for states to respond to the imperatives of the global economy is what Cerny (1997a) has termed the 'Competition State'. Cerny denies that the state is withering away, but in fact, it is developing new and more complex structural forms and features. Cerny (1994a and b, 1997a) has focused on how the 'transnationalization of the nation state apparatus' has resulted in the emergence of the 'Competition State'. As Cerny (1994b: 321-322) explains, globalisation has caused state policies 'to converge on a more liberal, deregulatory approach because of the changing structural character of the international system - its greater structural complexity and interpenetratedness - which in turn transforms the changing position of states themselves within that system'. The Competition State is discussed in relation to NPM in Chapter Three but if we regard it as a rational response to globalisation in order to maximise power and wealth, then policy transfer might be regarded as a form of economic rationalism or an expeditious way of preserving some semblance of the autonomy of the state.

Politically, the argument that globalisation has rendered the state a less important entity in policy analysis appears sustainable. As control over economic, political and even social activity has been steadily eroded, states become less resistant to global pluralist forces with the internationalisation of many interest group and social movement activities. For instance, the regionalisation of policy-making following the creation of the European Union (EU), could be viewed as a reaction to this phenomenon. Weiler (1991, cited in

Wallace 1996b: 453) emphasizes, 'the immense shift in the balance of legal and jurisdictional authority between state and EU over the past forty years'. However, such trends also create demands for the 'pendulum to swing back' as states try to staunch the flow of sovereignty towards supranational organisations. As Caiden (1994: 46-7) argues, 'parochialism will retain its dominant influence as long as the nation-state is the major actor in public administration. Its grip may be weakened by the imposition of supranational entities from above and the enlargement of local autonomy from below and possibly by the reassessment of its role in contemporary society'. Caiden's argument is elucidated in the 'Hollowing Out' of the state debate, which argues that British government has lost functions upwards to the European Union and downwards to a range of non-governmental or quasi-governmental actors.<sup>1</sup> Kapteyn (1995, cited in Wallace 1996a: 16) also notes how 'globalization has...enabled a variety of societal actors to have access to an international arena as an extension of or an alternative to the state arena'. Although these processes may, in part, account for the appearance of policy convergence in the EU, at a more general level, there are difficulties in using the decline of the nation state thesis elsewhere. Despite the alleged globalisation of policy making at the end of the day, political elites 'for the most part are condemned to success or failure in terms of their impact within an individual state' (Wallace 1996a: 16). Although globalisation has increased the number of inputs into domestic policy processes, it is the globalisation of the economic demands of capital that is regarded as chiefly responsible for the diminution of state power.

Hirst and Thompson (1996) amplify this theme in their powerful critique of globalisation. Firstly, they take issue with the terminology; are we discussing *internationalisation* rather than globalisation? This distinction is important because Hirst and Thompson (1996: 4) argue that the internationalisation of 'major financial markets, of technology, and of certain important sectors of manufacturing and services' is not enough to unravel individual national economies. To use the term *internationalisation* rather than globalisation accords a major role to national politics. Therefore, the notion of TNCs is largely a theoretical construct on the part of the globalisers as such a company, unlike a

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<sup>1</sup> For a detailed discussion, see Rhodes (1997, Chapter Three).

multi-national company (MNC), 'could no longer be controlled or even constrained by the policies of particular nation states' (Hirst and Thompson 1996: 11). The idea that economic globalisation alters the relative economic power of most states in relation to TNCs is based on the evidence of increased trans-national trade which ultimately relies on the discretion of national states (O Tuathail *et al* 1998: 10).

Another view of globalisation is that it refers to the increasing number and influence of trans-national political actors. This view has been referred to as 'globalisation-from-above' (O Tuathail *et al* 1998: 4) or *external* 'hollowing out' (Rhodes 1997). Within this perspective, Held (1991: 208) points to the 'vast growth of institutions, organizations and regimes which have laid a basis for global governance'. Farazmand (1994: 78) argues that an *invisible* (my emphasis) 'global bureaucracy' already exists consisting of international institutions such as the World Bank, the International Monetary Fund (IMF) and US Aid. These institutions are sustained by the US-European-Japan triad to promote 'management globalization' (O Tuathail *et al* 1998: 4). The *visible* (my emphasis) global bureaucracy consists of the United Nations (UN) and its affiliated organisations. Friedman (1995: 79-80) points to the emergence of a 'global class structure', consisting of 'an international elite made up of top diplomats, government ministers, aid officials and representatives of international organisations such as the UN...forming a kind of cultural cohort'. This elite has Washington, D.C. as its nerve centre (Gill 1996: 219). Here, we might regard globalisation as a form of 'political integration' that offers nation states an alternative set of constraints and opportunities in the international arena. Hence this thesis will attempt to determine to what extent changes in the delivery of public services have been the products of a response to this alleged erosion in the authority and capacity of national governments as a result of these trans-national actors. This aspect of globalisation will be discussed in more detail in Chapter Four.

### *Globalisation as Elite Behaviour*

Finally, globalisation may be understood by elite behaviour. Here, an elite is assumed to be an active, dynamic force in society, but essentially self-serving. Policy transfer and its

associated terms (learning, copying, emulating, etc.) assume activity by policy-making elites in terms of seeking ideas for policy solutions from elsewhere. Elites may differ in their motives for engaging in policy transfer, but here the discussion is limited to political leaderships and senior bureaucrats. Political and administrative elites are expected to collude in an effort to seek policy change to the benefit of both parties, which in turn ultimately maintains state domination and legitimacy. This scenario assumes considerable autonomy for the elite from domestic pressures to reform and so it is the international environment that drives the direction of policy. As a statist approach, it is claimed that 'the domestic power of states over society stemmed largely from the need to preserve the survival of the nation in an anarchic international system' (Risse-Kappen 1995: 18). As Haggard (1990: 269-270) notes, 'because state officials manage the crucial nexus between the domestic and the international political economies, they are naturally responsive to external pressures' while operating within the institutional framework of the state. However, unlike other views of globalisation, the state remains central to an understanding of the globalisation of politics. In other words, decisions made by individual states remain crucially important, although globalisation has changed the context within which those decisions are made.

## **2. POLICY CONVERGENCE**

Globalisation does not mean policy convergence. To accept globalisation is to accept that states are becoming more alike in terms of how they react to and solve policy problems. Convergence theory is 'the idea that whatever their political economies, whatever their unique cultures and histories, the "affluent" societies become more alike in both social structure and ideology' (Wilensky 1975: xii). Convergence theory is entwined with industrialisation to 'cause a convergence in social institutions' (Birnbaum-More, Wong and Olve, 1995: 255). If globalisation transforms the state, it remains a key actor although important differences will remain between the ways in which states respond to the policy problems created by globalisation. In other words, there is a case for arguing that policy divergence will result from globalisation. However, thus far, it appears that the weight of evidence is for economic convergence, rather than the convergence of political

systems. Cerny and Evans (1999: 7) observe that the 'scope of control' of individual states diminishes as their economies become closely integrated with global markets. Furthermore, convergence will result from the homogenising effects of technology, and thus education and wealth creation (Webber 1969 and Ronen 1986: 236). In concert with the globalisation of capital, 'a process of institutional convergence is under way as market pressures force national institutions to adjust in ways which most effectively fit the international situation and optimally serve the national economies' (Kluth and Andersen, 1997: 288). Convergence can also be formalised within the auspices of international institutions such as the EU, the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organisation (WTO).

Although policy convergence occurs independently of globalisation, where similar policies start to appear in diverse national settings, it seems logical to assume that globalisation increases the likelihood of convergence. As Strang and Meyer (1993: 491) observe, 'rapid diffusion within the world system seems linked to the homogeneous cultural construction of contemporary nation-states' which are a prerequisite 'for the rapid diffusion of public policies and institutional structures'. Thus, the globalisation of nation-states has itself produced the necessary conditions for rapid policy transfer. However, it could be argued that this phenomenon is limited to what might be termed the developed world where structural similarities exist so that policy responses to similar problems in countries that are at a similar stage of economic development do indeed appear to be convergent. The globalisation of nation-states and economic development only provides a small part of the explanation for convergence.

Another precondition for policy convergence is where nations are dominated by political elites with similar convictions and ideologies. For example, Waltman and Studlar (1987) conclude that policy convergence occurred to some degree between the Thatcher and the Reagan governments, while the UK Labour opposition preferred to look at Scandinavian and German social democrat programmes. The ramifications of this political alliance were felt globally in the apparent shift to free-market liberalism. However, despite both governments sharing similar goals, they often differed, sometimes substantially, in policy

content. Although this thesis appears to be an attractive one, it fails to take into account the homogenising effects implicit in globalisation. In other words, if growing similarity between public sector reforms in individual countries is the consequence of globalisation, policy convergence then apparently takes place in an ideological vacuum that ignores political contexts. Policies are thus presented as pragmatic responses to these wider pressures. Castles (1982) calls this the ‘paradox’ of the convergence thesis; while the changing economic and technological environment imposes uniformity on systems of governance and dulls ideological inputs, the state struggles to accumulate power and sovereignty. As Castles (1982: 27) explains, ‘the convergence and “end of ideology” theses are closely interlinked, not merely because both postulate increasing similarity in society, state and politics’.

Certainly, as states independently try to cope with policy problems it may appear that policy convergence is occurring. Harrop (1992: 264) reasserts that the importance of the nation state cannot be dismissed as

...nations differ in the severity with which problems arise and in the range of solutions which it is feasible for them to consider. Fundamentally it is still national policy-makers who seek solutions, even if the problems are shared, and it is still national policy-makers who are accountable to national electorates. Common problems do not mean common solutions; interdependence does not mean convergence.

A comparative study of social policy in the UK, Australia and New Zealand would superficially appear to offer a ‘most similar systems’ scenario where convergence might be comfortably predicted.<sup>2</sup> In fact, despite the impact of ‘economic internationalisation’ on domestic policy-making in each of these countries, ‘three quite distinct trajectories of social policy development’ remained (Castles and Pierson 1996: 242-3).

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<sup>2</sup> The term used in comparative research to denote countries with similar political systems. This will be discussed in Chapter Two.



Seeliger (1996: 289) argues that to measure policy convergence, we require a measurement of policy characteristics and a defined time period. He argues that depending on the direction of policy change in two or more countries, underlying developments can then be 'classified as divergent, convergent, synchronous and identical, or indeterminate'. However, to concentrate on measuring convergence in this way screens out policy transfer activity as Seeliger's method can only tell us about the direction of policy change between countries. To omit the wider structural changes that produce Seeliger's classifications of 'underlying developments' will exclude any fine-grained account of why policy *x* appeared in country *y*. Moreover, convergence may in fact be the outcome of the politics of very different political alliances and class cleavages in different countries.<sup>3</sup> However, it is possible that the perception that public policies are converging between countries by decision-makers may trigger policy transfer activity.

### 3. POLICY DIFFUSION

Conceptually, policy convergence should be differentiated from policy diffusion: convergence assumes similar policies appear independently of policy made elsewhere whereas diffusion assumes the active dissemination of policy and programme ideas by a number of agents. Policy convergence also assumes a passive role for state actors whereas policy diffusion presupposes pro-activity by a range of actors with an interest in ensuring the spread of a particular policy. Ikenberry (1990: 103) calls policy diffusion a type of 'social learning' which involves 'the spread of new information with which governments make policy choices'. Thus, policy diffusion is potentially infinite in its scope. Rogers (1995: 11) defines diffusion as 'the process by which an innovation is communicated through certain channels over time among the members of a social system'. As Strang and Meyer (1993: 496) point out:

...theories thus predict that similar practices can be adopted by all members of a theoretically defined population, with similar effects. They advise masses of individuals to adopt standard therapies; organizations to adopt stylized

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<sup>3</sup> For a detailed discussion, see Castles and Pierson (1996: 234).

management schemes; and practically all nation-states to adopt standard schemes to promote economic growth.

Diffusion theories suggest that the potential exists for the globalisation of public policy, including NPM. The problem with diffusion studies is their scientific approach that ignores the essential differences between the units of analysis, such as nation-states. Valente (1993: 30) observes that 'most diffusion studies analyze the spread of new technology or ideas to all (or almost all) members of a social system', but the production of public policy itself is path dependent: what works well in one country may not work in another. Moreover, policy diffusion does not automatically mean that policies are adopted. Once a population starts to adopt a policy then a pattern of successive adoptions of a policy innovation can be observed. Such an observation is strictly limited to telling us 'that the same policy has spread internationally' (Bennett, 1991b: 221), but does not tell us how it has been spread.

One explanation for international policy diffusion is the linkages through which policy ideas are spread. Policy networks or communities have lines of communication within them where ideas are exchanged; in the past personal contact was necessary but electronic communication and the ease of international travel has facilitated the speed of diffusion as well as a growth in its volume. Enthusiastic policy communities thus drive policy diffusion in addition to controlling and spreading knowledge within an international policy culture. As Haas (1980: 369) observes, 'once knowledge escapes the political and economic control of its originators, it becomes a kind of international public good'. To regard globalisation as a process of hegemony by a number of trans-national actors, this international policy community has been termed an 'epistemic community'. According to Haas (1992: 3), an epistemic community is a 'network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area'. Thus, epistemic communities are a source of policy innovations and 'expert knowledge' (Stone 1996: 87). Within the context of this thesis it might be prudent to look for the existence of an epistemic community related to NPM embedded within a managerialist discourse aimed at altering

the world economy (Thrift 1998: 36). The apparent popularity and appeal of NPM in fixing the problems of government appear to point to the existence of such a community.

This community has consolidated 'bureaucratic power within national administration and international secretariats' as well as being poised to 'internationalize its influence and insinuate its views into broader international politics' (Haas 1992: 4). Thus, the epistemic community acts as a diffusion mechanism through which certain ideas can leap from country to country.

Policy diffusion between nations appears to be on the increase. As Rose (1993: 3) observes 'easy access to information about what other governments are doing' has facilitated what he terms 'lesson-drawing' between nations. The ease of access to information about other government's public policies has been facilitated by technology but also by the ease of international travel. Harrop (1992: 263) also notes that 'the mass media and international conferences ease (the) process of policy diffusion. Policy-makers in one country seek to emulate the successes of colleagues overseas'. For example, Moran and Wood (1996: 128) analysed the 'Enthoven phenomenon' in the internationalisation of health care policy, which popularised the notion of 'internal markets' in several countries. They concluded that this policy was symptomatic of the 'greater ease of international travel, easier and swifter communication technology, and the rise of English as a standard language of scientific communication' \_ factors that have 'facilitated the internationalization of social science'. However, Strang and Meyer (1993: 494) argue that 'diffusion is halting where practices are identified solely with the specialized theorist' such as Enthoven.

Initially, studies of the diffusion of public policy were limited to the United States. Eyestone (1977: 441, 446) identified a number of 'diffusion mechanisms', the first of which involves diffusion between sub-national units in a federal system. It is here where studies of the diffusion of public policies tend to be concentrated (for example Clark (1985) and Savage (1985)).<sup>4</sup> The second mechanism is the 'federal effect', with sub-national units responding to incentives and examples provided by the federal government,

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<sup>4</sup>See Halligan (1996: 291) for a review of diffusion studies in the US.

such as the privatisation of social services in the US in the 1980s (Common 1994). The third mechanism refers to the effect of interaction between countries. Here the importance of networks and international policy communities are stressed as they provide the international forum for interaction. However, Halligan (1996: 292) and Bennett (1991b: 224) liken this process to policy convergence rather than policy diffusion as it involves a joint or shared approach to policy learning, rather than a series of policy adoptions by individual states. According to Bennett (1991b: 221), 'the policy diffusion literature focuses more on the spatial, structural and socio-economic reasons for a particular *pattern* of adoption rather than on the reasons for the diffusion itself, which may be attributable to a number of forms of transnational communication'. A further diffusion mechanism identified by Strang and Meyer (1993: 499) is theorisation itself, which is 'less tied to concrete actors than are the practices they describe'. In other words, it is the messages rather than the messengers that are important.

#### **4. POLICY TRANSFER**

Policy transfer is the conscious adoption of a public policy from another jurisdiction. Although ideas and policies may be diffused, for transfer to occur they must be adopted and implemented. Once an adopted idea or model becomes institutionalised, then diffusion cannot be explained by theorisation but by the demands of organisational routines and by being promoted by self-interested actors (Strang and Meyer, 1993: 495). As Haas (1990: 3) notes, 'adaptation' of new activities occurs without actors examining underlying theories and values. Policy diffusion can occur without any policies being adopted but policy transfer becomes an observable process once organisations and actors pick up a policy idea or model. Therefore, structure and agency explain the difference between convergence and diffusion and transfer. In other words, policy convergence occurs because of the structural dynamics of the international arena, whereas policy diffusion and transfer requires the conscious adoption of policy by various agents. Therefore, Bennett (1991b: 220) asserts that 'emulation is *not* a synonym for *diffusion*'.

In addition, Bennett (1997: 215) perceives a ‘gap between the tradition of “diffusion” analysis and that of the more recent case study literature on policy transfers’, but argues that both elements should be combined in any investigation. Although policy transfer analysis seeks to understand the dynamics of policy diffusion, transfer occurs under a variety of guises, of which ‘emulation’ is but one. Evans and Davies (1999a: 5) issue the following caveat, ‘in short, policy transfer analysis does not have full explanation and theory status. This would require the development of a causal model based upon a series of propositions that may be validated or falsified by evidence’. However, as a heuristic framework, Dolowitz and Marsh’s model of policy transfer (see Chapter Two) provides an important development that also invites theorization about the nature of the state and globalization.

To help understand what drives the process of policy transfer, Dolowitz and Marsh (1996, 1997) distinguish between voluntary and coercive policy transfer although it is more useful to consider these two explanatory types as opposite ends of a continuum. Dolowitz and Marsh use these classifications to explain initially why country *a* would want to transfer policy *b*. According to Dolowitz and Marsh (1997: 4), ‘voluntary transfer implies that rational, calculating actors desire a change and actively seek policies to satisfy their needs. Coercive transfer on the other hand occurs when policy makers are forced by the actions of outsiders to engage in transfer’. Dolowitz (1997: 26) also produces a third category; that of ‘perceptual’ transfer based on ‘feelings of being left behind’. This occurs when policy makers perceive themselves as having fallen behind the international community, or a perception of ‘comparative inadequacy’. This is most likely to occur when economic competition is intense.

### *Voluntary Policy Transfer*

Rogers (1995: 28) would describe voluntary transfer as an optional innovation decision where the adopter has the choice to adopt or reject. Such a decision will never be entirely ‘voluntary’ as a decision is always influenced by the norms of the political system and interpersonal networks. Therefore, we find in the literature several forms of policy

transfer, which reflect the varying degrees of pressure that state actors find themselves under when seeking solutions to policy problems. 'Transfer' can range from the emulation of an exemplar, or learning from a range of experiences from different countries and adapting policies based on those experiences, to copying policies directly. 'Voluntary' policy transfers may take the form of both 'emulation' and 'learning' which occur where the policy culture allows a degree of interaction, so that policy-makers are able to learn about reforms in other countries, which then feed into the domestic policy-making process (Dolowitz and Marsh, 1996). Thus, 'similar responses flow...from the export of knowledge' (Bennett, 1991a: 32) and a series of policy adoptions starts to appear.

Firstly, we may consider transfer as a form of emulation. The globalisation of communications has allowed government elites to observe policy innovations abroad with relative ease. Indeed, technology has increased the disposition of policy makers to look elsewhere. Ikenberry (1990: 101) notes that,

political elites within a country may copy similar normative standards for state involvement within the economy and society. In all these cases, emulation is a process whereby elites monitor policy change abroad and, seeking similar successes, import the appropriate policies.

Governments may have formal processes for policy learning, which allows them to emulate others. For example, the Institute of Administrative Management in Japan lists research on Public Administration in Foreign Countries as part of its portfolio of research activities. Wolman gives the example of the UK Department of the Environment in the 1970s, whose International Division had 'a series of bilateral arrangements with the relevant ministries or departments in other countries'. By the 1980s, it relied increasingly on 'participation in international organizations such as the OECD and Council of Europe as the ongoing structural mechanism for policy learning' (Wolman 1992: 30). But generally, policy learning is unsystematic. The demands of globalisation mean that states are pressured into monitoring the activities of their economic competitors, thus necessitating the transfer of policy.

Bennett (1991a: 36) considers how powerful exemplars are influential in the process of emulation and learning. For instance, Sweden was long regarded as the exemplar of the welfare state, Germany and Japan for their economic and management success, Britain as the leading exponent of privatisation. As Bennett (1991b: 221) explains, 'the central characteristic of emulation is the utilization of evidence about a programme or programmes from overseas and a drawing of lessons from that experience'. Emulation is a broad term as several forces drive it. Strictly speaking, it is sometimes difficult to regard emulation as policy transfer. Emulation is often the result of the imperatives of international competitive pressures. In this scenario, policy makers may simply emulate successful policy innovations in expectation of similar rewards received by the policy innovator.<sup>5</sup> Boli-Bennet (1979: 232) concludes that 'elites are highly susceptible to demonstration effects, copying each other's commitment to new social programs or enforcement procedures rather readily' (cited in Ikenberry 1990: 102). However, convincing exemplars and powerful demonstration effects do not necessarily guarantee that any policies are transferred.

Policy 'learning' suggests a less leisurely approach to policy transfer than that of emulation. If none of the solutions to a given policy problem appears to work, governments may engage in a search for solutions in the international policy community. For Rose (1993: 28) the object of policy learning is to find 'a program that "works" '. Bennett (1991a: 35) argued that states might consider policy learning when 'domestic pressures are such that swift action is needed to deal with a problem' as 'incentives might be quite high to utilize a program from elsewhere as a ready-made solution'. Engaging in rapid searches for suitable 'fixes' can thus mollify political pressure for reforms. On the other hand, Ikenberry (1990: 89) refers to learning as 'redefining one's interests on the basis of new knowledge'. Policy learning implies an improved understanding on the part of government elites about a particular problem but policy learning can only occur if decision makers have the 'ability to draw lessons about policy problems, objectives or interventions' (May 1992: 333). Marmor (1997: 361) argues that we should distinguish

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<sup>5</sup> See Ikenberry (1990: 101).

between learning *about* and learning *from* cross-national experience. The ability to draw lessons from elsewhere is not a straightforward process and the conditions for policy transfer are discussed later in the chapter.

Networking facilitates policy learning or 'lesson drawing' by internationally mobile elites from different countries (Rose 1993). For example, more than twenty delegations from foreign governments visited Britain in the 1980s in the 'search' for the 'best' policy, in this case to learn about privatisation (Henig *et al* 1988: 458). Wright (1994: 108) claimed that Holland, Denmark and Norway have studied UK NPM in particular. Ikenberry (1990: 103) argues that 'political elites monitor changes in the social and economic commitments of other states and come to expect similar standards at home'. Better communications and the availability of international travel thus allow elites to absorb lessons from abroad, or find themselves under pressure from an increasingly mobile middle-class who are able to make first-hand comparisons with what they experience at home.

Does policy learning cause policy convergence? The relationship between policy convergence and policy learning is summed up by Bennett (1991a: 31) who argues that eventually 'policy learning' will take place as a result of 'wider socio-economic or technological forces'. Reform programmes then begin to appear across a range of political and administrative settings. Environmental pressures will then trigger reforms within governments, regardless of dominant political ideologies, and 'modernizing elites within public administration' will respond to these pressures (Wright 1994: 107). Thus policy 'learning' produces the appearance of policy convergence or the perception by policy makers that one system is starting to resemble another. Perceptions of similarity are an important stimulus to policy diffusion. Furthermore, the notion that 'learning' may be simply the 'adoption of labels or buzzwords rather than thorough adoption of content in a specific package of institutional practice and behavior' (Bjorkman and Altenstetter 1997: 14-5). This notion is of particular relevance to this thesis when NPM as a global discourse is examined.



A rarer occurrence than that of policy learning is policy 'copying'. Ikenberry (1990: 102) argues that 'emulation may involve the copying of particularly attractive social or political standards of state involvement in the economy'. More broadly, copying, according to Rose (1993: 30), is to enact 'more or less intact a program already in effect in another jurisdiction'. Elites may put an issue on the political agenda simply because another country has adopted a particular policy which produces a 'policy bandwagoning' effect (Bennett 1991a: 34). For Ikenberry (1990: 102), a policy bandwagon is 'the rapid spread of particular types of state practices' which is the result 'of a process whereby government elites copy the social commitments made by others'. However, Strang and Meyer (1993: 499) argue that copying is rare in practice as it is unlikely that any government would copy wholesale a programme or policy from another jurisdiction. What is more likely to be diffused is a *theoretical model* rather than an existing practice. In Strang and Meyer's view, models provide a shared discourse that does not presume a directly shared experience. A theoretical model also provides 'rationales for adoption that run counter to simple interaction-based processes like direct mimicry and 'superstitious learning' (where adopted practices are temporally rather than causally linked to desired outcomes)' (Strang and Meyer 1993: 499). Therefore, instances of actual transfer are the exception, and what is likely to be observed are mixtures of emulation, learning and copying.

### *Coercive Policy Transfer*

Voluntary policy transfer assumes that the state is an autonomous actor. However, coercive policy transfer is the imposition of policy on a country by either another country or a powerful transnational actor. The term 'coercive' is ambiguous as governments may or may not be experiencing a particular problem, but they may copy policy Y voluntarily or 'through external inducements' (Ikenberry 1990: 90). Policy transfer may be imposed on countries but external inducement may be regarded as a form of 'coercion', although it may be felt indirectly. Ikenberry (1990: 101) argues that international competition spreads ideas and policies by forcing 'political elites to copy the efforts of leading capitalist countries to rationalize their economies and societies'. For example, Ikenberry cites Hall (1988:24) who notes that 'the adoption of local agricultural societies and the

attack on state interference in eighteenth century France, were self-conscious attempts to copy capitalist innovations'. In this case, the economic and military penalties of non-adoption were severe. Coercion does not necessarily occur through a process of 'direct' imposition. As Ikenberry (1990:103) explains:

...it appears that emulation will be most pervasive when international competition is most intense, inasmuch as competition provides a powerful incentive to monitor and respond to innovations developed abroad. In cases of intense competition, the costs of failing to innovate are highest.

The notion that 'indirect coercion' can occur when the policies of one region or country attract business and commerce at the expense of its neighbours or other regions is also treated as a determinant of administrative change later in the thesis.

Direct coercion may arise from other sources such as international law, which exacts penalties on countries that break the law. Obvious examples are the UN resolutions against Iraq. International law requires the international system to either accept or reject decisions and to conform to a decision once it has been made. It is only 'coercive' if a nation state is not part of that *legislative consensus*. Therefore, coercion is most likely where there are relatively few powerful international actors in a global system, such as the UN. Colonisation is another form of coercive policy transfer and this will be discussed in later chapters.<sup>6</sup>

The globalisation of certain practices and policies may be the result of enforced conformity resulting from coercive transfer. Strang and Meyer reiterate DiMaggio and Powell's argument that 'the homogenizing effects of coercive pressures' can come from '...dominant organizations within the field'. Enforced conformity thus denies organisations the opportunity to 'calculate individually optimal strategies' (Strang and Meyer 1993: 491). In the case of NPM, the OECD is one such organisation. Furthermore, international intervention or 'external inducement' occurs when one state

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<sup>6</sup> See the discussion in Lyon (1983).

(or its agents) provides incentives or inducements that lead other states to adopt the preferred policy. External inducements can range widely in their severity, from overt coercion to the loose structuring of incentives and sanctions. This issue is explored further in Chapter Four in the analysis of the role of the international financial institutions.

Finally, policy coercion may occur during 'crisis' situations - or events where rapid decision making is necessary. A crisis compels decision makers to search quickly for solutions. If acceptable solutions already exist and at least appear to meet the needs of the decision makers, then they are likely to be utilised, possibly without adaptation. Moreover, 'sponsors of ready-made alternatives' will 'coerce feelings of urgency among decision-makers, to invent "crises"' (Polsby 1984: 168). In foreign policy, it is often the case that a dominant actor will foster the perception of crisis amongst its allies in order to achieve political goals. Crisis situations then speed up the process of policy diffusion. Decision makers turn to epistemic communities in situations where they are required to reduce uncertainty in a turbulent environment (Haas 1992: 15). In addition, pressure may also come from epistemic communities to adopt policy advice, 'even if such action is not formally planned by members of the community' (Adler and Haas 1992: 379).

## 5. PRE-REQUISITES FOR POLICY TRANSFER

Whether governments choose to transfer policy or they have policies thrust upon them, the assumption so far is that transfer is a relatively straightforward matter. As Stone (1996: 89) points out, 'the receptivity of decision-makers to new ideas or scientific insights is not automatic'. However, in this section certain conditions will be identified that either help or hinder the transfer of policy. Rogers (1995: 15-16) argues that it is the characteristics of the innovation that help to explain different rates of adoption. These characteristics include:

- Relative advantage or *the degree to which an innovation is perceived as better than the idea it supersedes*.

The transfer of policy is dependent on the policy in question being demonstrated to be a proven success elsewhere. In a discussion of the diffusion of pay-for-performance programmes, Ingraham (1993: 348) notes that despite the apparently widespread acceptance of such programmes:

...the diffusion of pay-for-performance has been based less on careful analysis and evaluation than on a perception of success in other settings, informal communication among bureaucratic and elected decision makers and perhaps wishful thinking.

Ingraham's assessment is consistent with the dynamics of emulation where a pay-for-performance system has a powerful 'demonstration effect'. Thus, a key dynamic in policy diffusion is the incentive to learn. As Strang and Meyer (1993: 488) point out, 'practices are adopted to the extent that they appear more effective or efficient than the alternatives'. We must therefore assume that there is a perception of considerable benefits for both the members of policy communities that spread new information and the recipients of that information about policy innovations.

- *Compatability, or the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters.*

Strang and Meyer (1993: 490) stress the importance of cultural linkages for transfer to occur: 'the cultural understanding that social entities belong to a common social category constructs a tie between them'. Policy transfer is dependent on 'perceptions of similarity' between prior and potential adopters. We should therefore be able to predict that policy is transferred between most similar systems. Although no two countries in the world are exactly alike, it is the perception that they are similar that assists in the process of transfer. Where lessons are drawn from however, is a matter of 'social psychological proximity' or where similarity is perceived (Rose 1993). This has significant implications for the research methodology to be employed in this thesis, which will be discussed in the next chapter.

- Complexity, or *the degree to which an innovation is perceived as difficult to understand and use. Some innovations are readily understood by most members of a social system; others are more complicated and will be adopted more slowly.*

It is more likely that only certain parts of a policy or a programme will be transferred.

- Trialability *is the degree to which the results of an innovation may be experimented with on a limited basis.*

In this sense, governments may prefer to ‘pilot’ schemes from abroad first.

- Observability *is the degree to which the results of an innovation are visible to others.*

It is important for governments to transfer a policy that can be easily evaluated and thus proved to be a success. ‘Demonstration effects’ are an important consideration in this instance.

- Past policy; interactions with existing policy; (institutional/structural constraints; feasibility constraints and language) are also important pre-requisites to policy transfer (Dolowitz and Marsh, 1997: 26-30).

It is clear that policy transfer is not a straightforward process although Haas (1990: 38) points out that ‘institutional constraints actually favor adaptive behavior most of the time, even though they do not make us learn by leaps and bounds’. Perceptions of similarity are important. Marmor (1997: 361-2) notes that ‘policy transplantability and structural similarity are closely linked’. Marmor presents the Nordic nations as an example of where this link occurs, but the problem is that ‘promising, appealing, compelling policy ‘answers’’ tend to come from beyond the Nordic countries’. When this happens, policy makers often do nothing rather than attempt the complexities of transferring policy from outside a group of nations that are considered to be similar.

Wolman (1992: 33) observes that previous research on policy transfer supports the view that policy borrowing is based on patterns of information flows, geographic propinquity or linguistic or cultural similarities.<sup>7</sup> In short, countries should look at how similar the problem is in the originating country to that of their own, how successful the policy was, and how the policy setting in the originating country compares to their own. When accounting for the transfer of urban policy between Britain and the US, Hambleton and Taylor (1993) concluded that although cities in the US and the UK shared similar problems it was the assessment of policy 'success' that was more problematic. Perceptions of similarity were not a sufficient basis for transfer, as 'comparative difference' remains an important consideration. Policy settings turned out to be a notable difference between the US and the UK. For instance, the relative autonomy of local government vis-à-vis central government and the different contributions made by the business community were important variables in the transfer of urban policy. The differences were such that Hambleton and Taylor (1993: 247) urge caution by stressing 'the need to be clear about the nature of the problems to be addressed and to be aware of the policy setting'. In short, policy transfer cannot ignore the very important contextual differences that may exist between two countries that appear to be similar in a number of respects.

## **6. SEARCHING FOR BEST POLICIES**

Given these pre-requisites to policy transfer, the scanning of the international environment by policy making elites should not be undertaken at random. Halligan (1996: 292) notes that patterns of diffusion take three main forms via hierarchical, spatial, and specialized communication channels. Transfer is often explained by hierarchical diffusion where larger or more economically developed units adopt new policies earlier. Therefore, we might regard the flow of best policies as exports from the industrialised countries of the West, primarily the US. However, this is a very ethnocentric view of the process of policy transfer, and the flow of policies from the West may contain strong elements of economic, militaristic or political coercion. Thus, voluntary search strategies by policy making elites

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<sup>7</sup> Here, Wolman (1992) cites the work of Walker (1969) and Collier and Messick (1975).

outside the 'developed' group of countries will be severely constrained. This aspect of transfer is discussed further in Chapter Four.

Spatial diffusion is based on policy making elites following regional leaders. For example, Japanese economic success in East Asia proved inspirational to neighbouring countries. As Ikenberry (1990: 102) explains:

...there are several ways in which competition appears to drive policy bandwagons. Where a particular set of policies seems to generate economic success in one country, government officials in other countries are likely to reconsider their own strategies in light of the innovations they observe abroad. In recent years, the dramatic economic success of Japan has led other capitalist nations...to consider the incorporation of Japanese-style economic policy.

The third form of diffusion pattern involves the 'communication networks' of peers that lead to 'specialised communication channels' (Halligan 1996: 292). Here, the decision to transfer a policy depends upon 'the communicated experience of others much like ourselves who have already adopted' (Rogers 1983: 293). Policy networks act not only as facilitators of policy transfers, but sources of potential policy ideas themselves. In other words, they behave like an 'epistemic community'.

Countries are highly individualistic in their approaches to policy learning, and there are varying degrees of formality in the ways in which the search for the best policy is conducted. Halligan (1996: 292) argues that we can

...examine the propensity of countries to look outward, and their preparedness to borrow others' innovations. Some countries (e.g., Britain) have been absorbed in their own traditions and have traditionally styled themselves repositories of a distinctive form of government that exports institutions and is relatively impervious to external influences.

Rose (1993: 107) notes that Britain tends to ignore nearby Ireland and France whereas 'British policymakers often look across the ocean to the US or Canada, or even further away to Australia'. In addition, Halligan (1996: 292-3) argues that 'small nations (e.g., Australia) are more externally oriented, either because of colonially induced reactions or the natural inclination to scan automatically the experience of larger kindred systems and the broader international environment'. For instance, Huque and Lam (1996: 152) observe how 'Singapore has always been looking round for good practices elsewhere, and has benefited by learning from the experience of other countries, particularly those of a similar size'. Singaporean officials therefore looked to Switzerland, among other countries, for inspiration, as it was perceived to be the most comparable country to their own.<sup>8</sup>

Finally, policy can be transferred from the private sector. Although cross-national transfer is the focus of this study, this point is relevant due to NPM's relationship with private sector practice. There is a long history of adoptions from the private to the public sector, the most notable example being the US Progressive Movement adoption of Taylorism (Merkle 1980). In her discussion of pay-for-performance, Ingraham (1993: 349) comments that 'whatever problems exist with this transferability, the practice of looking to the private sector for public solutions is so well established as to be nearly inviolate'. Schwartz's (1997: 412) discussion of the policy transfer of the New Zealand public management model to Alberta, Canada highlights the importance of the impact of officials and politicians being 'familiar with trends current in the business world'. Policy makers are also influenced by competitive private sector organisations. Hofferbert (1974: 199) argues that 'the most industrial states find a reflection of the managerial ethos in their governmental activities'. Micklethwait and Wooldridge (1996: 324) add, 'in general all the public sector does is borrow ideas from the private sector'. This process sets up the possibility of a double transfer: policy adoption may be both cross-national and cross-sectoral.<sup>9</sup> Furthermore, Western and Asian private-sector companies engage in learning from each other, despite some fundamental differences in management styles (Chen 1995:

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<sup>8</sup> See the discussion of policy learning in Singapore in Chapter Eight.

<sup>9</sup> Such as the Singapore government's adoption of the Shell appraisal system, (see Chapter Eight).



298). This type of organisational learning also has implications for the internationalisation of NPM, which is explored in Chapter Three.

## CONCLUSION

As a meso-level theoretical approach, policy transfer analysis offers a framework for integrating globalisation with the implementation of micro-policy developments such as NPM. Table 1.1 below summarises the four main processes that have been reviewed in this chapter. At the macro-level, globalisation provides an evolving context within which policy transfer activity has intensified. As Strang and Meyer (1993: 488) point out, diffusion is facilitated by 'exchange dependence' based on familiarity, for example, 'businesses benefit when they buy the kind of keyboards secretaries are familiar with, and typewriting schools benefit when they train secretaries to use the kinds of keyboards businesses own'. Even at this basic level, globalisation has thus served to increase the likelihood of exchange dependence, but it is the perception of similarity between nations, which is the most important dynamic of policy transfer. On the other hand, policy convergence assumes an increasing structural similarity between nation states that results in the production of similar public policies, especially when observed by comparative research. However, globalisation can also encourage divergence by causing individual nation-states to stress their important differences with other countries, either in terms of comparative advantage or to protect themselves from the negative effects of economic globalisation.

Policy diffusion accounts for how various agents actively disseminate policy innovations and why governments choose whether or not to adopt the innovation. However, as Haas (1990: 37) points out, 'adaptive behavior is common, whereas true learning is rare'. Marmor (1997: 361) adds that cross-national comparisons are often used as 'policy warfare, not policy understanding and careful lesson-drawing'.

Table 1.1: Processes of Cross-national Policy Change

Process	Dynamics	Impacts
Globalisation	Chiefly economic liberalisation	Appearance of the neo-liberal state
Convergence	Structural similarity	Policy similarity
Diffusion	Pro-active agents (disseminators)	Policy adoption/non-adoption
Transfer	Emulation, Learning, Copying by agents (recipients)	Policy transfer/partial transfer/ non-transfer

Policy transfer analysis points to various dynamics, which facilitate or obstruct the transfer of public policy and suggests that we should not ignore the structured environment in which transfer takes place. In other words, the central research question should be, under what circumstances will desirable features of a program in country A ‘be introduced in country B and have a reasonable probability of success?’ (Rose 1993: 33). In this sense, policy transfer analysis appears to be a useful mode of enquiry in comparative public policy research.

This thesis will treat the transfer of public policy as a dependent variable. By exploring the context of administrative change, Chapter Five will produce a set of determinants or independent variables that appear to cause the transfer of NPM. The transfer of public

policy cannot be explained by globalisation alone as much of the literature concerning globalisation appears deterministic and fails to explain cross-national policy adoptions. Although globalisation has served to energise the processes that facilitate policy learning, it promotes both differentiation and homogeneity. Convergence does not get us beyond a discussion of similarity as the unique features of nation-states continue to provide a considerable obstacle to true convergence. Diffusion also has its limitations as an explanatory variable, not least because it assumes that adoption and non-adoption is a clear-cut process. In terms of adopting a particular piece of equipment or scientific invention, diffusion is more easily measured, but to account for the diffusion management practices or public policies, important political and socioeconomic contextual detail is missed. In the next chapter, I turn to the key methodological issues that arise from the deployment of the policy transfer approach.

## **2 Theoretical and Methodological Issues in Policy Transfer Analysis**

### **INTRODUCTION**

This chapter identifies the key methodological issues that confront the policy transfer approach and provides a map of the method that will be employed in this thesis. To reiterate, my primary aim is to develop a model 'for analyzing the crucial attributes of social and economic systems that may make them amenable to transplantation' (Peters 1996a: 25). To achieve this primary aim, case studies will be presented which will act as research sites that both account for policy transfer and establish whether NPM is being 'globalised'. Under the multi-level approach of this thesis, at the macro-level, the previous chapter explored theoretical perspectives of globalisation and how these might illuminate important developments in administrative reform. In particular, the notion of the Competition State

supplied a plausible account for the development of NPM. However, to investigate why one country should adopt a policy from another country cannot be explained simply by globalisation. In terms of meso-theorisation, policy transfer analysis thus appears to offer a useful account of how state actors interact with each other. As Lynn (1998: 232) observes, 'one of the most provocative questions raised by the NPM is the extent to which a convergence, a kind of isomorphism, of administrative forms is occurring across nations and cultures'.

The next chapter analyses the development of NPM and produces the model of NPM to be applied to the case study countries. However, from a normative perspective, NPM has been linked intellectually to the neo-liberal economics favoured by New Right. Any critique of NPM carries normative implications. Thus, a NPM model is developed in Chapter Three, which will be systematically applied to the case studies. However, this chapter begins with the development of an analytical framework, which incorporates policy transfer analysis and attempts to account for the spread of NPM ideas and practice in each of the case study countries. Key methodological issues will then be raised from the concepts reviewed in Chapter One. The rest of the chapter is then devoted to outlining the research strategy and methodology to be employed in the thesis.

## **1. THE ANALYTICAL FRAMEWORK - A MULTI-LEVEL APPROACH**

The theoretical framework, which is mapped out in this chapter, consists of three main and overlapping elements: globalisation (as a theoretical concept), NPM (as public policy) and policy transfer analysis as a method for analysing an observable and measurable process.

### *Globalisation*

Conceptually, globalisation may be used to determine to what extent changes in the delivery of public services have been the product of a response to the alleged erosion of the authority and capacity of national governments to act independently. However, the weaknesses of the

globalisation arguments are such that economic globalisation will be separated from other key independent structural variables that cause administrative change. Therefore, a model of administrative change is developed in Chapter Five for application in this thesis. Variables within the model are regarded as aggregates of individual relations within the system such as income inequality, division of labour etc. The thesis will then apply these variables to a range of countries to explain how these external processes impact on state behaviour with regard to the policy transfer of NPM.

### *New Public Management*

NPM is the public policy under investigation. Chapter Three discusses in more detail the problematic nature of NPM, and how it has come to be regarded as a new global paradigm for public administration. In the range of countries, the investigation is limited to accounting for the transfer of NPM. The problem of scaling and measuring NPM is also confronted in Chapter Three, where a model is produced and applied to the range of countries. As NPM is a policy of relatively recent origin it invites a revisit of its entire history and the establishment in detail of

...the processes and influences of policy learning and knowledge diffusion. Unless this can be done and is done, it is impossible to determine whether convergence is due to international pressures, diffusion of knowledge, purposive learning and emulation, or coincidental policy development (Seeliger 1996: 300).

The thesis aims to substantiate these concerns of Seeliger. Therefore, before we can analyse the case studies, in Chapter Three we will account for the emergence of NPM as a public policy option for administrative reform.

### *Policy Transfer Analysis*

Policy transfer analysis will inform the research method as it can be used to integrate the globalisation perspective along with an investigation of the extent of the implementation of

NPM type-reforms. My approach will be based on Dolowitz and Marsh's framework elaborated below. Thus, the transfer of NPM-type reforms will be treated as the dependent variable. The case studies will be used to demonstrate whether or not NPM has been transferred to these countries. However, as 'merely documenting...this rote response is not an adequate scholarly response' (Lynn 1998: 236), the conditions for policy learning will also be examined in each country.

Hence, three analytical models will be applied to each case study country:

- a model of administrative change (incorporating globalisation as an independent variable),
- a model of NPM (as a bundle of policies being transferred); and,
- a model of policy transfer developed by Dolowitz and Marsh.

Firstly, in Chapter Five, the model of administrative change encompasses global, regional, domestic and elite level structural variables that help to explain administrative reform. This model will be applied to each of the case study countries. Although agency and structure are interrelated, policy transfer analysis demands an examination of the actions of agents but these actors remain embedded in the various levels of analysis. As policy transfer is treated as a discrete process, it can be argued that transfer can only be facilitated by the impact of structural variables. The methodological ramifications of this claim are explored below. Thus Chapter Five will identify the structural processes, posited as independent variables, that might explain the adoption of NPM in the selected range of countries. Inevitably, comparative research faces the key methodological problem of too many variables; too few cases. I have therefore attempted to provide a focused comparison by controlling the number of utilised variables.

As Evans and Davies (1999a: 14) argue:

...in order to comprehend the nature of policy transfer it is crucial that we contextualise social and political action within the structured context in which it takes

place. We must assess whether processes external to the process of transfer we are looking at have an impact (directly or indirectly) upon the contexts and the strategies, intentions and actions of the agents directly involved.

Secondly, Chapter Three will account for the origins and development of NPM before suggesting a model that can be systematically applied to the case studies as an empirical exploration for the adoption of NPM. The NPM is thus presented as a bundle of policies and programmes that can be used to investigate whether policy transfer has taken place.

Thirdly, the Dolowitz and Marsh model (1996) attempts to understand why transfer takes place through a range of voluntaristic, coercive or perceptual forces but it only takes us so far. Nonetheless, this will provide the framework for the research method.

As a multi-level approach, the thesis considers the context within which a particular policy is being transplanted. Therefore, the appearance of the NPM model is dependent on the range of determinants in the model of administrative change that either facilitate or obstruct the potential transfer of policy. The word 'determinant' is used rather than 'variables' which assumes they can be neatly isolated. Inevitably, such a study may be criticised for being *determinist*, but the study is interested in finding out why NPM has been adopted. The determinants 'vary' in the same way as variables. Many determinants act in tandem, but here I have attempted to separate them where appropriate, in order to facilitate a systematic comparison of the selected range of countries.

Although the policy transfer of NPM is treated as the dependent variable, other determinants require consideration. Globalisation, which supposedly drives policy transfer, is treated as one determinant here. For instance, Cerny (1997a) argues that globalising processes produce 'the Competition State' that provides the fertile conditions in which NPM can breed. Other determinants attempt to place public administration within the social systems of the societies of which it is a part. Crozier (1964: 210) notes that although we might assume that 'bureaucratic structures and patterns of action differ' between nations, often the context is not taken into account. Crozier's study demonstrates how French bureaucracy was a product



of its cultural context. However, the determinants here attempt to explain change rather than a static phenomenon. Furthermore, although this set of determinants could provide the basis for a systematic application in a general comparative study of NPM, the determinants introduced in Chapter Five take into account important factors specific to the Asia-Pacific region.

## **2. METHODOLOGICAL ISSUES**

Beginning with Dolowitz and Marsh's model of policy transfer, this section addresses a range of important methodological issues that arise from the conceptual analysis in Chapter One. In addition, as the empirical research is essentially comparative in nature, the most relevant aspects of the comparative method will also be discussed.

### **The Policy Transfer Approach**

Dolowitz and Marsh's (1997) basic policy transfer model distilled a disparate literature, which invites subsequent modification (see Table 2.1). The model offers a wide ranging heuristic map to inform policy transfer research. However, an emphasis here will be placed on a discussion of cross-national transfer. As noted in the previous chapter, various events trigger the process by which agents (elected officials, bureaucrats, etc.) transfer policies, programmes and so forth. These agents will gather these policies from various sources including other governments. The resulting degrees of transfer include copying and emulation. Although the model demonstrates how transfer takes place, the real problem is the 'paucity of systematic research' that can prove that policy learning has lasting effects on the policy choices governments make (Bennett 1997: 214). Dolowitz and Marsh assume a similarity in structure and behaviour across actors or systems. The analysis of public administration through the lens of Weber's ideal type bureaucracy reveals 'many "superficially" distinctive organizations as having much in common' (Strang and Meyer 1993: 496). The transfer of policies that effect administrative procedures and practices should therefore be relatively easy to detect across different political systems. However, systematic similarities may give the appearance that convergence rather than transfer has taken place. Dolowitz (1997: 27) insists that 'a crucial

element in establishing the occurrence of policy transfer is to demonstrate that policymakers in the borrowing system were *aware* (my emphasis) of the originating system's policies and programs'.

Dolowitz and Marsh's model is shown in Table 2.1 below:

Table 2.1: A Model of Policy Transfer (adapted from Dolowitz and Marsh)

Why Transfer?	Who Transfers?	What is transferred?	Where from?	Degree of Transfer
Voluntary	Bureaucrats	The NPM model	Other countries	Copying
	Elected Officials		International organisations	Emulation
Coercive	Consultants			Inspiration
	Policy entrepreneurs			Mixtures
Psychological				

In this thesis, an examination of what is being transferred is limited to the 'NPM model', introduced in the next chapter.

## *Methodological Issues*

Researching policy transfer raises some considerable methodological challenges, not least that of empirical testing. There are three main reasons for this. Firstly, simply because there is 'easy access to information about what governments are doing' (Rose 1993: 3), there is the assumption that much policy transfer activity is done on an ad hoc basis, which may defy more systematic research strategies. As actors are opened to wider ranges of information and influences, it may be difficult to pinpoint with any precision where they acquired ideas, policies and lessons. Secondly, due to the ease of acquiring information, Wolman (1992: 33) highlights the unsystematic nature of policy learning, which has considerable implications for research. As policy learning involves the acquisition of:

...information garnered through contacts with consultants, journalists, academics, and visitors (it) tends to be highly impressionistic and unsystematic. The result of these various means of gathering information about foreign policies might be characterized as a pre-eminent form of policymaking by anecdote rather than by analysis.

Thirdly, Dolowitz and Marsh (1997: 4) point out that we can only gather clues about whether policy transfer is being engaged in by:

...the audience addressed. For example, while the Thatcher government admitted on many occasions during Parliamentary debates that they were drawing lessons, in the development of the British welfare-to-work system, from both the past and the United States, they rarely admitted this influence in public statements or press releases.

In addition to interviews, detailed content analysis of various types of documentation is thus required to detect policy transfer. The method by which data is collected will be addressed later in the chapter.

## **Policy Diffusion: Relational and Non-relational Methods**

As policy transfer analysis poses considerable methodological difficulties, not least because of the problems of investigating the processes involved, it is also worth considering the method of diffusion research. As Przeworski and Teune (1970: 53) observe 'if we had a chance to observe some social systems that were not exposed to external communication, the impact of diffusion could be assessed'. Unfortunately, it is highly unlikely that any government elite in the world is entirely isolated from outside communication. If one were to employ the methodology relating to the diffusion of innovations, it must be stressed that much of this literature ignores the political dimension of policy transfer between countries (Peters 1997: 76). Technology, unlike public policy, is considered to be value-free and thus easily transferable.

However, there are two methods in diffusion research that are worth consideration. McAdam and Rucht (1993) distinguish between the 'relational' and 'non-relational' approaches. The first method is the 'traditional' approach, or 'the relational model of diffusion, in which direct, interpersonal contact between transmitters and adopters is presumed to mediate the diffusion process' (McAdam and Rucht (1993: 59). Where the relational model is employed, diffusion is more likely to occur when individuals are 'homophilous', the degree to which two or more individuals who interact are alike in certain attributes such as education and social status. However, if they are very similar, diffusion may actually become less likely as there is no new information to exchange (Rogers 1995: 18-19). For instance, Valente (1993: 32) reviewed studies of the diffusion of fast hybrid corn among farmers in the US. In this example, the availability and the benefits of hybrid corn were disseminated to farmers by an array of personal contacts including salespersons and other agricultural workers. Farmers who adopted the hybrid corn then persuaded other farmers to adopt until a 'maximum rate of diffusion' was reached. The maximum rate was when approximately half the population had adopted hybrid corn, then the rate of adoption slowed. Furthermore, mass media and farm journals also played a role in the diffusion. Explaining diffusion in this way clearly goes

beyond a reliance on interpersonal contact although once diffusion is initiated through ‘nonrelational channels’, such as the mass media, interpersonal contact still has a key role to play.

Therefore, McAdam and Rucht (1993) point to studies that move us away from the relational model, given that much diffusion research is also based on non-relational channels, such as the mass media. In particular, the work of Strang and Meyer (1991) analysed the cross-national diffusion of policy and other organizational innovations. ‘They start with an empirical observation: there is a uniformity to policy practices worldwide that would be hard to explain on the basis of direct interpersonal contact’ (McAdam and Rucht 1993: 59). The implications for this research is that it will be possible to identify the various settings where individuals spread ideas and knowledge by personal contact, but there are other processes of diffusion that are not facilitated by direct interpersonal contact.

It is worth quoting Strang and Mayer (1991) (cited in McAdam and Rucht (1993: 59-60) at length, as they contend:

...that cross-national diffusion can occur in the absence of high levels of direct contact, provided nonrelational channels of information are available to a group of potential adopters who define themselves as similar to the transmitters and the idea or item in question as *relevant to their situation*. *The image, then, is of a much more amorphous process, depending more on information, and a certain similarity or even identification of adopters with transmitters than on direct interpersonal contact.*

To extrapolate, direct personal contact is not required for policy transfer, especially between most similar systems. The majority of the examples noted by Strang and Meyer ‘...involve the diffusion of policy innovations among structurally similar, or otherwise institutionally equivalent, actors’ (McAdam and Rucht (1993: 60). Bennett (1997: 214) argues that ‘the need for an equivalence in the policy dependent variable typically necessitates a comparison within units of the “most-similar-systems” variety’, which helps to explain why policy transfer

studies were initially limited to explaining transfer between American states or Canadian provinces.

Valente (1993: 32) elaborates upon McAdam and Rucht's typology by putting forward three diffusion processes: internal influence (relational model), external influence (nonrelational model) and mixed influence (which combine both relational and nonrelational factors). Citing a study by Coleman *et al* (1966), Valente (1993: 40) argues that for some members of a group, media influence is more important than interpersonal contact, or vice versa. Coleman *et al* used the number of subscriptions doctors made to medical journals to analyse the influence of the media on doctor's decisions to prescribe new drugs and found a positive correlation. Doctors who subscribed to only a few journals (less than four) were more likely to be influenced by other doctors. The mixed influence approach cannot be avoided in policy transfer research. Quite simply, public sector managers also read journals, attend conferences and seminars and talk to each other.

Therefore, the following non-relational methods such as newspaper articles, studies, reports and government records will be employed here to investigate cross-national transfer. The mass media is the most rapid diffusion channel (Rogers 1995) and as Dolowitz (1997) demonstrates, newspapers, magazines, journals and television, helped to communicate to Britain American welfare-to-work programs. Once the UK government was aware of welfare-to-work, it stepped up its policy learning effort by commissioning reports and visits. Schwartz (1997: 411) notes how the *Economist* ran 33 articles and editorials between 1984 and 1995 on New Zealand public management reform, which meant that officials in Alberta, Canada, were familiar with what was happening in New Zealand. This diffuse and largely indirect method of influencing public officials paved the way for the adoption of the New Zealand 'model' in Alberta, supported by Canadian digests of New Zealand policy (Schwartz 1997: 411-2). The cross-national transfer of NPM is therefore likely to be based on both relational and non-relational methods, neither of which is easy to record with any accuracy.

Strang and Meyer (1993) offer a range of analytic strategies for diffusion research. One strategy is to *examine the content of diffusion*. Although they are not concerned with the

timing of adoption, I argue that timing is a necessary part of transfer analysis. By looking at the content we can provide evidence of when ‘connections’ occur. If drawing upon a theorised model, such as NPM, then ‘variability in adopted content should be low and covariances should be time stationary (i.e., average differences between adopted practices should not increase with the interval between their adoption times)’ (Strang and Meyer 1993: 505). Obviously, this is unlikely when investigating cross-national transfer, given differing political, economic and social contexts. Content analysis of government documentation, official publications, consultants report and so forth, will be a crucial part of the research method.

The problem remains of investigating cross-national policy transfer across very different units of analysis. This is highlighted by Strang and Meyer (1993: 496) who refer to William Ouchi’s *Theory Z*, which discusses the possibility of American corporations adopting Japanese management styles. Ouchi notes that ‘to a specialist in the Japanese society and culture, the differences between Japan and the United States are so great that a borrowing of social organization between them seems impossible’ (Ouchi 1981). Moreover, White and Wolf (1995: 218) discuss whether the ‘texture’ of American culture can enthusiastically accept Total Quality Management (TQM) although a student of business organization may perceive certain similarities that would render the transfer of practices feasible. Strang and Meyer (1993: 496) conclude that although transfer between ‘economic organizations’ is possible it becomes problematic if we dichotomise between ‘Japanese organizations’ and ‘American organizations’. However, as pointed out in Chapter One, perceptions of similarity between two systems will facilitate transfer, despite fundamental cultural or other differences. For instance, membership of the Commonwealth Association of Public Administration and Management (CAPAM) was deemed a sufficient precondition for policy learning between the member states, despite their deep cultural and economic cleavages.<sup>1</sup>

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<sup>1</sup> Address to the CAPAM Biennial Conference, Bangi, Malaysia by the Commonwealth Secretary General, Chief Emeka Anyaoku, 8 September 1998. Reported by the author.

## **Policy Community Approaches**

It is clear that an adequate research method in policy transfer analysis demands an approach that can observe the point at which transfer takes place and by what means. Moreover, it is difficult to account for policy transfer with much accuracy by simply looking for the mixture of influences that cause the diffusion of policy. As the research is concerned with public management as a policy field, the policy community offers a conceptual lens with which to investigate policy transfer. At the meso-level, Evans and Davies (1996, 1999a) urge an integrated approach when using policy transfer analysis. At the macro-level, this thesis is concerned with both international system and political system characteristics and the impact of policy transfer at the micro-level. By an integrative approach at the meso-level, Evans and Davies (1999a: 9) observe that ‘where a gap can be identified in the scope of a theory it is perfectly legitimate to bridge that gap with another commensurable theory’. Policy transfer analysis is flexible enough to accommodate integration although Evans and Davies note that this could also be construed as one of the approach’s weaknesses. Thus, Evans and Davies (1999a: 17) advocate an integrated approach to improve the usefulness of policy transfer models. They argue that the concept of ‘policy community’ should be linked with a policy transfer network approach because by definition, a policy transfer network only exists while a transfer is occurring. Policy communities are much more durable entities within which policy transfer activity may arise and subside according to the circulation of policy ideas. The assumption is that a NPM transnational policy community exists through which transfer networks surface.

The notion of the epistemic community is also worth considering here as it has been developed through the policy community approach. Haas (1992: 18) clearly distinguishes epistemic communities from other types of groups. He argues that they have ‘a shared set of causal and principled beliefs (analytic and normative beliefs), a consensual knowledge base and a common policy enterprise (common interests)’. They are therefore likely to be more focused and internally coherent than other groups; any dissension from these beliefs, knowledge and interests would cause individuals to exit from the group. The epistemic



community would also withdraw from policy debate if contentious issues arise which challenge their fundamental values. Thus, state traditions of receptivity to the transfer of policy ideas may function as 'epistemic communities' (Peters 1997: 78). It may also be possible to identify a NPM epistemic community in a defined geographical region, such as the Asia-Pacific, based on its output (conferences, publications) and membership. However, as Haas (1992: 34) points out, to do this would be 'straightforward and painstaking'. As the epistemic community may be either a mechanism or an obstacle to policy transfer, allusions will be made and evidence presented that support, or refutes its role in policy transfer.

### **The Comparative Method in Public Administration**

Comparative studies are required to ascertain the influence of a policy or an epistemic community. Comparative public administration should be integrated with cross-national policy transfer analysis; otherwise notions of 'convergence' and 'transfer' will become meaningless. Here, there is another set of problems to consider. Raadschelders (1998: 46) cites Rutgers (1994) who argues that comparison presents the researcher with epistemological and semantical problems in addition to those of methodology. This 'trilemma' means, 'we have to deal with different natural languages, divergent administrative cultures, and different scientific languages'. To some extent, this is overcome in this thesis by a deliberate selection bias towards three countries with some degree of similarity and also by focusing the comparison on NPM reform. Page (1995: 125) defines a 'truly comparative analysis' in public administration as one that will 'explain cross-national similarities and variations through systematic comparison of more than one country'. Furthermore, it will invite 'the analysis of multiple observations of statistical analysis'. However, this definition presents a further set of problems. Such a difficult and demanding study would need to be undertaken before taking policy transfer into account and would require abandoning methodological rigour. However, Page (1995: 126) concedes that 'we must, as we do throughout political science research, accept as valid those analyses that do not meet the stringent criteria that an insistence on purity in methodology would require'.

It seems sensible to base the empirical research in this thesis on investigating actors within equivalent structures in the bureaucracies of three case studies. Aberbach and Rockman (1988: 423) identify the three analytic building blocks of comparative administration as 'structures (organizations), actors (executives and various species of bureaucratic officialdom), and actions (behaviors)'. As the transfer of NPM inevitably involves all three of these analytic building blocks, the focus of this research will be on civil service systems. Located at the centre of political power, the civil service naturally takes a strong interest in matters pertaining to administration and management. Many governments have established departments or offices especially for this task (Heady 1996: 208-9). As Aberbach and Rockman (1988: 420) observe, 'if we can characterize systems very well by their central tendency (or average characteristics), we are probably safe in making overall comparisons'. As the research is not aimed at explaining variations between systems, it must remain mindful that system variations will affect policy transfer activity. To take a functionalist approach would be to assume that spending departments, for example, are likely to be 'guided by similar impulses, regardless of setting, while expenditure control departments and agencies would tend to be guided by similar imperatives across systems' (Aberbach and Rockman 1988: 420). For the research to be meaningful, there will be some equivalent measurement across systems as 'comparative research requires a strategy for establishing equivalence' (Przeworski and Teune (1970: 111). However, this thesis will not avoid the context of social systems or cultural variables. The model of administrative reform developed later will take into account different contexts and variables whereas the NPM model will establish equivalence across systems.

To summarise, the approach taken here will be *inductive* (based on observations) and *deductive*, based on the application of models and theory. It is also a thematic comparison that will use systematic cross-national comparison to unearth causal processes, which can explain similarities and differences among different countries. Causal relationships will be established through associating variation on a dependent variable with variation on an independent variable. At the minimum, a systematic comparison of the case study countries will be completed by applying to those countries: a) a range of determinants of administrative reform, b) the NPM 'model' (See Chapter Three), c) the Marsh and Dolowitz policy transfer

model supplemented by other meso-level approaches, including the concept of the policy community.

### 3. METHODOLOGY

#### The Case Studies

The careful understanding of *context* that is required to sustain a convincing comparison limits the number of countries that can be included in comparative research. What Rose (1991: 457) calls the ‘globalist’ approach to comparison can be very misleading as it is based on easily obtained ‘facts’. The analysis will therefore be based on a range of three countries: Hong Kong, Malaysia and Singapore. Countries or ‘nation-states’ have been chosen as a unit of analysis because of the specific relationship public administration has within the political organisation of a particular country. This analysis runs counter to some analysts of globalisation such as Ohmae (1995) who now regard nation states as ‘dysfunctional’ and who prefer to look at zones of economic activity. To elaborate on this perspective, Singapore and Hong Kong, plus the city of Kuala Lumpur could be referred to as a ‘growth triangle’, or to use Ohmae’s language, a ‘network of city states’. However, such an approach would be fallacious, especially as the cities tend to regard themselves as competitors rather than collaborators seeking closer integration. For the foreseeable future at least, such networks are unlikely to become alternatives to nation-states.<sup>2</sup>

Here, it is assumed that policy is being transferred from the Anglo-American countries (the ‘NPM’ model) to these countries. Hofferbert and Budge (1996: 27) argue that ‘even when case studies build on an implicit theory, they are limited in time (to one government or episode) or space (one country). Moreover, since their approach is historical-institutional, they tend not to explicate theoretical assumptions and leave unstated in the end what the findings tell us about the theory’. It is hoped the research will address these concerns by providing an analytic structure based on identifying variables (or determinants, see below) that provide the context for policy transfer across these three countries. Furthermore, the NPM

model will be applied across the cases. Given the contested nature of what NPM actually consists of, an empirically sound case needs to be made as to what NPM constitutes. After all, if one is uncertain as to what NPM is, then how can one be certain as to what is transferred? The NPM model will be introduced and evaluated in the next chapter.

By comparing individual political entities we can establish and account for policy transfer. Selecting Hong Kong, Malaysia and Singapore might at first appear to be a recipe for unpromising results, given their geographic distance from the core NPM reforming countries in Europe and North America. However, the claim that NPM is being 'globalised' precludes that discussion. If we are investigating a phenomenon that has claims to being globalised, then NPM should appear in dramatically different settings.

The choice of the three countries represents a balance between difference and similarity. Comparative public administration research presents a dichotomy between 'most similar systems' research design, where systems with as many similar characteristics as possible are sought, and 'most different systems' approaches. For instance, Przeworski and Teune (1970: 32) cite a 'most similar systems' study by Alford who notes that 'the Anglo-American countries - Great Britain, Australia, New Zealand, the United States, and Canada - are alike in the important respect that they may be termed "pluralist" political systems...'. Coincidentally, these Anglo-American countries correspond to the core NPM reform grouping. The governments of the three countries in this research share the English language as a language of government, 'the standard language of scientific communication' (Moran and Wood 1996: 128), and geographic proximity but strong cultural and societal differences remain.<sup>3</sup> Perceptions of similarity between Hong Kong and Singapore, for example, have also fostered the notion of rivalry between the two states (No and Li, 1998). We might therefore predict the potential for policy transfer *within* the range of countries as well as *from* the core NPM group.

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<sup>2</sup> See the discussion by Hirst and Thompson (1996: 210).

<sup>3</sup> Here, I mean that English is widely used by and understood by all senior bureaucrats and politicians. The predominant languages are Cantonese (Hong Kong), Putonghua (Mandarin) (Singapore) and *bahasa Melayu*

A key similarity between the three countries is that they have all been colonised and influenced by Britain, and this acts as a historical setting variable. They are different in that since gaining independence from Britain; they have followed very different political, economic and social trajectories. Their political systems are different from the OECD or the Anglo-Saxon core group of NPM countries. If the differences were to prove substantial, it is possible that the research may produce three separate sets of statements that contribute little to general theory. However, the similarity between the three, as a result of the colonial imprint, is such that the countries will retain a permeability to ideas being developed in Britain in particular, and the West more generally. As Seeliger (1996: 302) observes, it will be useful in elucidating 'how the limited number of differences in political structures and processes affect the timing and extent of policy change, or pinpoint certain mechanisms of policy transfer and policy learning'.

#### *Defining a time period*

We can only account for policy transfer if we observe changes over time. Although it is possible to research with some accuracy when transfer actually occurred by looking for where and when particular policies are implemented, we still need to establish a time frame within which to look. One problem is that 'data may not be available for identical points in time for the countries under comparison' (Seeliger 1996: 296). Although a time period invites rigidity in observations concerning policy transfer, NPM as a term was not coined by Hood (1991) until 1991, although many NPM\_type developments were taking place during the late 1980s, or even before. Hence, to drastically shorten the period of investigation may preclude the processes of policy transfer.

Seeliger (1996: 299) argues that political culture and policy style shape preferences for policy instruments and so should be analysed over longer time periods. There may be a long gestation period between the adoption of a policy and its implementation. The diffusion of ideas also takes time, and as Seeliger (1996: 300) points out 'convergence over shorter

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(Malaysia).

periods of time might indicate efforts of lesson-drawing, whereas synchronous adoption of identical policies might indicate close international co-operation or even harmonization'. Given the above, this thesis will consider developments between 1988 and 1998. 1988 was the year *Improving Management in Government* (Efficiency Unit, 1988) was published in the UK, which was in step with the intensification of the NPM trend in New Zealand and elsewhere (Common 1995: 141). This is not to discount the period before 1988 when one considers the incremental nature of administrative reform. This time period also allows for the diffusion of *Government Management*, the New Zealand Treasury's briefing documents to the incoming government of 1987, and regarded as the 'manifesto' of NPM (Boston *et al* 1996: 3, Nagel 1997: 351).

### *Interviews*

The interview was the primary method of data gathering. An excessive reliance on official literature and government publications may have meant that it becomes difficult to distinguish between real and 'cosmetic' administrative change as government officials are often anxious to promote or aggrandise particular reforms. It was intended that the interviews would cover three basic areas of the study:

- information gathering concerning the political, economic and social contexts which prompted administrative change;
- assessing the extent and impact of NPM-type reforms (implementation and outcome);
- establishing how the policy transfer of NPM-type reforms occurred.

Specifically, it was intended that interviews would be conducted primarily with government departmental officials, but elected politicians and academics were also to be considered. Obviously access was a crucial issue here and contacts needed to be established. It was expected that interviewees would be departmental officials occupying senior civil service posts in relation to administrative matters or are based in finance ministries, which usually have departments assigned to them for the purposes of administration and management.

Politicians whose interests were relevant to this thesis were a more difficult group to identify, but certainly interviews were sought with ministers who have administrative reform as part of their portfolios. Interviews with politicians who are not members of the governing party may have been important if they were identified as contributing to the reform process by placing administrative reform on the political agenda. Furthermore, key academics were identified with a particular expertise or specialism in administrative change in the particular country.

Six important limitations of the interview method needed to be considered for this type of research. Firstly, inevitably who is interviewed is often subject to the discretion of superiors. It was likely that interviewees may wish to make a favourable presentation of reforms, or even to deny outside interference or influence. It was not feasible to extend the interview programme to include middle managers or 'front-line' staff. This was unfortunate because very often interviews with such staff provide sharp contrasts between the 'official' versions of reforms and the experience of what is happening at the level of service delivery. Secondly, interviews do not necessarily demonstrate that transfer takes place, as officials may deny or claim transfer has taken place, according to their own particular interests. Thirdly, as I do not speak any of the indigenous languages in the case study countries, the availability of English-speaking interviewees who are likely to have studied in the West may bias the information offered to me. I could only control for this by including a question about educational background in the interview schedule. It would also mean that I might miss potentially useful information from non-English speakers if I am unable to make use of an interpreter.

Fourthly, in relation to interviewing in the East Asia region, it is worth quoting Chow (1992: 1635) at length:

As past interview experience had indicated that most Hong Kong government officials were unwilling to share their personnel (sic) viewpoints and insight unless they were acquainted with the researcher. (Researchers select)...only those civil services with whom mutual trust had been established - a tactic widely accepted by comparative

politics scholars adopting an elite approach to the study of policy-making in Marxist-Leninist states or developing countries.

As a recent arrival to Hong Kong, I was conscious that I would encounter the problems associated with establishing a rapport and 'mutual trust' with public officials in the selected countries.

Fifthly, Evans and Davies (1999b: 27) suggest that a distinction is made between 'soft' transfers (ideas, concepts, and attitudes) and 'hard' transfers (where programmes and policies have been implemented). This is important as the interviewee giving the interviewer what he or she thinks the interviewer wants to hear may temper interview situations. For instance, we might be told country A is committed to TQM yet we might find that no formal system of TQM has actually been implemented. As Marmor (1997: 361) notes:

...policy-makers are busy with day-to-day pressures. Practical concerns incline them, if they take the time for comparative inquiry, to pay more attention to what appears to work, not academic reasons for what is and is not transferable and why.

Finally, the 'recall' problem was also likely to be encountered. Respondents may have difficulty remembering the processes by which programmes and policies were adopted and implemented a number of years ago. As Micklethwait and Wooldridge (1996: 324) observe when discussing the use of private sector practice by the public sector, 'it often seems like a bureaucratic version of Chinese Whispers, with one group of people applying what they *think* (my emphasis) another group of people have said'.

### *Documentary Sources*

In addition to the interviews, the methodology in this thesis employs a content approach based on non-relational methods such as journals, media, and government publications to detect policy transfer activity. As Thrift (1998: 47) observes, a media industry has now developed to diffuse knowledge quickly and readily. The rise in popularity of the 'non-academic



management book' produces readily available 'best-sellers' such as *Reinventing Government* (Osborne and Gaebler 1992). Certain publications may have a localised impact, such as 'Towards Prosperity' (Douglas and Callen 1987) which was influential among both bureaucrats and politicians in Alberta, Canada, to the extent that 'much of the New Zealand experience was distilled into aphoristic statements deployed...both publicly and privately' (Schwartz 1997: 412). In addition, the impact of best-sellers such as Osborne and Gaebler (1992) are difficult to quantify on a global scale. This is true of other management innovations. As Goffee and Hunt (1996: 3) argue, the 'concept of a 'learning organization' is extremely complex; few would be confident in knowing they have seen one'. These difficulties notwithstanding, when combined with the interviews, extrapolations can thus be made about elite behaviour in the transfer process, and how ideas about public management circulate. The assumption is that both political and bureaucratic elites have much to gain from policy transfer, even in cases where transfer appears coercive.

## CONCLUSION

Accounting for the policy transfer of NPM appears to face a number of methodological problems. However, to take a single approach such as applying the relational model in diffusion analysis, is likely to omit many alternative routes through which the transfer of policy takes place. Therefore, it will be essential during the interviews to elucidate how ideas are transmitted and absorbed, whether it is through personal contacts or by reading journals and documents. Inevitably, the interviewees would face the recall problem. NPM innovations began over a decade ago, so for instance, it may be difficult for a Singaporean civil servant to recall a seminar on 'Next Steps' agencies he or she attended at the British Civil Service College in 1988. This problem can be partly resolved by documentary evidence, particularly press reports of visits made by senior officials or by consultants, leading academics and prominent writers to the country being studied. In relation to analysing the impact of NPM on individual countries, much of this work will be descriptive. However, this is necessary because often little is understood about how central political institutions work (Rhodes 1997: 79).

The Policy Transfer approach is supplemented and strengthened by methods employed in the study of diffusion, a consideration of the policy community approach and the comparative method in public administration. However, as a meso-level concept, the attraction of the policy transfer approach lies in its potential for integration with other levels of analysis to provide a comprehensive, multi-level research framework. Chapter One introduced perspectives on globalisation and mapped out its relationship with policy transfer analysis. Dolowitz and Marsh's heuristic model can also be integrated with the model of administrative change to be introduced in Chapter Five and the NPM model to be introduced in the next chapter. I also wish to emphasise that it is the transfer of NPM that is the dependent variable under investigation. Before the globalisation of NPM can be subjected to empirical scrutiny, it requires definition. I turn to this problem in the next chapter.

# **3 The New Public Management: Origins, Development and Globalisation**

## **INTRODUCTION**

The economic crisis of the 1970s stimulated an international debate about administrative reform. The old certainties of economic rebuilding and the expansion in public services, which followed the end of the Second World War, were swept aside as public spending rose inexorably upwards. The challenge for public administration was to arrest this growth in expenditure and new ways of delivering public services were sought. By the end of the 1980s, the changes that had happened to public administration were given a collective title, the New Public Management (NPM) (Hood 1991). In this chapter, I present a model of NPM which will be used to investigate whether or not it has been systematically transferred across the world, consistent with the claim that there is a new global paradigm for public administration. The dilemma for this research is that we cannot challenge the globalisation of NPM without a set of criteria against which it can be empirically tested. This chapter

begins by attempting to define NPM before presenting the NPM model. The chapter then turns to an explanation of why claims have emerged that NPM is being globalised and the extent to which NPM can be regarded as a new paradigm of public administration.

## **1. WHAT IS NEW PUBLIC MANAGEMENT?**

From the early 1980s, a series of methods and techniques started to be employed in an effort to reform public administration. By the 1990s, these reforms had acquired the NPM label, which is now employed as convenient shorthand to describe contemporary administrative change. The simple explanation for the apparent diffusion of NPM across the world lies in its appeal as an attractive solution to the problems of big and inefficient government. The 'promise' of NPM is that it will 'modernise' public sector management, and make it more efficient, economic and effective. To challenge the argument that a new management orthodoxy in the delivery of public services based on NPM is sweeping around the globe, a key research problem is to explain why these reforms show striking similarities given that they are taking place in often very different political and administrative contexts. The reforms share a commonality in that they are both couched in the language of management and import methods and techniques from the commercial sector. This thesis tests the assertion that NPM has 'gone global'.

NPM is now the subject of numerous studies but they are restricted to a core grouping of mainly English-speaking countries, namely Britain, the United States, Canada, Australia and New Zealand, with the possible addition of Sweden and Holland. It should be emphasised that even within this core group, NPM has not been applied consistently.<sup>1</sup> In the previous chapter, the New Zealand Treasury's briefing papers to an incoming government in 1987 were described as the NPM 'manifesto'. Much of the published work that followed on NPM is prescriptive (for example, Osborne and Gaebler (1992) and Barzelay (1992)) and tends to offer models that promise to be universally applicable but are not based on any systematic comparative analysis. Another strand of work on NPM is largely descriptive, with the best

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<sup>1</sup> For example, Nagel (1997: 353) points to the 'dramatically different paths' taken by close neighbours Australia and New Zealand.

commentaries providing theoretical explanations for the appearance and appeal of NPM within the core grouping (for example, Savoie (1994), Zifcak (1994)). In terms of administrative reform, Caiden (1991) and Hood (1991) were among the first to recognise the NPM trend and a special issue of *Governance* followed in 1992 devoted to this topic. There is also a growing comparative literature on public sector management (good examples include Baker (1994), Flynn and Strehl (1996)) but these remains undeveloped beyond the Anglo-American and western European countries. Others, (such as Dunleavy (1994), Kettl (1997) and Massey (1997)), have posited the globalisation of NPM, but with the exception of Japan, the rest of the world beyond the core NPM nations is largely ignored in these discussions. These writers also have a tendency to make extrapolations about the globalisation of NPM based on the experience of the few Western countries mentioned above.

If we are witnessing a global revolution in the management of public services, how do we go about testing its existence, scope and application? Wright (1994: 117) was concerned about the lack of reliable comparative data on administrative reform across Europe, although this is remedied to a large extent by Flynn and Strehl (1996). Is it simply a matter of looking at where NPM strategies or techniques have been introduced? Superficially, surveying where these 'elements' appear could assess the global extent and penetration of NPM, but such a study would lack a strategic insight into public sector reform. This thesis needs to uncover why NPM type reforms were introduced in a particular country and to make some assessment of its impact.

The main empirical problem with NPM for this research is that it defies exact or precise definition. NPM is a problematic concept: it is often used as a vague, encompassing term for a set of methods or techniques that are frequently part and parcel of any given public sector managerial reform. Hood (1991) provided one of the first distillations of 'NPM' as a set of identifiable components. Other scholars went on to attempt normative definitions (for example, Ferlie *et al* (1996), Holmes and Shand (1995)) and produce lists of methods and techniques considered important in improving public administration. Hoggett (1994) describes NPM more broadly, as a collection of more flexible strategies in terms of service delivery and human resources. Pollitt (1995: 133) therefore saw NPM as a 'shopping basket' which

countries choose from for a variety of reasons. Normative models present a generic view of management by regarding the pragmatic adoption of proven methods and techniques developed in the private sector as necessary tools to improve the public sector. There is fundamentally little difference between 'management' in either sector.

Others, at best, locate NPM in theoretical frameworks based on management science and public choice theory (Aucoin (1990), Hood (1991), Pollitt (1993), Rhodes (1996), and Kelly (1998)). These more sophisticated accounts of NPM have attempted to identify theoretical justifications for public management reform. Scholars such as Hood and Aucoin have struggled with the contradictions posed by both managerialism and public choice theory, in particular the freedom that managerialism promises conflicts with the notion of strong political control. Terry (1998: 195) regards NPM as the product of the *liberation* management and *market-driven* management approaches to public management. *Liberation* management points to 'bad systems' for failure in public management and takes an optimistic view of management as a means of 'liberating' managers from the constraints of their organisational environments. Terry (1998: 195) quotes Al Gore (1993) who described public managers as 'good people trapped in bad systems'. *Liberation* management draws its inspiration from Osborne and Gaebler (1992), and Peters and Waterman (1982) before it. *Market-driven* management is guided by a neo-classical economic belief in the primacy of markets and of private sector management. Kelly (1998: 202) regards the current strain of NPM as containing elements of Total Quality Management (TQM) with the focus on improved 'customer' service.<sup>2</sup>

In the 1980s, public choice theory was in the intellectual ascendancy and offered a range of prescriptions for the problems of government. Although New Right governments in Britain and the United States subscribed to public choice theory, the association of NPM with the political 'New Right' is tenuous (Ferlie *et al* 1996: 16). However, this link persists as a result of the well-publicised efforts of the Thatcher and Reagan governments to reform public administration. There is a case for arguing that centre-left governments are more likely to adopt NPM. Schwartz (1997: 406-7) argues that:

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<sup>2</sup> By 'current strain', I refer to the post-1990 experience.

...left governments are more likely to emphasize and perhaps succeed at reinventing government in order to institutionalize long-run fiscal stability, while deferring expenditure cuts. Right governments are more likely to emphasize and achieve short-run fiscal balance while putting off reinvention.

Furthermore, Gaebler's cheerful acknowledgement that the book he co-wrote with Osborne 'is devoid of theories, politics or policies' (Gaebler, cited in Tan R., 1997) supports the view that part of the appeal of NPM is that it is somehow ideologically neutral and value free (Hood 1991). An assumption has emerged that NPM is somehow inevitable and logical.

However, the popularity of NPM depends upon the vicissitudes of electoral politics so there is the danger that we are documenting a 'fad'. Micklethwait and Wooldridge (1996: 330) point cynically to 'downsizing', 're-engineering' and total quality management as other fads that have swept through public administration, in addition to NPM. Furthermore, these fads are often 'mutually incompatible'. The result is that:

a typical public-sector management reform involves keeping the old departmental structure, but hoping to do it with fewer people; worse, it introduces performance measurement in the crudest possible way. These days academics may be promoted for writing a lot of articles despite the fact they are all bunk, and surgeons can be demoted because so many of their patients die.

Thrift (1998: 42) argues that a 'cultural circuit of capitalism', or a managerialist epistemic community, is responsible for a succession of fads. Thrift (1998: 46) cites Pascale (1991) who documents 26 fads since 1950, many of which have crossed over to the public sector including management by objectives; zero-base budgeting; decentralisation; quality circles; 'excellence' and corporate cultures. On the other hand, White and Wolf (1995) debate the TQM trend and conclude that because organisations are experiencing fundamental change, then if applied properly, TQM will have lasting impacts. However, the notion that private

sector management techniques are somehow 'superior' to public administration has served to encourage the acceptance of apparently contradictory managerial doctrines.

The market model (Peters 1996b) is the dominant model of governance being adopted in a range of OECD countries, which is aimed at introducing competitive elements into public services. If 'marketisation' is a key bias within NPM, then it also contains an anti-bureaucratic bias. Osborne and Gaebler (1992: 12) regard bureaucracies as redundant in the present day: 'they simply do not function well in the rapidly changing, information-rich, knowledge-intensive society and economy of the 1990s'. For Osborne and Gaebler, the state should be an enabler rather than a provider. In a critique of 'Reinventing Government', Ferlie *et al* (1996: 18) note the claim made by Osborne and Gaebler that we are moving 'towards a new form of entrepreneurial government which is more concerned to use public resources in new ways to maximize productivity and effectiveness' simply mimics much of the private sector literature.

Given these contradictions and problems it is worth reiterating that the key research problem in explaining the transfer of NPM is to have some idea of what it looks like. The model presented below is presented as an ideal type. As Massey (1997: 3) observes, when debating the existence of a NPM paradigm, 'models or 'ideal types' are employed as tools to aid understanding of these paradigms'. Peters (1994: 82) also notes that,

the method of ideal types has the virtue of providing a standard against which real world systems can be compared. Even if the "model" is rather ethnocentric (as Weber's certainly is), the comparison is meaningful. The danger, of course, is that the ideal type analysis is converted into a different type of ideal, with the assumption that the Western conceptions of "good" administration become normative standards rather than empirical referents.

The model as presented below in Table 3.1 is thus an 'empirical referent'. Furthermore, there are potentially infinite possibilities of types of public management 'reform'. The model is not intended to conform to what is considered to be 'good' administration, rather it is presented



as the *accumulation* of NPM methods and techniques. The model as presented in Table 3.1 will be systematically applied to Hong Kong, Malaysia and Singapore in Chapters Six, Seven and Eight respectively.

The NPM model is likely to be heavily criticised by public administration academics. Rhodes (1996: 663-4) singles out the lack of concern for interorganizational links, the managerialist obsession with objectives and the subsequent lack of trust, the focus on results which undermines the importance of managing in interorganizational networks, and the 'contradiction between competition and steering at the heart of NPM'. Aucoin (1990) argues that these contradictions are the result of the uneasy blend of managerialism and public choice theory that underpins NPM. Moreover, by presenting NPM here as a model does not presume a coherent set of reform strategies and it certainly does not add up to a new management orthodoxy. Therefore, the model is intended to surmount this methodological problem. However, it is unlikely that all the elements will be present in any one organisation or system of organisation. Many of the elements would contradict each other if introduced simultaneously yet the appearance of any one of the above elements may indicate an attempt to implement NPM.

The emphasis given within the model to decentralisation appears to offer a more substantial focus of investigation. Yet the concept of decentralisation itself is problematic. Aucoin (1990) for instance, points to the contradictory nature of decentralisation initiatives, which may lead to greater centralisation within public management. In other words, stronger central control over administrative outputs explicit in NPM contradicts the apparent freedom and discretion promised to managers in a decentralised environment. Care also needs to be taken that we are not dealing with 'buzz words' that lose their meaning. To use decentralisation as part of an analytical framework would require grounding in wider scale structural changes in the public sector as a consequence of its changing environment. Otherwise, NPM as a term becomes obsolete, having defied precise definition. Research needs to focus on large-scale structural reforms within which NPM elements appear.

## *Structure*

The first set of changes under the NPM model involves structural change, with organisational decentralisation or changes that involve reducing hierarchical authority, as key features. In the UK for example, executive agencies attempt to split operations from policy-making by placing organisational units, with identifiable business missions, at 'arm's length' from government. NPM may also involve some innovation in new forms of organisation that devolve decision-making closer to the point of service delivery. Inevitably, such reforms require changes in the vertical structures traditionally associated with public administration.

A main ingredient of NPM reforms appears to be 'decentralisation', an ambiguous term that is used to describe a variety of managerial changes. More specifically, 'organisational decentralisation' refers to a set of changes aimed at devolving decision-making from the top or power centres of public organisations. Although Holmes (1992: 477) notes that 'there is no simple law that says we should be centralized or decentralized, standardized or flexible' he concedes that there appears to be a tendency in reforms of the public sector aimed at a 'more decentralized or flexible operating environment'.

Table 3.1: New Public Management ‘Model’.

Reform	Meaning
STRUCTURE	<i>Organisational Decentralisation</i>
	Separate policy from execution (horizontal decentralisation)
1 Creation of single purpose agencies	
2 New forms of organisation	Flattening hierarchies
3 Territorial/geographical decentralisation	Vertical decentralisation
4 Reduce number of ministries agencies	Streamline organisational structure
PROCESS	<i>Introduce private sector management techniques</i>
	‘Hands on’ management enjoying greater visibility, accountability and discretion.
5 Corporatisation/strong organisational leadership	
6 Strategic management	Business and corporate planning
7 Decisions made close to at point of service delivery	Managerial decentralisation
<u>Budgetary Process</u>	
8 Performance measurement	Stress on and use of outputs (or outcomes)
9 Create Internal Markets	Separation of purchasing and providing functions
1 Cost-centre creation	Devolved budgeting
11 Use of cost rather than expenditure	Focus on actual costs rather than volume budgeting
12 Ending annuality	Freedom to retain savings
13 Use of budgets for planning/control	‘Top-down’ budgeting
14. Use of output measures and volume targets in budgets	More detailed budgetary scrutiny against targets
15 Cost-saving incentives	To encourage managers to make efficient use of resources
16 Trading funds	Revenue retained from user charges
17. Resource accounting	Accrual accounting
18. Greater evaluation through audit	Establishment of independent auditing bodies
19 Bulk budgeting	Greater flexibility within budgetary parameters
20. Purchasing deregulation	Avoid central procurement agencies

### Human Resource Management (Personnel)

21 Change reward structure	Pay to reflect 'market' conditions
22 Performance related/merit pay	Pay to reflect performance
23 Performance contracts	Tenure determined by performance
24 Appraisal based on performance	Monitoring by performance
25 Personnel deregulation	Covers the elimination of a range of civil service controls.
26 Weaken trade union power	Strengthen managerial discretion

### Quality

27 Quality Management	Deprofessionalisation
28 Programme Review	Systematic analysis of costs and benefits of individual programmes
29 Consumerist mechanisms	e.g. Citizen's Charters
30 PR and Marketing	Establish market identity for public organisations
31 Integrated service delivery	Includes 'one stop shops' and case management
32 Foster greater transparency	Public as monitors

### FUNCTIONS

	<i>'Marketization'</i>
	Sale of publicly owned enterprises
33 Privatisation	
34 Regulation	Independent regulation separated from clients and providers.
35 Quasi-privatisation	Blurring public/private divide - 'flexibility to explore alternatives to public provision'.
36 Contracting out (market testing)	Create and manage competitive environments
37 Extend choice through various mechanisms.	
i. 'consumer tagged finance'	
ii. 'vouchers'	
iii. 'user control'	
38 Deregulation	Liberalisation

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Sources: Peters (1996a and b, 1997), Dunleavy (1994), Wright (1994), Holmes and Shand (1995), Ukeles (1982, and cited in Caiden (1991: 28-9). For fuller explanations of each element, please refer to the Appendix.

## *Process*

The second set of changes described by the model are concerned with changes to the managerial process, and are grouped into changes in the budgetary process, in human resource management and quality management initiatives. All these changes involve the importation of private sector management techniques. Hoggett (1994) makes the distinction between 'external' decentralisation, or reforms aimed at contracting out or creating 'quasi markets' in the public sector, and 'internal' decentralisation, which refers to the introduction of managerial techniques and 'market values' into the public sector (see also Lane 1993: 147). The latter refers to changes in process, which result in greater operational and strategic freedom for managers.

Elements 8 to 20 have been grouped under the category of changes in the budgetary process. NPM has shifted public management, 'from a focus on *inputs* (how much should we spend?) to *outputs* (what activities do our inputs produce?)' leading 'to a much more expansive view of budgeting by linking allocation decisions and their results' (Kettl 1997: 449). Elements 21-26 have been grouped under the heading of 'Personnel' or to use the currently preferred terminology, 'Human Resources' Elements 27-33 focus on changes in process that are more qualitative in nature, and reflect more mature NPM systems, certainly post-1990. The World Bank (1997: 27) provides a neat rationale for the introduction of this aspect of NPM:

techniques for citizen and client consultation can introduce more openness and transparency into the system. As more people become aware of the performance of specific agencies or officials, they are more likely to exert collective pressure on the agency to perform better. At the same time public agencies will have less opportunity for arbitrary action.

## *Functions*

The final set of elements in the NPM model involve changing the function of the public sector from one of a monopolistic direct service provider to one of a regulator of goods and services produced by a mix of organisations. This is the process of 'external decentralisation' referred to by Hoggett. In other words, the functions of the public sector have been 'marketised'. The NPM model assumes that 'states with strong capability can take on more activist functions, dealing with the problem of missing markets by helping co-ordination' (World Bank 1997: 27) This functional shift lies at the heart of the 'Competition State'. As Cerny (1997a: 266) explains, it 'means the replacement of bureaucracies which directly produce public services by ones which closely monitor and supervise contracted-out and privatized services'. To move the discussion forward, NPM often refers to the marketisation of public services, usually facilitated by decentralisation strategies that introduce, intentionally or otherwise, market values into public sector management.

## **2. GLOBALISATION AND NPM: THE RISE OF THE COMPETITION STATE**

A key research question formulated in Chapter One was: to what extent do the various processes of globalisation account for the emergence and development of the NPM model? Although Metcalfe (1994: 272) observes that NPM is one 'of the most conspicuous trends in modern government', he is careful to refer to it as 'the internationalization of public management reform'. This section will therefore explore whether NPM is being globalised or whether it can be best described as an international trend. Metcalfe's observation is apparently confirmed by a cursory glance at the changing nature of public sector management in individual countries that reveal striking similarities. Osborne and Gaebler (1992: 331) assert 'if the rise of entrepreneurial government is an inevitable shift rather than a temporary fad, as we argue, one would expect it to happen in other nations as well'. As Osborne and Gaebler's (1992) work originated at the local government level, this is a big claim to make.

Why should we be surprised at this particular international 'trend' in public administration? It is possible to argue that since the development of modern bureaucracies, the nature and role of public administration when viewed on a country by country basis has always appeared similar. An ad hoc survey of the public administration literature reveals that administrative change around the world is unmistakable, and that the public sectors of many countries appear to be converging on the NPM model. Kaboolian (1998: 189) identifies three commonalities that appear to support the globalisation of NPM thesis:

- the use of the economic market as a model for political and administrative relationships;
- similarity in 'the goals they pursue and the technologies they utilize'; and
- 'the use of administrative technologies such as customer service, performance-based contracting, competition, market incentives and deregulation.'<sup>3</sup>

However, the notion that NPM has been globalised assumes that administrative transformation is a relatively straightforward process provided it enjoys the support of both bureaucratic and political elites. Yet, as Caiden (1991: 47) points out, there are considerable obstacles to reform including 'intense social conflict, lack of resources, technology and enterprise, and high tolerance for maladministration'. Caiden also lists geographical, historical, cultural, economic and political obstacles to reform. Without an appreciation of these obstacles, the pressures for globalisation may produce unintended consequences if applied uniformly across diverse political or administrative cultures.<sup>4</sup> Although Gaebler boasts that 'hundreds' of governments are using his and Osborne's ideas, he concedes that 'places like Albania or Cuba are not really worried about reinventing governments' (cited in Tan R. 1997). Yet in the same interview, he claims that 'reinventing government has already become a world-wide movement'. The alleged policy 'convergence' in public sector management is derived from reports of reforms, in diverse political systems that range from the United States to China, that show striking similarities.

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<sup>3</sup> See also Nagel (1997: 349) for an alternative discussion of Kaboolian's point about the use of the economic market as a model.

<sup>4</sup> See Dunleavy (1994).

However, deep problems remain with the idea that there is a global model of public administration. Dahl (1947) was among the first to question the validity of developing universal principles of administration on the grounds that:

- \_ We cannot make generalisations from the operations of public administration developed in the context of one nation-state and apply them to public administration developed in different environments.
- \_ There can be no universal generalisations about public administration without an in-depth study of the different national and social characteristics that impinge on public administration. We would then need to determine what aspects of public administration, if any are truly independent of the national and social setting.

It follows that the study of public administration inevitably must become much broader by going beyond a narrow range of techniques and methods, by extending it to the other contextual factors that give public administration its 'peculiar stamp' in each country.

Caiden (1991: 58) recalls a joint conference held in Italy in July 1967 between the American Society for Public Administration's Comparative Administration Group and the Social Science Research Council's Committee on Comparative Politics. According to Caiden, one conclusion reached there was that 'unless reconciled with local ecology, universal formulae of administrative reform based on Western concepts were unlikely to work'. Hence, we cannot regard NPM as part of a general theorisation of public administration.

Moreover, the charge that can be levelled at the proponents of NPM is a lack of sensitivity to the context of public administration on a country-by-country basis. As noted earlier in this chapter, at first glance, this particular managerial 'revolution' in the public sector appears confined to a small handful of countries, notably Britain, United States, Canada, Australia and New Zealand. A wider group of OECD countries is experimenting with NPM-type reforms to varying degrees. However, as the pressures to reform are uneven and differ in intensity from country to country, the consequences of similar sets of pressures will also be uneven in their effects. As public administration in each country develops along different social, political, economic and cultural trajectories, Caiden (1994: 46) warns us that 'much of what



purports to be universalistic is actually highly culture bound and idiosyncratic'. In particular, the United States, France and the UK are singled out as being 'guilty of false universality, hoping to convert everyone else to their ways of thinking' (Caiden 1994: 46). But as Ridley (1996: 18) argues, 'ideas have their own history and logic; and once launched, they have their own force. This has certainly been true of the spread of the attractively simple economic solutions to current economic problems, monetarist theory and all that'. Moreover, in practical management terms, there is a stream of apparently innovative management techniques that promise success and become widely accepted. Despite the warnings of Dahl and Caiden, much of the alleged globalisation of NPM is due to the persuasiveness and pragmatism of its ideas

By attempting to adapt to globalisation, states are being transformed into Competition States, regardless of the force of ideas. In tandem with NPM, the Competition State encourages the marketisation of the public sector, while ignoring local political and administrative cultures. As a global phenomenon, the NPM model clearly entails 'the undermining of the public character of public goods and of the specific character of specific assets, i.e. the privatization and marketization of the political-economic structure - of the 'state' as we have known it - itself' (Cerny 1994b: 339). As Dunleavy (1994) observes, there have been powerful pressures for the globalisation of public service production due to 'the substantial internationalization or regionalization of an activity previously handled in a single-country context'.

Cerny's (1997b) argument that NPM is a 'major manifestation and dimension of the Competition State approach' offers the most coherent explanation for the globalisation of NPM and its impact. Globalisation has meant that public goods can no longer be adequately controlled by the nation state and globalisation has forced policy-makers to reinvent policy processes and techniques. Policy-makers are more inclined to look at innovations beyond their own states. Thus, the appeal of the 'reinventing government' movement is that it offers an apparent solution to the problems associated with 'the fragmentation of the structural environment' (Cerny 1994b: 329). The shift from the welfare state to the Competition State occurred because of the crisis faced by the state due to its 'decreasing capacity to insulate

national economies from the global economy (Cerny 1997a: 4). The subsequent emergence and development of NPM includes more flexible systems of production and new organisational forms, with a stress on 'lean management'. The implementation of variants of the NPM model is thus facilitated by the ability of decision-makers to monitor more closely different levels of organisation through the use of information technology. Management techniques that employ methods such as performance indicators are necessary coping mechanisms for the Competition State. In short, Cerny (1997a: 26) describes the Competition State as one that has been transformed 'from a primarily hierarchical decommodifying agent into a primarily market-based, commodifying agent'.

A further impact of globalisation is that culture ceases to be of any importance in explaining the differences between public administration systems. As Child (1981: 308) argues, the 'logic of rational administration' pervades all organisations that are increasingly under competitive pressures or external efficiency demands. Hence, globalisation changes the values of both elected and appointed public officials (Baltodano 1997: 623). We might assume that changes in organisational behaviour that favour decentralisation, participation and professional management would ride roughshod over cultural settings in the globalised environment. Later in the thesis, we will discover that culture remains an important determinant of administrative change. However, if globalisation has caused the appearance of the 'Competition State', where public administration brandishes the NPM toolkit, are we witnessing a world-wide paradigm shift?

### **3. NPM: THE NEW GLOBAL PARADIGM FOR PUBLIC ADMINISTRATION?**

NPM is now hailed as a new paradigm or 'gold standard' for the public sector. Does NPM constitute a paradigm shift for public administration? Rondinelli (1995: 232) defines a paradigm shift as 'a change in conceptual framework that allows large numbers of people to perceive problems and opportunities in very different ways than they had done in the past or to conceive of responses to problems and opportunities in a new context'. To use this definition, NPM with its focus on market solutions, competition, and customers, appears very much as a paradigm shift away from the Weberian bureaucracy. However, Massey (1997:

3) uses Kuhn's (1970: 175) generally accepted definition of a paradigm, which is 'the entire constellation of beliefs, values, techniques and so on shared by members of a given community'. As general statements, these definitions are not particularly helpful, and this has led to ambiguity over how we should use the term 'paradigm'. For example, Jordan's (1990: 478) critique of the New Institutionalism began by noting that if the ideas of March and Olsen are accepted, then 'they represent no less than a paradigm shift'. Jordan quickly takes those same ideas to task and criticises them for their vagueness, omissions, and lack of substantiation. However, Sarji (1993, 1996a and b), the former Chief Secretary to the Government of Malaysia, describes the civil service reforms in Malaysia as a 'paradigm shift'. Yet it seems that the entire constellation of beliefs, values and so forth surrounding public administration in Malaysia has not been fundamentally altered (see Chapter Seven).

Moreover, Massey (1997: 3) notes that 'given the nature of social science, there will be a number of communities, and therefore a number of paradigms, in existence at any given time'. If we are looking for a paradigm shift, then we are looking for a shift in *dominant* paradigms. Lane (1994: 139) called public management 'a new paradigm' based on the challenge of the 'management paradigm...derived from the discipline of business administration'. Another dominant paradigm is offered by public choice theory. If we accept that NPM is the product of a tussle for mastery by these two new paradigms, then this might explain why NPM is riddled with contradictions (Aucoin 1990).

To accept a new paradigm for public administration means identifying the old paradigm. Fox and Miller (1995) argued that the traditional public administration paradigm, if it ever existed, was based on the Wilsonian dichotomy, Taylorist scientific management and accepting that the Weberian hierarchical control, is dead. However, we can dismiss NPM as a paradigm *shift* on the grounds that NPM positively reinforces these traditional foundations of public management by manifesting itself in three clear ways:

1. the separation of politics from administration is an explicit principle of NPM and thus echoes the classic public administration of Woodrow Wilson (executive agencies, purchaser - provider splits, proliferation of NGOs, etc.);

2. removal of professional discretion over tasks in order to strengthen hierarchical control (to restore political control, quality management, etc.);
3. enhancing the measurement and monitoring capacity of public service delivery is a return to scientific management (to link to rewards for performance, etc.).<sup>5</sup>

If we return to Rondinelli's definition of a paradigm above, NPM simply revives the old ways, rather than the 'very different ways' perceiving the problems and opportunities of public administration. Furthermore, if we accept Rhodes's criticism (1996: 663) that NPM is necessarily restricted to the management of line bureaucracies and then further emphasised by the traditional elements of public administration above, to talk about a paradigm shift is simply not convincing.

Underpinning NPM, however, is the emphasis on market-based mechanisms whose introduction has been enabled, somewhat ironically, by this apparent return to the foundations of public administration. However, both bureaucrats and politicians appear to be compelled to introduce NPM techniques in the absence of genuine competition from alternative providers of public services, and it is this compulsion that appears to be the international phenomenon. As Peters (1996b: 21) argues:

...whether administrative change is being considered in the most affluent country of Western Europe or the poorest country in Africa, the operative assumption appears to be that the best or even the only way to obtain better results from public sector organisations is to adopt some sort of market-based mechanism to replace the traditional bureaucracy.

Are countries engaged in implementing comprehensive NPM strategies or selectively applying 'doctrines', to use Hood's terminology? The evidence suggests that claims about the

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<sup>5</sup> See the wide-ranging discussion in Ridley (1996: 20) on the relationship between NPM and the 'Wilsonian dichotomy' and Aucoin (1990, 1997) for NPM's relationship to scientific management.

emergence of a 'new global paradigm' or a 'postbureaucratic paradigm' (Barzelay 1992) in public management should be treated sceptically. Hood (1995) argued that the retreat from the old orthodoxy does not automatically mean that there is a single coherent NPM strategy taking its place. Countries only appear to be picking and mixing from a given 'menu' of techniques, a menu that appears to be changing. For example, in the UK, public management strategies developed in the 1980s focused on financial control mechanisms such as devolved budgeting, but recently the emphasis appears to have changed to Total Quality Management (TQM), business planning and Business Process Reengineering (BPR). Lynn (1998: 232) attacks the paradigm status of NPM on the grounds that it is 'an ephemeral theme likely to fade'. He makes these substantive arguments in support of his thesis. Firstly, political succession in the Westminster reforms that originally inspired the term will quickly erode its appeal. Since the accession of the Labour party to power in 1997, scholars and practitioners alike now regard NPM as an increasingly redundant term. Secondly and importantly for this study, 'as comparative work across countries...accumulates, fundamental differences among reforms will begin to eclipse superficial similarities'. Thirdly, it is crucial to note that NPM is no longer 'new', it is at least a decade old. Finally, new ideas are also constantly being sought (Lynn 1998: 232).

In sum, Lynn believes we can write 'NPM's post-mortem now'. Certainly, Lynn's analysis serves to emphasise the faddish nature of NPM. The development of the 'information society' appears to offer new scenarios for change in public administration, such as the Business Process Reengineering (BPR) movement. However, even the technical orientation of BPR cannot ignore the context and values of public administration (Taylor *et al* 1997). Those convinced by the potential of the new information and communication technologies (ICTs) may result in a paradigm shift away from Weberian bureaucracy to a 'knowledge repository' approach to public administration. Zuurmond and Snellen (1997: 221) thus argue that the Weberian structure was based on the limited cognitive capacity of individuals and ICTs will usher in new forms of organisation or an *infocracy*.

There is a further basis on which NPM cannot be considered a paradigm shift. If we return to Kuhn's definition, we appear to be witnessing only a change within the 'constellation', not

the entire constellation itself. In other words, a modification in values has produced a new set of 'techniques' for public administration. To analyse a change in values that produces a new set of techniques immediately presents us with both methodological and theoretical difficulties. Methodologically, surveying NPM-type reforms is not a simple mapping exercise. This is partly because of the difficulty in defining terms and differentiating between substantial and cosmetic change. A further complication is the close policy relationship that NPM has with privatisation. As Pollitt and Summa (1996: 16) observe, 'the *meanings* given to public sector management reform also vary, so what looks like the same reform may be quite differently framed and valued in different countries'. It is perhaps more appropriate that we refer to world-wide changes in public administration as a transformation rather than being indicative of a paradigm shift. In other words, we are witnessing an international trend towards the marketization of public goods and services rather than the establishment of a new global paradigm for public administration.

#### **4. EXPLAINING THE INTERNATIONAL TREND OF NPM**

NPM is an unmistakable trend in public administration. The sheer proliferation of commentary on public sector management change and reform suggests that a 'globalisation of inquiry' has occurred in relation to NPM. Marmor (1997: 360) argues that 'times of policy change sharply increase the demand for new ideas - or at least new means to old ends'. From the 1970s, arresting the growth of government, the 'triumphs' of market ideas, and fiscal crisis have precipitated this particular series of policy changes. Despite the flaws in the status of the NPM paradigm, perceptions still have an important role to play. Increasing similarity between state structures and practices leads one to assume that NPM is being internationalised with relative ease. Here, the concepts of policy convergence and policy diffusion are revisited from Chapter One.

Although the business management literature has long considered the issue of whether management practices are converging (Brewer 1998: 2), such discussions have thus far been absent in the public administration literature. The cultural specificity of management has also been subjected to the now famous treatment of Hofstede (1980). There are equally weighty

arguments for both convergence and divergence, but Brewer (1998) argues that we need to dichotomise between the macro and micro levels to fully appreciate these processes. Brewer argues that if one can find evidence to support convergence at the macro-level, then the spread of NPM can be accounted for using convergence theory and modernisation theory (see Chapter Four). At the micro-level, or the level of management functioning, Brewer (1998: 6-7) cites Hofstede (1980) who found that within the IBM transnational corporation and despite the international standardisation of structures and operating procedures, 'employees behaved in ways consistent with their national cultures'. The implication for the convergence argument is that if NPM involves a shift away from Weberian bureaucracy to Peters' market model, it is likely that NPM will have very little impact at the micro-level. Brewer (1998: 10) therefore argues that 'the changes which NPM appears to be bringing about are actually more apparent than real'.

An important implication for the policy diffusion approach is that although the ideas of NPM are in international circulation, we cannot describe NPM as being diffused unless it is adopted and implemented. Diffusion analysis offers both relational and *non-relational modes of enquiry*. In the relational approach, the proactivity of a number of change agents appears to explain the spread of NPM. Gaebler, for instance, regards himself as a 'change agent' who claims to have travelled to no less than thirty nine countries to 'help governments change from being bureaucratic to being entrepreneurial' (cited by Tan R., 1997). For instance, Gaebler made repeated visits to Alberta, Canada, in 1993, when business planning was being introduced (Schwartz 1997: 412). As Strang and Meyer (1993: 498) point out, the 'knowledge of the relational structure, orientation, and influence of relevant theorists seems useful in mapping diffusion'. Although this study does not attempt to chart the movements of the so-called gurus, Michael Porter's *The Competitive Advantage of Nations* (1989) identified him as a persuasive change agent. Porter 'has been asked by governments from Portugal to Colombia to do for them what he and his kind have done for private enterprise' (*The Economist*, 1995: 23). However, to acknowledge the role of change agents, like Michael Porter, makes it easier to understand the epidemiology of NPM.

The development of policy transfer analysis is therefore important in gaining a nuanced understanding of these phenomena. The importance, or otherwise, of the 'change agents' can only be fully appreciated by using the integrated analysis advanced by Evans and Davies (1999a). Change agents are inevitably part of a policy network, or more precisely, an epistemic community that facilitates transfer activity. Agents that disseminate NPM around the world promote the discourse that cements the NPM community together. NPM discourse and its agents become the powerful 'cultural circuit of capital' (Thrift 1998: 42). According to Thrift, the circuit begins with information gathering, which is fed into the production of knowledge (academia, consultants, management 'gurus' etc.). This knowledge is then disseminated. Moreover, the circuit is cohesive, as there are no strong divisions of opinion between the universities, the consultancies and the gurus.

Rogers (1995: 27) distinguishes between 'change agents' and 'opinion leaders'. Opinion leaders can change other people's attitudes and behaviours on a regular basis and are found at the centre of 'an interpersonal communications network'. Change agents will influence a client by instilling the need for change in them. They will seek the adoption of new ideas by his or her clients and the change agent will also try and influence his or her client away from other innovations. As Rogers (1995: 337) points out, the relationship should be terminal; once the job is completed the client should become self-reliant. Micklethwait and Wooldridge (1996: 322) are critical of 'gurus' such as Michael Porter on the basis that they 'seem fired up about issues that have more to do with general economics and political philosophy than the nitty-gritty of public-sector management'. The 'gurus' are more likely to transfer ideas and lessons rather than detailed programmes.

Academics can also act as 'change agents'. For example, in Israel, Koberski, a former ministry of interior Chief Executive Officer, was appointed in 1986 to head a committee with the mandate of conducting a 'root and branch' examination of civil service operations and other publicly funded organisations. The committee reported in 1989 and the government adopted its recommendations a year later. Although we cannot determine that the Koberski committee was influenced by the language of NPM, we cannot ignore the fact that some members of the committee were American based academics, including Yehezkel Dror and David Rosenbloom.



It came as no surprise that the committee's recommendations appeared to be consistent with the jargon of NPM (Kohalny and Common 1998: 141).

Once the NPM model is established within a particular country it allows 'institutionalized conceptions of formal organization' that generate further rapid diffusions. The NPM model thus provides the 'standardized categories' that allow consultants and academics to provide more recipes for improving management. Moreover, senior public officials are motivated 'to dictate or provide incentives for approved forms. As these models gain a taken-for-granted or rulelike status, it becomes advantageous for organizations to comply in at least symbolic ways' (Strang and Meyer 1993: 491). Furthermore, once NPM is regarded as a set of innovative practices that have become theorised, then it is more likely to be diffused. The consultancy industry along with the business schools become bolder and suggest further organisational changes, thus the reform momentum gains pace (Strang and Mayer 1993: 496-7) From this perspective, it becomes easier to see why NPM appears to be particularly infectious. However, the diffusion research of Strang and Meyer and Rogers ignores politics and, as Peters (1997: 76) points out, the consultants 'tend not to have the clientele status that would lend them political power to influence policy adoptions'. However, the dialogue between the public and the private sector that has been facilitated by NPM adds some weight to the applicability of Strang and Meyer's analysis.

The English language is an important diffusion mechanism. However, when accounting for the present scope of the NPM model, implementation has not been uniform even within English-speaking nations. Halligan (1996: 307) argues that a distinction needs to be drawn 'between the overall reform concept or package and specific reforms within the package'. At the conceptual level, the Anglo-American core NPM group of countries embraced managerialism quickly although there were differences between their programmes. It has already been mentioned earlier in this chapter that the literature that posits the globalisation of NPM rarely goes beyond this core grouping of nations. As Ridley (1996: 18) notes:

...it is significant that the new management with all its buzz words has been more readily accepted in the anglophone world and in that part of Europe where English is usually the second language and where there are intellectual links with America (or, to put less grandly, American style texts are read and consultants heard).

It is generally accepted that English is the preferred language of business and most discoveries and innovations are published first in English before being translated and made available elsewhere.

Peters (1996a: 115-6) addressed the question, 'why are the Anglo-American countries the center of the reform universe' whereas 'countries in the Germanic tradition have been the least interested in reform' Peters plays down the importance of language as a medium of diffusion by arguing that Anglo-American countries are the home of advocating free enterprise and the market and have been made subject to the influence of private management consultants and other purveyors of reform ideas. Hence, TQM and other techniques have been directly imported from the private sector and private sector advisors have been used (for example, Lord Rayner assisted the first Thatcher government in the UK). Peters argues that consequently Anglo-American countries have been characterised by a distrust of government and a lack of integration of the bureaucracy into civil society. In particular, a lack of a distinctive role for the civil service has predominated so that the application of private sector management techniques to the civil service is not perceived as particularly radical.

Pollitt and Summa (1997) conclude that the Westminster model of government appears to more readily absorb NPM strategies where power is centralised in a core executive and change can 'lead from the top', even in the face of hostility from the bureaucracy. For Peters (1996b: 15), a further question of interest is, 'how do the reforms fare when they are taken from that context and placed into different political and administrative environments?' This question will be answered in Part Two of the thesis.

## CONCLUSION

The NPM model presented in this chapter is required for systematic comparative application. Systematic applications of the NPM model at the micro-level will only reveal the true extent of NPM within administrative systems. The NPM model will also be used as a tool to investigate policy transfer to Hong Kong, Malaysia and Singapore. As an agent of globalisation, the Competition State has appeared to enthusiastically embrace NPM as part of the wider reinvention of the public sector. Globalisation has been identified and discussed as a key pressure for change in public administration, albeit a complex and contestable one. However, although the globalised environment affords more opportunities for the transfer of NPM, it still does not explain why it is adopted. A 'rare but powerful' form of lesson drawing is 'generalization from the widest variety of cases' (Marmor 1997: 362). This is the opposite of drawing lessons from countries considered to be 'most similar systems'. Therefore, the global appeal of NPM as a policy generalization is that it appears to hold over 'many divergent cases' and thus demands attention from policy-makers.

We have to be cautious about referring to NPM as a new paradigm for public administration. Despite there being strong evidence to suggest that NPM is not a new global paradigm, it does provide a frame of reference, or discourse, for elites seeking to reform public administration. The durability of NPM is partly explained by diffusion analysis, which allows for the rapid transmission of normative models, aided and abetted by an epistemic community of business school academics and management gurus. However, diffusion analysis can only take us so far, and certainly not beyond the core grouping of NPM countries. Although the ideas that support NPM are in global circulation, application of the NPM model will only tell us if these ideas have been put into practice. This will occur in Part Two. In the next chapter, the thesis will focus on an aspect of globalisation that impinges on administrative reform, the role of international organisations in the dissemination of international policy agendas.

# **4 The Role of International Organisations in Policy Transfer**

## **INTRODUCTION**

In this chapter, the internationalisation of NPM will be considered through the lens of the policy transfer approach. This will provide a preliminary test of the explanatory power of policy transfer analysis. The chapter will limit itself to a study of the role of international organisations in the diffusion of NPM strategies. The reason for treating international organisations as a separate focus of study is founded on their relationship with the developing world in general, and the Asia-Pacific region in particular. An examination of the role of international organisations takes us beyond the context of Western liberal democracies where NPM was initially developed. Moreover, much of the aggrandisement of NPM as a 'global paradigm' has been prompted through the activities of international organisations.

This chapter begins by returning to the concept of globalisation and discusses two inter-related processes: democratisation and modernisation. This discussion is necessary as the thesis now steps outside the core NPM countries of the developed West to analyse globalisation as part of the 'development school' which assumes democracy and modernisation as 'the ultimate goals' of development (Alagappa 1995a: 5). Thus, the element of determinism here is based on the view that any country outside the West is converging on western models of politics, organisation, and public administration. The processes of democratisation and modernisation are not presented as determinants of administrative reform but it is necessary that they be explored as they are often cited as rationales for administrative reform. Moreover, democratisation and modernisation have strong implications for the developing world and both arguably provide fertile ground for the implementation of NPM. A broader look will then be taken at policy transfer analysis as a method for explaining the internationalisation of NPM, also with reference to the developing world. The assumption that underpins this chapter is the existence of an international epistemic community where knowledge is controlled and spread by an enthusiastic management elite and sponsored by international organisations. Here, the international diffusion of NPM is taken to be the result of pro-activity by proponents of this particular set of administrative doctrines.

## **1. MODERNISATION AND DEMOCRATISATION**

The terms 'modernisation' and 'democratisation' are as loose and contentious as that of globalisation. Modernisation theory has been kept apart from more recent theorising about globalisation. Scott (1997: 3) warns that 'the concept of globalization should not act simply as a synonym for a new phase of modernization or for Westernization'. Yet, as Giddens (1990) observes, modernisation is 'inherently globalising' and arguably, modernisation itself is a process of globalisation. Fukuyama (1998: 224) firmly believes that 'modernization is a coherent process that produces a certain uniformity of economic and political institutions across different regions and cultures'. The level of the economic development of a particular country may be taken as a determinant of the policy transfer of NPM. It is assumed that unless a state reaches a certain level of both economic development and democratisation, it cannot be considered 'modern'. In other words, the evolution from a pre-industrial society into an industrial society eventually means that developing countries 'become like those in the West'

(Smith 1996: 63). Such assumptions make the prediction of the likelihood of the policy transfer of NPM as part of the 'modern' tool-kit for developing public administration simplistic.

Modernisation can simply mean improving the administrative tasks of government. However, as a fuller discussion of modernity belongs elsewhere, this chapter must limit the term 'modernization' to the political and social changes accompanying industrialisation (King 1995). Modernisation breeds similarity and thus economic development breeds institutional convergence. As Unger and Van Waarden (1995: 5) point out, 'the classics of sociology...all had implicit or explicit theories of convergence as part of their theories of modernization'. The prevailing view of modernisation is given by Walker (1996: 128) who notes that 'the highest stage of development was defined in terms of political structures in industrial economy, and an associational/pluralist social structure - all characteristics of modernisation/Westernisation', facilitated by 'social change'. Heady (1996: 116) cautions us of the 'tendency to equate modernization with emulation of a few existing nation-states'. In short, there is a danger that it is taken for granted that Western countries provide desirable exemplars.

Does modernisation cause convergence whereas globalisation encourages policy transfer activity? The pressure to 'modernise' their public sectors appears to force national governments into policy transfer activity, so modernisation does not necessarily mean convergence. However, the looseness of the term 'modern' still causes analytical problems. We appear to reach a conceptual cul-de-sac in that modernisation equals the adoption of a 'one best way' approach, or even 'Americanization' (Scott 1997: 5). Riggs (1994), for example, was concerned about America's power as a dominant exemplar. This notion is explored later in the chapter. More broadly, Shils argued that the West provided the 'standards and models in the light of which the elites of the unmodern new states of Asia and Africa seek to reshape their countries' (cited in Heady 1996: 115).

Many developing nations are former colonies and are thus 'new' nations. Huque (1990: 11) argues that the persistence of the former colonial administration means that 'substantial external assistance' is required. Naturally, such help comes from the wealthy nations who impose their own values and practices of administration. In turn, new nations become dependent on the

wealthy nations for expertise and guidance. On the other hand, this may be a voluntary process for the new nations. Ro (1993: 34) comments that 'the organizational forms of the industrialized nations are grafted onto the new countries by a centralized elite bent on modernization, who then have to reconcile the inevitable conflicts between traditional and modern elements'. Ingraham (1996: 251) also notes that in developing countries, 'modernization necessarily implies debureaucratization and elimination of many outmoded and burdensome state organizations, even while building new ones' supplies a more positive note. In relation to the thesis, modernisation has created favourable conditions for policy learning in East Asia. According to Stella Quah (1995: 285), a sign of modernity in Chinese, Korean, and Japanese culture is openness to new experiences. If we interpret this very narrowly and cautiously as 'westernisation', then the relationship between westernisation and modernisation leads us to another possible pre-requisite for the transfer of NPM, democratisation.

Democratisation generally refers to the process of increasing plurality in the policy process and the emergence of multi-party systems with regular elections held by universal suffrage. Other elements might include the development of a robust civil society, the implementation of the rule of law, an efficient and responsive bureaucracy, a public integrity system, a decentralised local governmental system, and a free media.<sup>1</sup> The link between globalisation and democratisation needs some attention given that democratic structures appear to be the result of the deterministic link between economic development and political liberalization (Huntington 1991: 65, Curtis 1998: 219, Fukuyama 1998: 224). Gill (1996: 214) is sceptical of the existence of this link arguing that 'the very social and material basis for greater political equality \_ central to the very idea of democracy \_ has been undermined in many countries'. To accept democratisation as globalising because 'economic development requires involvement in the world economy' which opens society to 'democratic ideas' (Huntington 1991: 66), then democracy requires substantial 'cultural homogeneity if it is to be tolerable' (Hirst and Thompson 1996: 173). Clearly, this kind of homogeneity does not exist even on a country-by-country basis.

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<sup>1</sup> The integrity of governments is crucial for democratic governance. An integrity system is essential both as a practical way to avert the damage which corruption causes to the public interest as well as a way of fostering an environment in which the quality of decision-making in government is enhanced.

Cerny (1997a: 5) adopts the view that:

...the kind of world which is crystallizing through globalization is not only inherently less permeable to democratically-grounded values and conceptions of the public interest or collective good, but also less capable of generating the policy outcomes that people want.

Cerny bases his argument on a concern that as a consequence of exposure to globalisation, nation-states lose their capacity for collective action and policy-making. The implication for the appearance of NPM is that it appears to fill the breach left by this erosion of autonomy. Different political contexts obviously help to explain the uneven development of NPM in mature liberal democracies; but democratisation, or an opposite process to democratisation, has implications for the appearance of NPM beyond western liberal states.

Democracy is also linked to modernisation. Walker (1996: 128) notes above that 'an associational/pluralist social structure' was an important characteristic of 'modernisation/Westernisation'. Helgesen and Xing (1996: 96) argue that the modernisation/democratisation thesis could be applied to Eastern Europe as well as the Third World. However, economic development in the Third World was often seen as necessary to counter a perceived communist threat. According to Przeworski and Limongi (1997: 157) the idea that 'modernization' equates with 'democracy' has, as its basic assumption, the theory that democratization is the final stage of 'modernisation'. As Przeworski and Limongi (1997: 157) explain, 'modernization consists of a gradual differentiation and specialization of social structures from other structures and makes democracy possible'. However, they reject the commonly held notion that democracy is the result of economic development. For example, Sing (1996) argued that Hong Kong contradicts the modernisation thesis and claims that in spite of steady growth, pro-democracy bodies actually declined in support from the late 1980s to the early 1990s. Sing (1996: 488) explains that 'the maintenance of prosperity, stability and civil liberties' in Hong Kong 'pre-empted' pro-democratic forces.



A strong link also exists between the marketisation of public services that underpin the NPM model and democratisation. As Gill (1996: 217) observes, 'neoliberal innovations', such as NPM, 'are designed to be compatible with business civilization'. To link public management reform to the consolidation of democratic structures also appears to be a natural consequence of the deterministic link between economic development and political liberalization. There is an argument that authoritarianism should precede democracy, as a crucial stage in development that contradicts assertions that democratisation is necessary in order to assist development. Helgesen and Xing (1996: 110) argue that East Asian elites see authoritarian government as a useful expedient for effective policy-making in the face of political stability. From their point of view, what a country needs at its initial developmental stage is 'discipline more than democracy', a view that is apparently shared by a former director of the World Bank's Africa department. Although Cammack (1996:47) regards 'political development theory' as a 'project for the establishment of *liberal* capitalism in the developing world' he argues that the 'the *postponement* of the introduction of democracy' was necessary until '*liberal capitalism* was firmly established'.

Arguably, international organisations, and more specifically, the international financial institutions, have a key role to play in both the processes of modernisation and westernisation. For instance, Williams and Young (1994: 86) commented on a World Bank (1989) report that stressed the importance of 'political renewal' in the sub-Saharan region. The report traced the growing concern with the management of the public sector in developing countries to the late 1980s and linked it to the apparent need for wider political change (World Bank (1989:5). 'Political renewal' means the creation of 'pluralistic institutional structures', including civil service reform, modelled on western liberal democracies. Such requirements for reform were presented as being ideologically free, and as being essential for a 'modern state'. In sum, Farazmand (1994: 76) observes that 'the administrative reforms that have taken place or will take place around the globe have mainly corresponded with objectives of marketization, privatization and democratization'. Arguably, these objectives, either explicitly or implicitly, form the political agenda of international organisations.

## 2. THE ROLE OF INTERNATIONAL ORGANISATIONS

In Chapter One, globalisation was regarded as a process of integration facilitated by an increasing number of influential trans-national actors. The result of this process is the emergence of a 'global class structure' or 'an international élite made up of top diplomats, government ministers, aid officials and representatives of international organisations...forming a kind of cultural cohort' (Friedman 1995: 79-80). Here, the focus turns to the role of international organisations in policy learning. This chapter does not attempt a study of the international organisations *per se*; rather it provides an analysis of the role they play in the transfer of NPM and the consequences of this transfer activity. As Carroll (1998: 8) observes, 'through institutions such as Asia Pacific Economic Co-operation (APEC) and Association of South East Asian Nations (ASEAN), not to mention the World Trade Organisation (GATT until 1995) and the OECD, the potential for policy learning is growing rapidly'. Apart from the World Bank, the International Monetary Fund (IMF) and the United Nations (UN), we might add to the list other regional financial institutions such as the Inter-American Development Bank and the European Bank for reconstruction, bilateral aid agencies, notably the US Agency for International Development, Universities, 'Think Tanks', and consultancies (e.g. Coopers and Lybrand). Other additions might include the UK Overseas Development Agency (ODA) and the Commonwealth Secretariat. Indeed, established in 1994, the Commonwealth Association of Public Administration and Management (CAPAM) provides a forum in which member states can learn from each other.

If we accept marketization, privatization and democratization as the central objectives of the international institutions, the reform measures promoted by the World Bank and the IMF in the 1980s appeared to mirror the effects and efforts of conservative governments in the West. In particular, the efforts to reduce the size of the public sector and to weaken civil service power over policy-making. Although this analysis is simplistic, it assumes there was little conscious effort at reforming or 'modernising' recalcitrant systems of public administration. Furthermore, the international organisations are not consistent in their approach to reform. For instance, Friedman (1995: 80) argues that 'the World Bank can shift from all-out developmentalism to

a serious support for tribal alternatives and ecosystem maintenance. It is not the Bank itself that is the source of either of these positions, which must be traced back....to the specific identity space of 'modernity' and its historical vacillations'. Haas (1990) attempts to explain these shifts in the basic philosophy of the World Bank by changes in consensual knowledge, common interests and the existence of 'stable coalitions' of power of donor countries. The period from 1980 onwards is described by Haas (1990: 143) as a struggle between 'managed liberalism vs. Ecoholism' in terms of the World Bank's dominant ideology.

However, this thesis is concerned with the role of international organisations as agents for the policy transfer of NPM. The headquarters of many of the international institutions, based in the US, were unlikely to remain immune from a local political climate charged by the New Right armed with public choice theory during the 1980s. We can only speculate that a broad epistemic community may have been at work in Washington DC that encompassed the international financial institutions, think-tanks and the US government. Biersteker (1995: 186) remarked that 'there was a pronounced interest in the willingness, especially on the part of the US government, to use the Fund and the Bank to force changes in developing-country economic policy during the early 1980s'. As Held and McGrew (1993: 272) argue 'these organisations are at the centre of a continual conflict over the control and direction of global policy', and have acquired 'entrenched authority' over the years. Moreover, Othman and Maganya (1989: 90) accuse the World Bank and IMF as having hidden political ideology behind 'technocratic solutions'. In particular, World Bank loan conditions, which involve changing the economic policies of LDC governments and are 'designed to ensure the execution of a *contract*', are reminiscent of public choice theory (Mosley *et al* 1991: 65). The World Bank has framed administrative problems in public choice terms along with the promotion of marketization (World Bank 1992:6). Although Held (1991: 217) remarks that international organisations, such as the World Bank, are 'preoccupied' with the more detailed and technical questions of management, 'these bodies have been highly controversial and politicized'.

When considering the impact of the processes of modernisation and democratisation on the developing world from a historical perspective, we appear to be witnessing a new layer being added by the international organisations to the layer of colonialism left by imperial legacies.

Heald (1992: 69) argues that 'the international agencies are vulnerable to being portrayed as facilitators of a new colonialism based upon foreign capital rather than foreign administration'. However, there is an unmistakable impact on public administration as a consequence of the involvement of international organisations. In addition, if we consider the gradual process of 'administrative imitation' as imperialist countries sought to consolidate their domination over their fiefdoms, NPM has appeared across the world in a much shorter time-frame.<sup>2</sup> Ridley (1996: 18) argues that the rapid spread of NPM 'owes something to the structures of transmission, notably the ever-growing influence of international consultancy firms, together with messages from OECD or, in the developing world, the World Bank'. The pressure on countries to 'modernise' their public sectors also provides a role for international institutions in offering 'exemplars' and 'best practice' to policy-makers eager to learn. Although their role is ambiguous, international organisations have appeared to act as agents in the policy transfer of NPM.

### 3. POLICY TRANSFER AND INTERNATIONAL ORGANISATIONS

A key policy diffusion mechanism is '*guided change involving the activity of external agents*'. This mechanism involves 'international organizations and transnational co-operation in the handling of policy issues' (Halligan 1996: 291, also citing Eyestone, 1977). Undoubtedly, international organisations are key actors in the policy transfer process. To apply Dolowitz and Marsh's (1996, 1997) framework, voluntary transfer assumes search activity by governments or 'lesson drawing' (see Chapter One). International institutions can facilitate policy learning in a number of ways. For instance, Rose (1993: 105) argues that the European Union (EU) 'promotes comparison' where members learn best practice from each other (see also Moran and Wood (1996). However, the notion of the epistemic community may be of some relevance here. Haas (1990: 42) argues that such communities can influence international organisations by sitting on key bodies or committees or by monopolising key 'secretariat positions in their issue area'. This can only happen if the community can form an alliance with dominant political actors within the organisation. Stone (1996: 94-5) argues that epistemic communities 'require a presence in reputable organisations outside government', including international

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<sup>2</sup> See Chapel (1982) for a full discussion of 'administrative imitation'.

organisations. However, they can only exert their influence as long as political leaders are willing to listen to them, especially in a crisis. Once the epistemic community ‘captures the high ground of persuasive analysis...trans-governmental processes will then spread the word’ (Haas 1990: 130). Epistemic communities thus legitimate the actions of the international organisations.

The OECD has a key role to play in the transfer of NPM. For instance, the OECD facilitates policy learning among its members through the Public Management Committee (PUMA) which produces a series of Public Management Studies. As Moran and Wood (1996: 129) note ‘such influence as it wields come from the power of the analyses which it sponsors and from the influence of the individuals and institutions in the networks which it supports’. For example, the foreword to *Managing with Market Type Mechanisms* is clear about one aim of the report, which is to draw ‘some clear lessons in the immense field of public management practices which attempt to blend the advantages of market arrangements with the proven virtues of traditional public administration’ (OECD 1993: 3). Furthermore, the OECD reached beyond its member states by hosting an ‘Emerging Market Economy Forum Workshop’ on Public Management in Support of Economic and Social Objectives in Paris, December 1998. Besides inviting delegations from non-member countries, the World Bank, the IMF, the Asian Development Bank, the Inter-American Development Bank and the Commonwealth Secretariat were also invited to participate.<sup>3</sup> However, the OECD can only propose economic policies for Western states rather than impose them (Luard 1990: 149). CAPAM performs a similar function for Commonwealth countries.

As well as facilitating policy learning, the international organisations constitute an embedded policy strata at the global level. Collectively, they form ‘international regimes’ that have a ‘shared and long-term commitment to a set of governing arrangements’ (Bennett 1991b: 226). Here, supranational organisations do not impose policy but they can influence and disseminate ‘good practice’. This is achieved by informal networks reinforced by meetings and forums provided by the international organisations which ‘generate the high-quality information which

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<sup>3</sup> OECD Public Management Service publicity document, received by author, September 1998.

international institutions provide for the participants' (Risse-Kappen 1995: 31), such as the OECD workshop described above. A joint seminar held between the Singapore government and the Commonwealth Secretariat on managing change in the civil service in November 1997 provides a telling example of this process. It was attended by representatives from twenty-one Commonwealth countries with the aim of studying how to improve public services in their countries (*Straits Times* 18/11/97). Strang and Meyer (1993: 492) argue that they were not simply discussing opportunities for information exchange, but such forums 'are designed specifically to promote the homogenization of their members around progressive policy'. For example, in his speech to the CAPAM Biennial Conference of 1998, the Commonwealth Secretary General, Chief Emeka Anyaoku, remarked how a new consensus had grown around the 'New Public Administration'. However, the key assumption here was that policy learning by any member state is voluntary, not enforced.<sup>4</sup>

Another mechanism of policy transfer employed by the international organisations is the persuasive power of reform rhetoric. This fits into Dolowitz and Marsh's category of perceptual transfer. This is where policy learning is triggered by perceptions of 'falling behind' or failing to be part of an international consensus. Therefore, voluntary and coercive transfer cannot be neatly dichotomised when one examines the activities of the international organisations. Caiden (1991: 54), who regarded the global bureaucracy as genuine in its attempts to stop newly independent countries from deteriorating and helping poorer countries to develop and modernise, illustrates this. In particular, the United Nations Public Administration Division (UNPAD), the technical assistance missions of the United States, the United Kingdom and France and the Ford Foundation attempted to implement administrative modernisation in developing countries but with limited impact. Initially, at least, international organisations had more altruistic motives before their sponsoring governments began to suffer crises of their own in the 1970s. Caiden (1991: 55) charged organisations such as the United Nations Public Administration Division (UNPAD) and the Ford Foundation of enthusing development administration with the 'new managerial ethos' in the past. On the other hand, there were countries undertaking administrative modernisation without assistance that had inherited Weberian bureaucracies from former colonial powers. However, such countries

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<sup>4</sup> Reported by the author, Bangi, Malaysia, 8 September 1998.

absorbed the new managerial ethos in other ways: through guide-books and handbooks issued by international organisations on the topic of organisation and management.

There are instances of where international organisations appear to be more coercive in their approach to disseminating ideas and practice. Indeed, regional trade blocs could act as coercively as the IMF or the World Bank who have an interest in ensuring, rather than simply encouraging, 'best practice'. Dolowitz and Marsh (1996: 348) argue that the EU can also act as a 'policy pusher'. The OECD's influence in promoting 'issues and developments' in public management appear to implicitly aim at convergence. Turner and Hulme (1997: 235) claim that 'the World Bank and powerful bilateral agencies (USAID and ODA) are keen to promote the NPM in developing countries'. The IMF provides loans to countries trying to get their balances of payment in order. However, the degree of intervention by the IMF in the internal workings of countries that seek its aid is considerable. Wade and Veneroso (1998: 11) point out that the IMF response to the economic crisis in Asia, namely in Indonesia, South Korea and Thailand has been more interventionist than that of the past, by calling for structural and institutional reform to follow 'Western' standards. Moreover, the IMF and the World Bank can now insist on acceptance of WTO rules 'to cajole Asian governments to reshape their domestic economies in line with Western models' (Wade and Veneroso 1998: 21).

The problem for recipient countries is that the consequences of coercive policy transfer can be negative. By following the prescriptions of the international organisations, the result for developing countries may be 'inappropriate administration' based on an 'expatriate model which has been developed in the context of big business, industrial society and metropolitan government...' (Smith 1992: 17). Furthermore, Heald (1992: 72) acknowledges the perils of coercive transfer when he comments 'it should be a question of learning rather than of direct transplanting: differences in political culture, levels of economic development, country size and bureaucratic capabilities will determine which reforms are feasible'. Anyaoku (1989: 18) who remarks that 'experience has shown that there is validity in questioning the extent to which all the 'policy conditions' set out in stabilisation and adjustment programmes should be instigated by external agencies and thrust upon reluctant governments supports this view.

On the other hand, Heald (1992: 69) claims the role of the international institutions is not necessarily a negative one as they are in a position to pool experience and knowledge. However, he also points out that it is difficult to find suitable 'exemplars' among the developing nations. To simply emulate 'the actions of an exemplar' (Bennett 1991a: 36) is problematic in that it may also lead to inappropriate policy transfers. However, Onimode (1989: 30) points out that 'the Fund and Bank claim that they do not impose anything \_ countries run to them and invite them to become involved in their economies'. The power of the IMF and World Bank is derived from operating on a 'country-by-country basis. Therefore, assisting individual countries appears as if it were the principal objective' (Harris 1989: 23). The problem remains that the involvement of these institutions raises the question of the ability of individual national governments to improve public management in ways that are suited to their own political and institutional contexts.

The source of coercion may not be the international organisations themselves. Biersteker (1995: 186) argues that technocratic elites within developing countries acted as a source of pressure for policy reversal and were thus given 'crucial international backing from the IMF and the World Bank'. In the case of Turkey and Ghana, Mosley *et al* (1991: 173) argue that a technocratic elite pushed 'through a liberalisation programme on terms more or less consistent with what the World Bank was asking for'. Policy transfer by the international organisations thus occurs both voluntarily and coercively, but the aspirations of the recipient country have to match those of the donor. It is important to stress the technocrats in recipient countries 'who were able to retain power at least within the ministry of finance and central bank' and who 'were often able to initiate a process of reform, *particularly in respect of policy instruments over which they had sole control...*' (Mosley *et al* 1991: 177). Moreover, Garcia-Zamor (1994: 102) argues that

...bureaucrats of the developing countries were the most vocal supporters of the dependency approach. They questioned why capitalist development, such as occurred in the US and western Europe, had not taken place in the Third World. In their efforts to obtain more and more foreign aid, they deliberately presented an image of being unable to cope by themselves with the tasks of development.



For bureaucrats of many developing countries, the possibility of a secondment to an international organisation such as the World Bank, is an attraction of the job. It serves to enhance their elite status, and as Caiden and Wildavsky (1974: 228) argue, it helps the bureaucracy to perform 'a kind of hegemonic role disseminating an ideology and a particular view of the state and its role in development'. Thus, modern Western values that purport to be universal are disseminated by this process, and serve to guide the development effort of the countries concerned (Smith 1996: 228).

So far, the discussion has assumed that policies can be imposed with ease, but we need to recall some of the constraints that exist to policy transfer from Chapter One. As Risse-Kappen (1995: 25) argues, 'domestic structures mediate, filter, and refract the efforts by transnational actors and alliances to influence policies in the various issue areas'. Transnational actors need to gain access to the political system and then contribute to 'winning' policy coalitions in order to have policy transferred. The state still retains considerable power to decide whether or not transfer should occur, but depends on the strength, or otherwise, of the domestic state structure. The stronger the state structure, the greater the policy impact should access be allowed to international organizations. *The IMF, the World Bank and other international organisations* will only have influence within a state if they are invited by political elites. What often appears to be an example of coercive policy transfer can be quite the opposite. Often it is the key policy-makers in developing countries that go knocking at the door of the international organisations. More specifically, support for the transfer of NPM is most likely 'when the national élite recognizes the increased opportunities that marketization will provide for them' (Turner and Hulme 1997: 235). The role of international organisations in the transfer of public policies is an ambiguous one, and states retain considerable autonomy in deciding whether or not they will allow themselves to be influenced by them.

#### **4. WHAT IS BEING TRANSFERRED - NPM AND PRIVATISATION**

As NPM is a vague term, Chapter Three attempted to clarify it in order to make it amenable to empirical investigation. One of the problems confronted when examining the prescriptions

of an international organisation is the close relationship the reforms often have with privatisation. Lane (1993) regards the adoption of private sector managerialism as a form of privatisation and so the two terms are often treated synonymously. The general thrust of the prescriptions of international organisations is that marketization is generally facilitated by managerialism. As Haque (1996a: 206-7) notes, 'among international agencies, the World Bank, IMF, the US Agency for International Development, and the British Overseas Development Agency have influenced Third World countries to adopt pro-market policies'. So what is the message that is being spread? In a World Bank working paper, Israel (1991) considered modernisation to be the improving of functions performed by the public sector. He was also more specific in his proposals for public sector reform and recommended the following:

The capacity to design, monitor, and implement a consistent set of macroeconomic and sectoral policies.

- \_ To provide an enabling environment for the functioning of competitive markets.
- \_ To privatize wisely and effectively.
- \_ To conduct an effective dialogue with the private sector.
- \_ To operate more effectively the enterprises that will remain in the public sector.

These proposals required a *restructuring* of the public sector involving the setting up of new regulatory agencies, the opening of *procedures*, and the introduction of a 'different kind of civil servant' with the right *skills and incentives*. Israel is not the sole spokesperson for the World Bank, but the proposals are representative of the prescriptions being peddled by World Bank staff. The proposals fit Farazmand's (1994: 76) observation that the general thrust of World Bank recommendations are geared towards 'changes in the organisational structure and behaviour...directed more toward serving the private market sector than toward serving the

general public'. The consumerist emphasis of later NPM reforms in the West is absent in these proposals, but to take these recommendations together they constitute the basic ingredients of the 'market model' described by Peters (1996b) which represents the dominant model for reform in public administration.

To return to the key problem of analysing the spread of NPM; the close relationship between managerial change and privatisation, particularly in the developing world, we must be mindful that rationales for public sector reform, and hence privatisation, are different in developing countries from those in the West. Ayles (1987) argues that it is pragmatism and expediency, rather than politics, that are the main motives of privatisation in developing countries, and outside pressures and 'force of circumstance' are more important than domestic pressures and ideologies. Furthermore, Heald (1992: 63) points out that 'the international dissemination of privatisation is sometimes characterized by a combination of aggressive ideology and of naive managerialism'. The pro-privatisation stance of international institutions has provided an impetus to wider managerial reforms. Indeed, Heald (1992: 68) adds that, 'privatization should not be seen as a free-standing policy, but rather as one set of instruments within a package of policy reform'. Although one cannot simply assume that where one finds privatisation, one finds NPM, these observations can be applied to the spread of NPM, especially when public sector organisations are prepared for privatisation. If privatisation is anticipated, public organisations acquire the functional ingredients of a business to survive in a competitive environment, so the appearance of NPM techniques may simply be the organisational prelude to eventual privatisation. For example, in the UK, executive agencies all face the possibility of privatisation at the review of the executive agency framework documents (Common 1995).

Returning to the policy transfer literature, Ikenberry (1990: 89) remarks that privatisation policy cannot be explained 'simply in terms of national governments responding to the interests and power of domestic groups'. Rather, privatisation can only be understood by taking into account the international environments that influence policy including the economic, the technological and the political. Similar conclusions could be drawn for the spread of NPM. In Britain, NPM might appear to be explained initially as the product of domestic pressure for the

control of public spending, but later strains of NPM have antecedents abroad including quality management (Japan, United States) and agencification (Sweden).

Government elites, when reworking the relationship between the public and the private sectors may use the terms 'privatisation' and 'NPM' interchangeably. However, privatisation may appear more attractive than managerial reforms because the equity costs are relatively small compared to those of the broader structural adjustment process involving public sector reform (Bienen and Waterbury 1989). As UK experience shows, there were strong financial and self-interested motives among elites that were in favour of privatisation. Mosley *et al* (1991: 144) argue 'changes in prices are administratively easy whereas changes in the organisation and operation of institutions are administratively very difficult'. McGowan (1994: 34) adds that the World Bank has only ever been interested in competition and efficiency, yet 'nonetheless the image of the World Bank's role in fostering privatisation persists'. Of course, privatisation is often considered without external pressure from the international financial institutions due to debt panic, which occurred in India and Algeria (Suleiman and Waterbury 1990: 5). If the message of the World Bank in the 1980s was privatisation, then the message of the 1990s is 'good governance'.

## **5. WHAT IS BEING TRANSFERRED - 'GOOD GOVERNANCE'**

'Governance' has become a buzzword of political science in the 1990s, and it is also proposed by a number of international institutions (Gonzalez and Bhatta 1998: 4). Governance implies obtaining a much wider range of 'desired outcomes' than those provided by the state. At the same time, 'government' has come to be used as a much narrower term that refers to 'those institutions of state that control and regulate the life of a territorial community' (Hirst and Thompson 1996: 183-4). According to Rhodes (1997), the term 'governance' is increasingly associated with NPM. The 'market model' of NPM can thus be regarded as a 'substitute for *government* because it is held to be a satisfactory mode of *governance*' (Hirst and Thompson 1996: 185). A range of international institutions stresses the association of governance with

better public management.<sup>5</sup> In this section, a link is established between the governance debate and the more recent prescriptions of the World Bank. As with the promotion of privatisation, an ideological agenda cannot be discounted. Rhodes (1996: 656) asserts that, “good governance’ marries the new public management to the advocacy of liberal democracy’.

According to the World Bank (1991: 2), developing countries need:

- Better management of public spending.
- Civil service reform.
- Better management of public enterprises.

It appears that the World Bank came to the conclusion that privatisation is not necessarily the saviour of the economies of developing countries although privatisation seemed to work better in higher income countries. The general perception is that improved *governance* will produce better policy outcomes if it is unrestrained by the regulation of government. The shift towards issues of governance and a gradual reassessment of the usefulness of privatisation as an economic policy in developing countries began in the late 1980s when the consensus of ‘a reduced government role in the economy (deregulation and privatization)’ started to dissolve (Stallings 1995: 13). Policy recommendations started to seem unsophisticated as the initial emphasis was on cost containment (World Bank, 1991: x). This attitude was reflected in the loan conditions of the international institutions. For instance, Jonah (1989: 144) refers to the redundancy exercise in Ghana that had shed nearly 40 per cent of civil servants by May 1987. The coercive policy transfers of the 1980s appear to have been simply cost-cutting exercises to relieve budgetary stress in recipient countries. Otherwise, the World Bank acknowledged that its involvement until the 1980s was limited to the institutional development of agencies implementing Bank-financed projects (World Bank 1992: 12).

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<sup>5</sup> According to Gonzalez and Bhatta (1998: 5), these include the World Bank, the OECD, the UN, the Inter-American Development Bank, the African Development Bank, the UK’s Overseas Development Agency and the Canadian International Development Agency.

The World Bank's interest in the issues of governance can be traced to the publication of a report in 1989 (World Bank, 1989: 5). Turner and Hulme (1997: 105) however trace it further back, to the 1983 World Bank *World Development Report* 'which focused on the management of development'. Yet it was the introduction of adjustment lending that led the Bank to focus on 'improvements in overall public sector management, and the improvement of sectorwide institutions and service delivery' (World Bank 1992: 12). The timing of this articulation of the Bank's interest in public sector management is consistent with the NPM 'boom' that had begun in the late 1980s. Furthermore, the World Bank comments that: 'governance is a common theme now partly because public organizations in many countries seem to be ineffective and too expensive' (World Bank 1991: 3). Such a reassessment clearly meant that international institutions were starting to doubt the efficacy of their earlier recommendations (Stallings 1995: 13). This view is apparently reinforced when the World Bank argued that 'the typical developing country has tried to do too much through the public sector' and the Bank saw its role as encouraging the state 'to manage less, but manage better' without the exhortations to privatise (World Bank 1991: ix).

'Poor governance' (World Bank 1992: 9) is regarded as being:

- Failure to make a clear separation between what is public and what is private, hence, a tendency to divert public resources for private gain
- Failure to establish a predictable framework of law and government behavior conducive to development, or arbitrariness in the application of rules and laws
- Excessive rules, regulations, licensing requirements, and so forth, which impede the functioning of markets and encourage rent-seeking
- Priorities inconsistent with development, resulting in a misallocation of resources
- Excessively narrowly based or nontransparent decision making.

This diagnosis of poor governance is clearly influenced by dominant paradigms in Western political science. As Frischtak (1994: 12) notes, governance is deemed to be a 'positive quality, understood as the exercise of democratic government, which guarantees the dominance of the rules of economics over those of politics'. In Chapter Three, decentralisation is regarded as a key public sector reform strategy. Walker (1996: 127) regards decentralisation 'as an important building block in the World Bank's conception of 'transparency' and 'good governance''. Decentralisation inevitably allows government to shift closer to a 'market model' of government. The World Bank has encouraged the decentralisation of administration generally, as part of what Williams and Young (1994) see as a new development orthodoxy. For instance, underpinned by the rubric of public choice theory, decentralisation offers a remedy to the problems of African government diagnosed by the World Bank. The Bank stated that the 'appropriation of the machinery of government by the elite to serve their own ends is at the root of this crisis of government' (World Bank, 1989: 49-51). Clearly, the Bank thought budget-maximising bureaucrats were to blame for this particular phenomenon.

Improving the policy-making capacity of government is another key theme running through World Bank prescriptions. The main ingredients of the World Bank's Structural Adjustment project were financial management and accountability and efficiency reforms. These reforms were apparently prompted by the poor compliance record of developing countries implementing Structural Adjustment programmes and the recognition that economic growth depends on administrative capacity (Walker 1996: 124). In particular, 'civil service reform consists of two complementary efforts: short-term measures to contain costs and medium-term programs to strengthen personnel management and improve the efficiency and effectiveness of public agencies' (World Bank 1991: x). The Bank achieved these aims through the use of 'technical assistance, supplied by specially recruited personnel or by Bank staff themselves, training, and studies and policy dialogue through the Bank's analytical and sector work' (World Bank 1991: xi). The Economic Development Institute, which was created by the World Bank in 1956, was set up to train high-level officials from developing countries in the ways of the Bank and the techniques of development.

Ironically, international organizations argue that 'good governance' is necessary for economic development. Governance may be necessary for democratic development along Western liberal lines but Turner and Hulme (1997: 236) look to the Asia Pacific region and question why the area has 'experienced such rapid growth with public sectors based on the old public administration and/or indigenous models'. In other words, the implementation of NPM models was not seen as necessary by elites in order to achieve economic goals. Economic slowdown or even reversal in the case of some countries in the region may provide more fertile ground for NPM. Therefore, an evident paradox has emerged in that the World Bank (1997) has noted that an important feature of the public sector in the newly industrialised economies (NIEs) of East Asia are the technocrats who are recruited by merit, who are rewarded well and who are highly interventionist. Furthermore, meaningful public sector reform can only occur in the context of wider political change, and this is an area where the power of international organisations is extremely limited.

## **6. NPM: AN INAPPROPRIATE POLICY TRANSFER?**

Coercive policy transfer often results in a government implementing a policy or programme that is inappropriate to its cultural, administrative or political context. For instance, to impose the American constitutional system which institutionalises a separation of powers generates 'cross-pressures that severely hamper the capacity of any...regime to control its bureaucracy' (Riggs 1994: 38). This occurred in South Vietnam and South Korea with disastrous consequences although the American model was considered an exemplar. Inappropriate transfer can also occur when governments try to commit themselves to ambitious goals. The pressure to reform from the political environment is such that policy learning 'may occur without a coherent intellectual understanding of causes and effects, and without a complete mastery of the means considered necessary and sufficient to attain the ends' (Haas 1980: 377). Political ideologies then act as 'simplifying mechanisms' to justify reform goals. As Lynn (1998: 236) observes, 'lacking knowledge, governments anxious to do the right thing embrace' NPM which appears 'as a panacea for ineffectiveness and inefficiency'.



Ironically, existing state structures that are imported and copied from abroad are seen as the 'problem' while new solutions are similarly imported which exacerbate existing problems. In the case of former colonial states, to simply replace them with models imported from the West is to assume that 'the indigenous community will be more congruent with the free private sphere of Western societies than it has been with the central controls of public agencies' associated with colonial administration (Frischtak 1994: 14). Huque (1990: 43) argues that 'it is evident that transplanted administrative structures borrowed from the developed world cannot produce similar administrative excellence in different circumstances'. In particular, the pressure of social forces and the paucity of resources remain basic problems that cannot be solved by the import of proven managerial methods and techniques.

Moreover, we know that policy transfer is a complex process. As Dolowitz and Marsh (1996: 353) assert 'the complexity of a programme affects its transferability; the more complex a policy or programme is the harder it will be to transfer'. Although there is no attempt in this chapter to make a fine-grained analysis of NPM implementation, the less 'homophilous' with the source of NPM the recipient nation is, the more likely the programmes are perceived as complex.<sup>6</sup> We need to consider that 'policy transfer is also dependent upon the transferring political system possessing the political, bureaucratic and economic resources to implement the policy' (Dolowitz and Marsh 1996: 354). As Wade and Veneroso (1998: 5) observe, the IMF packages for Thailand, Indonesia and Korea were slow to implement because they attempted to impose 'impossibly far-reaching institutional liberalization and their inappropriateness for Asian financial structures'. Furthermore, if we consider Hood's fourth 'acceptance factor' for NPM (Hood 1991: 7-8) which relies on a set of 'special social conditions...in the developed countries', conditions that are absent in the developing world, the potential for inappropriate transfer is increased. Here, I try to identify two main conceptual explanations for why we should consider the normative policy transfer of NPM by international institutions as 'inappropriate'.

### *The 'Americanisation' of NPM*

Riggs (1994: 18) identifies two closely linked phenomena within American public administration that shape the implementation of American programmes and policies abroad. These phenomena are 'limited bureaucratic power' and the 'role of professionals'. According to Riggs (1994: 21), the

...heavy reliance on professionalism has fundamental global consequences, both directly and indirectly. Directly, it undergirds the proliferation of external programs and projects sponsored by US government agencies. Indirectly, because professionalism has curtailed the power position of the bureaucracy...and provided a continuing rationale for the myth of a dichotomy between politics and administration, it has critically affected the thinking of everyone involved in the administration of America's many foreign policies and programs.

Riggs dismisses these aspects of American public administration as being 'irrelevant' to the needs of other countries; claiming that the myth of the politics-administration dichotomy taints the advice of public management specialists overseas. Furthermore, Farazmand (1994: 77) adds that administrative reform as promulgated by the international organisations 'will be dominated by US values and norms. Consequently, the dependency of developing countries on the West will be likely be perpetuated, leading to a 'neo-colonization' of the developing nations....' If we accept the claims of Farazmand and Riggs, then the type of NPM that is being transferred is much more narrowly based on American public administration than the broader 'market model' of NPM.

### *Transplanting Western bureaucracy*

Transferring NPM presumes recipient Western-style bureaucracies. As Helgesen and Xing argue (1996: 107) 'contrary to the Western political heritage East Asian political traditions encourage people to trust the moral example and good-will of public officials...focusing on relationship rather than the individual (western thinking) makes hierarchy and authority

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<sup>6</sup> See the discussion in Chapter Two.

inescapable basic phenomena in political thinking'. If we consider East Asia, it has managed to reach 'a high level of economic development and status in the global community' and consequently "the magnetism of the Western/American model is gradually losing power' (Helgesen and Xing 1996:115). Elsewhere, Haque (1996b: 315) notes that 'most Third World regimes introduced administrative changes based on western knowledge and experience rather than indigenous contexts and thus, such changes reinforced rather than supplanted the colonial legacy'.<sup>7</sup> The World Bank (1992: 11) blames the colonial legacy for 'poor development management' but as Haque (1996b: 319) goes on to argue:

...the modern administrative framework adopted by Third World nations is hardly compatible with various dimensions of their political context. Foremost, the politico-ideological tradition of western liberal democracy has evolved, hardly exists in Third World nations. Such a liberal democratic context, which assumes the neutrality, anonymity and impartiality of the administrative apparatus and its accountability to elected politicians, is either absent or fragile in most Asian, African and Latin American countries.

It is clear that the political context cannot be ignored when considering the policy transfer of NPM. Moreover, many developing countries work with imposed systems of colonial administration. Consequently, in the developing world, bureaucracies 'tended to be over-developed in relation to other parts of the political system' (Cammack 1996: 53). Ansari (1996: 67) points to the distinction between public administration and 'development administration'. Public administration is considered static and highly bureaucratic, whereas the tasks of development administration are constantly increasing and varying, but it is still based on bureaucratic government. Farazmand (1994: 76) appears to concur and predicts that:

...more bureaucratization will likely characterize the organisational structure of developing countries. Their administrators and the bureaucratic cultures will have to internalize the exogenous, imported values and norms of administration and culture. Conversely, they will have to externalise their indigenous cultural and institutional

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<sup>7</sup> See also Subramaniam (1990).

values of their administrative systems. One manifestation of this externalisation tendency is, and will be, the internalisation of Western organizational values of rationality...values associated with the Weberian ideal-type bureaucracy.

If we consider 'more bureaucratization' as an unintended consequence of NPM policy transfer, then reforms based on American public administration when grafted onto non-western bureaucratic cultures are a form of 'inappropriate' policy transfer. Caiden and Wildavsky (1974: 229) argue that the power of bureaucracy in developing countries counters efficiency due to the imbalance between the bureaucracy and other political institutions. Although this discussion is limited to the developing world, the separation of purchasers and providers in the UK health service for example, resulted in 'more bureaucratization' which led the incoming Labour government to promise to abandon it in 1997.

## CONCLUSION

Modernisation and democratisation are far from inexorable global processes, but they have created channels through which NPM can be transmitted. International organisations have expedited these processes. So far, policy transfer analysis cannot fully explain the spread or 'internationalisation' of NPM, not least because of the difficulties involved in transplantation across very different political and socioeconomic contexts. However, we can regard the international institutions as a mechanism that increases the flow of knowledge in given policy areas so that the international arena has the potential to undermine the decision-making capacity of individual states. Public sector managers are required to have an international perspective, although this perspective may be supplied by the international organisations. This view is in accord with the globalisation thesis.<sup>8</sup> Both influence and imposition by international organizations appear to be unmistakable impacts of globalisation on public administration in individual countries.

However, the impact of the international organisations on developing countries can be a negative one. Cooper (1995: 187) argues that 'few of the reforms do anything to relieve

developing countries from the pressures of international debt challenges' and that 'many systems remain more or less the same as before with slight modifications'. If we consider both these points of view, to conclude that public sector reform is a result of coercive policy transfer by international institutions appears to be a weak argument. If we accept that it is only the ideas of NPM, or even just the rhetoric, that is transferred, the impact of NPM on the administration of individual states remains minimal. Moreover, the impact of the international financial institutions in particular is difficult to quantify and this problem is compounded by the difficulty of assessing their influence in isolation from other determinants of administrative reform. As Kamensky (1996: 249) argues, 're-inventing government is only one piece of a larger re-examination of governance in response to changing demographics, technologies, global competition, and public expectations'.

Where the notion of policy transfer is useful is the importance it ascribes to an international policy culture where knowledge and information is diffused to both political and administrative elites. It is unclear whether political leaders enjoy the benefits of NPM implementation in terms of bolstering wider political support, but the symbolic impact may be of greater value, even if expressed in crude terms such as 'bureaucrat bashing'. To thoroughly understand why NPM has been accepted in unpromising or inappropriate political contexts we need to account for the incentives, both perceived and real, that can be offered to policy-makers that go beyond the conditions and prescriptions suggested or imposed by international institutions. Hence, in Part Two of the thesis, the role of international organisations will be applied as a determinant of administrative reform to the Asia-Pacific region in general, (and Hong Kong, Malaysia and Singapore in particular), as part of the structural context that facilitates the transfer of public policy.

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<sup>8</sup> See the discussion in Chapter One.

## **5 Accounting for Administrative Change in the Asia-Pacific: A Case of Policy Transfer?**

### **INTRODUCTION**

Chapter Three discussed the emergence of the NPM model in the West and it critically examined the claim that NPM was being globalised. However, in the Asia Pacific region, the story has been different. Governments in the region are on different political, social and economic trajectories from those of the West, yet there appears to be a compulsion to seek and adopt new Western models of public administration. Indeed it appears that policy transfer is taking place between countries in the region and the West, and that state structures are becoming more receptive to external policy influences. When discussing the Asia-Pacific region, it is worth bearing in mind two important caveats. Firstly, Vatikiotis (1996: 5) warns us that 'Southeast Asia has not been kind to the neat predictions of Western social science'. It is often fallacious in the region to make assumptions about the political and social environment based on assumptions developed in the West. Secondly, Strang and Meyer's

(1993: 491) observe that ‘assumptions of similarity are ...built into almost all diffusion research’ is a reminder of the often heterogeneous nature of nation-states in this type of research.

This chapter begins by making general observations about the administrative context of public administration in the region and questions whether NPM is likely to be welcomed by policy-making elites. The bulk of the chapter is devoted to developing determinants of administrative change in the Asia-Pacific region. This is a crucial part of the multi-level framework as these determinants form the model of administrative change to be applied systematically to the case study countries. In addition, the determinants identify the conditions that make individual countries amenable to the policy transfer of NPM. This section will be followed by an analysis of the characteristics of political systems in the region, as they are the mechanisms through which the determinants of administrative change are channelled.

To begin with, what do we mean by the Asia Pacific region? Islam and Chowdhury’s study (1997) of Asia-Pacific economies includes Hong Kong, Singapore, Korea (North and South), Taiwan, Indonesia, Malaysia, the Philippines, Thailand and the People’s Republic of China. Within the region, they define ‘East Asia’ as Taiwan, Korea (North and South), China and Hong Kong. However, Tu (1996) adds Japan and Singapore to the category of East Asia as these countries are regarded as having Confucian societies. East Asian (Newly Industrialised Economies) NIEs generally refer to Hong Kong, South Korea, Singapore and Taiwan, but economic development in the coastal provinces of China has meant that such areas as Guangdong are joining this category. ‘Southeast Asia’ stretches in a band roughly from Thailand in the west to the Pacific Islands in the east, but at its core are the ‘ASEAN (Association of Southeast Asian Nations) 4’: Indonesia, Malaysia, the Philippines, and Thailand.<sup>1</sup> Geographically, Singapore is also in Southeast Asia and is a member of ASEAN, but as the chapter will make apparent, politically and economically, its similarities are more akin to the ‘East Asian’ countries. More generally, the term Asia-Pacific is used in the chapter

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<sup>1</sup> ASEAN also includes Brunei, Burma, Cambodia, Laos and Vietnam.

title to denote the geographical proximity of the countries referred to in this chapter: China, Hong Kong SAR, Indonesia, Japan, Korea (South), Malaysia, Singapore and Taiwan.<sup>2</sup>

## **1. THE APPEAL OF NEW PUBLIC MANAGEMENT IN THE ASIA PACIFIC REGION**

As a temporal process, a time frame needs to be established when investigating policy transfer. In Chapter Two, the time frame of between 1988 and 1998 appeared to be the most relevant period in which to investigate the transfer of NPM. However, it appears that administrative change was being contemplated within the region at the 1983 Eastern Regional Organization for Public Administration (EROPA) Assembly in South Korea.<sup>3</sup> The major topics discussed at the assembly included administrative reform towards decentralization and citizen's participation; administrative reforms in budget systems (emphasising financial frugality); and public enterprises and managerial improvement (emphasising privatization) (see Caiden 1991: 66-67). Clearly, a sea-change in the approach to public administration had occurred between the late 1960s and the early 1980s: from resistance to outside interference in public administration to embracing a western-style NPM type agenda. This period also saw a growing interest in a 'market-oriented public administration' where the demands of the public became more sophisticated<sup>4</sup> This was indicative of East Asia's struggle to cope with global economic shocks and consequent challenges to the administrative state emerged due to the need to control public expenditure. In addition, continuing dissatisfaction with public sector performance led to further pressure for change. However, although these discussions were taking place, there is little evidence to suggest NPM-type reforms were being implemented. Nonetheless, as Brown and Jones (1995: 93) observe, in relation to Singaporean politics, the assumption is that NPM has considerable appeal in the region:

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<sup>2</sup> Taiwan is also referred to as the 'Republic of China on Taiwan (ROC)' or 'Taipei, China'.

<sup>3</sup> Founded in 1960, EROPA consists of academics, practitioners, and politicians from the countries in the Asia-Pacific region with its headquarters in the Philippines.

<sup>4</sup> See De Guzman and Reforma (1994: 169).



...the idea of scientific management...appears neutral, modern and objective. At the same time, it appeals to an Asian notion of virtuous bureaucracy. In the managerial vocabulary of Singapore politics, therefore, the elite consists of 'experts' guided by 'pragmatism', while the electorate's role is to 'endorse' and 'feedback', never to oppose. Managerial science and inclusionary corporatism ultimately support a technocratic vision of harmonious balance and state managed consensus.

Intuitively this observation should hold true for the whole region. The attraction of NPM is derived from its apparent ideological neutrality, which endorses the administrative technocracies that characterise East Asian states. In other words, NPM is presented as a pragmatic 'science' and a rational approach to technocratic management. If the region does provide fertile soil for NPM, an accommodating bureaucracy does not provide us with the only possible explanation for the arrival of NPM.

The New Right in the West assumed that countries in the region 'conform to the neo-classical model' (Rimmer 1995: 29), and the state is limited to intervention in cases of market failure or the provision of pure public goods. This same perspective assumes the existence and development of liberal political economies. However, to regard the NIEs as exemplars of preserving the virtues of the free market in the region often misses the 'traditional belief that good leadership and strong government is necessary to protect people so they can produce the wealth' (Vatikiotis 1996: 5-6). Indeed, the political economy of the region is often misunderstood. As Rimmer (1995: 30) argues, what is distinctive about the NIEs is their control over the direction of their economies 'by identifying and supporting particular goals'. Root (1996: 3) concurs by noting that political leaders in the Asia Pacific 'believed that national development and shared growth required executive interventions in the market'. Even the World Bank (1997: 27) has come to realise that 'states with strong capability can take on more activist functions, dealing with the problem of missing markets by helping co-ordination. East Asia's experience has renewed interest in the state's role in promoting markets through active industrial and financial policy'. These accounts notwithstanding, the 'success' of East Asia remains measured by western neo-liberal standards. As Berger (1997: 262) notes, these

include 'a commitment to gradual political and social change, representative government, individualism and free trade as universal values continues to have a profound impact on the lessons gleaned from the East Asian miracle'. Rather than the 'rolling back the state' strategy implicit in NPM, the priorities of states in the region are very different. From this perspective, the appeal of NPM is likely to be diminished.

## **2. ACCOUNTING FOR ADMINISTRATIVE CHANGE IN THE ASIA PACIFIC REGION**

### **First Order Determinants**

To understand policy transfer, we need to analyse the structured context within which it takes place. This structural context can be broken down into 'system-level variables generalized from individual characteristics in which a reference is needed either to other members of the unit or the unit as a whole' (Przeworski and Teune, 1970). The unit in this case, is an individual nation-state. First order determinants of administrative change refer to underlying trends or impetuses to administrative change. The purpose here is to understand the conditions of a particular system that influence its subsequent development. By 'underlying', I refer to certain exogenous and endogenous environmental characteristics of individual countries that provide the context of administrative systems. Although the distinction is not a neat one, exogenous characteristics form the first level of determinants, and endogenous characteristics form the second level. For Evans and Davies (1999a: 14), a key research question which emerges here is 'in what sense do these structures facilitate and/or impact on the process of policy transfer and how'. In keeping with this question this chapter will assess the influence of these determinants on the policy transfer of NPM.

## *Globalisation*

Although the concept and phenomenon termed the globalisation of NPM was examined in more detail in Chapter Three, it is often cited as a crucial determinant for the emergence of NPM, independent of policy transfer. Generally, globalisation appears to be increasingly driving public management reform efforts. Governments are less able to seek recourse to national macro-economic policies in an effort to mask structural weaknesses, so globalisation puts pressure on governments in order to meet obstacles to administrative change. As a determinant, globalisation is limited here to *economic globalisation*, or the 'strong version' of globalisation that is challenged by Hirst and Thompson (1996: 3). In this version, the consequence of a globalised economy is to subsume national 'domains' of culture and politics.

The demands of the global economy that have consequences for administrative reform include the need to compete in international markets and an obligation to control public spending. As a determinant of administrative reform, globalisation is treated here in broadly economic terms, which go well beyond international trade. Due to increased global interdependencies, public management now occurs in the context of an 'interconnected' world. These interdependencies include 'geographic connections' (crossing jurisdictional boundaries), 'functional interdependence' (blurring traditional boundaries between government functions) and 'temporal interconnectedness' (linking the past, present and future) (Luke 1992: 17-18). The public sector environment is thus characterised by 'constant change' leading to political and administrative uncertainty, complexity or even turbulence.

One view is that the forces of globalisation compel economic and business integration to the extent that it has become conventional wisdom that a more integrated world will be more homogenous.<sup>5</sup> Such an argument predicts institutional isomorphism across the region as a consequence of integration into the global economy. The thesis put forward by DiMaggio and Powell (1991) is that organisations become more homogenous due to two processes, institutional and competitive isomorphism. We might also expect that globalisation causes

isomorphism by competition generating pressure for efficient organisations or by turbulent political environments generating pressure for institutional legitimacy. In a globalised world of competitive markets, we might predict the former might occur as organisations seek the most rational and efficient solutions to global economic challenges. The latter assumes that organisations change to acquire legitimacy, rather than to enhance efficiency. Therefore, the net result of globalisation is the appearance of the 'Competition State' (Cerny 1997a: 263), which brandishes the NPM toolkit. Globalisation will be treated as a single determinant to ensure clarity, although we cannot assume it will produce similar outcomes. Although Rockman (1998: 29) argues that 'the overall consequence of globalization is to produce a more limited state with a lighter hand on the economy', such a claim should be treated with caution. To weather the economic storm of globalisation, some countries may resort to tighter fiscal controls and curb foreign exchange.

If we take the narrow view of economic globalisation to mean the development of international trade and integration within the world economy, then countries in the Asia Pacific region are highly globalised. The recent economic success of the region is partly based on its growing commercial links with the world in general, and to the free-trade blocs of North America and Europe in particular. Jones (1997: 61) notes that 'the proponents of the export-led growth thesis...share the view that the embedded liberalism of the international trading order' established at Bretton Woods in 1944 has 'contributed substantially to the...success of the Pacific Asian economies'. It is also noteworthy that this success, at least until recently, was attributed to the region's capacity in attracting foreign direct investment and openness to international trade bringing in modern jobs and goods to the region (particularly in the four Asian 'Tiger' economies of Hong Kong, Singapore, South Korea and Taiwan plus Japan). These NIEs appear to encapsulate the notion that a country's economic development is determined by globalisation. From the 1980s, other countries in Southeast Asia, particularly Malaysia and Thailand, started to benefit from economic globalisation, especially in terms of labour-intensive exports, and later in the 1980s, market reforms in China meant that it could also enter the world market (Chiu *et al* 1997: 3). One negative consequence of economic

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<sup>5</sup> See Micklethwait and Wooldridge (1996: 243).

globalisation was the Asian economic crisis that began in the summer of 1997 which resulted in the granting of IMF loans to Indonesia, South Korea and Thailand, to staunch some of the worst effects of the crisis.<sup>6</sup>

In this thesis, the discussion is necessarily limited to how globalisation processes might impact upon public administration in the region. Although the arguments for globalisation hold constant from Chapter Two, it is worth noting that in Southeast Asia, specialists such as Means (1996: 116) argue that there has been an inexorable trend towards the globalization of norms and values, and probably of institutional structures as well. Similarly, Carino (1995) argues that the more tangible impacts of economic globalisation include a need to downsize the public service and to 'professionalise' those who remain, whether by salary enhancements or training. The introduction of new information technology or innovations in work organisation, such as quality improvement programmes, is often the consequence of pressure from the economic environment. Decentralisation and bureaucratic reorganisation and reorientation are other impacts identified by Carino. To accept these arguments is to accept that convergence in public administration is taking place across the region as a consequence of the modernising process of globalisation; a process also identified in private sector management practice.<sup>7</sup>

### *The Level of Development*

Different countries are evidently at different stages of economic development. Those countries that embraced NPM early on had arguably reached a maturity in economic terms that signalled a retreat from previously held certainties about the efficiency of public administration and government intervention. Sarji observes that 'once a country reaches a 'take-off stage' in economic development, then you need to shed the bureaucracy and

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<sup>6</sup> Among the global economic challenges to the region identified by Salleh (1995) are: changes in world oil prices, recession and protectionism, currency adjustment, technological innovation, the European Union, the appearance of other free trade zones such as the North American Free Trade Agreement (NAFTA), changes in Eastern Europe and the former Soviet Union, the opening up of China, Japan's changing role, and the appearance of the World Trade Organisation (WTO) as a major global economic actor.

privatise, contract out and right size'.<sup>8</sup> As countries develop economically, we might expect to see a corresponding push towards NPM. Ingraham (1996: 250) explains, 'in developing nations, the need for concrete and effective economic development, often in the face of overwhelming odds, has created an even more profound dissatisfaction' with public administration than in the 'developed world'. For example, eastern European countries were restricted in their efforts to improve their economies by rigid and over bearing bureaucracies. NPM thus appeals as a de-bureaucratisation strategy as governments strive for efficiency as part of the economic development effort. Theoretically, this can occur independently of economic globalisation, although economic development requires some degree of integration with the international economy.

As NPM is associated with economically developed democracies in North America, Western Europe and Australasia, we might expect the appearance of NPM in similarly developed economies elsewhere. One of the most striking features of the Asia-Pacific region in recent years is its spectacular economic growth, although by the end of 1997, this growth began to look like it had peaked and had reversed into a 'development crisis' (Wade and Veneroso, 1998). In particular, the Asian 'tigers' were regarded as being the most conspicuous success stories. With many countries in the region now classified as 'high income' by the World Bank (1997), it remains uncertain as to how strong a determinant the level of economic development is on the appearance of NPM.<sup>9</sup> Despite the relatively recent economic success of Japan, its public administrators showed very little interest in the NPM 'boom' that was sweeping other OECD countries in the 1980s (Hood 1994: 132).

It is the impetus towards economic development, rather than the level of economic development, that shapes administrative systems. The evidence from the secondary literature clearly picks up on this trend. A number of states in the region are described as 'developmental states' (McCargo 1998: 126). Leftwich (1994: 9) defines developmental

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<sup>7</sup> See Chen (1995: 299).

<sup>8</sup> Ahmad Sarji, former Chief Secretary to the Government of Malaysia, Interview, 11 February 1999.

<sup>9</sup> 'High income' includes Hong Kong SAR, Japan, Korea (South), Singapore and Taiwan. 'Middle income, upper' includes Malaysia, thus classified by the World Bank as 'developing'.

states 'as those states whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives'. The Asian developmental state in particular relies on the government for economic success.<sup>10</sup> Koh's (1997: 116) definition of the developmental state has authoritarian overtones when she argues that the state plays 'a strategic role in superseding or suppressing domestic and international economic forces to overcome the backwardness or devastation of economy and society'. Huque (1990: 113-4) defines development administration as one which is concerned with 'modernization, economic development and the extension of social services' as well as the usual concerns of government such as the maintenance of law and order. Although the term is not confined to the East Asia region, it is often associated with it.<sup>11</sup>

From an East Asian perspective, Ro (1993: 94) argues that 'development, in contrast to the West, is a centralized impulse that spreads ever outward and downward through bureaucracy and the organizational forms of industrialization'. The results are high levels of personal savings, high corporate debt equity ratios, bank-firm-state collaboration, national industrial strategies and investment incentives conditional on international competitiveness (Wade and Veneroso, 1998: 7). Although it is difficult to make generalisations about the region, Taib and Mat (1992: 424) argue that the role of government has 'changed from one of regulatory and systems maintenance to national planning and development administration'. Modernisation should therefore result in reforms that decentralise government processes or establish 'new institutions that induce, guide, and manage specific economic activities in the private sector'. However as Ali and Adnan (1996: 56) point out, countries in the region are in fact, 'diverse advocates of the alternative approach to development'. As centralisation is implicit in the developmental state, then it can be assumed that the 'decentralisation' and 'discretion' elements of NPM are unlikely to be welcomed in the drive to modernise and develop.

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<sup>10</sup> See the discussion in Clapham (1996: 162)

<sup>11</sup> See the discussion in Leftwich (1994: 14).

### *Changing Societal Expectations*

Changing societal expectations are linked to degrees of economic development. Ridley (1996: 18) argues that 'the changing mood in the citizen market is itself a force that encourages managerialisation of public administration'. In particular, the growth of both the size and the attitudes of the middle class are important here. In response, governments will try and present themselves as expert managers. At the same time, they will attempt to build consensus and rally support around clear developmental goals. The appearance of government as 'management by experts' will therefore reassure the middle class and provide it with predictable and stable government built on the principles of scientific management. For example, Caiden (1991: 98) observes how the growing middle-class in Taiwan in the 1960s made firmer demands of government, not only in terms of democratisation but also calls for 'responsive public administration'. A well-educated population is also one that tends to be dissatisfied with government and its institutions. This culture of protest creates strong pressures for both public accountability and high standards of service delivery. For example, in the late 19<sup>th</sup> century and the early 20<sup>th</sup> century, Tolbert and Zucker (1983: 31) found that support for municipal reform in the United States 'received its most enthusiastic support in cities with a large proportion of educated, white-collar citizens'. These citizens wanted an administration commensurate with their own values - efficiency, impartiality, and rationality - as well as seeking participation in decision-making processes.

### *The Politics of Legitimacy*

Legitimacy 'is crucial to understanding the politics in any country' (Alagappa 1995a: 3). Arguably, privatisation and NPM type reforms may be used in certain countries to bolster the legitimacy of the political leadership, and/or the bureaucracy. Coercive policy transfer is obviously a threat to the legitimacy of political elites, so naturally they will avoid it, if at all



possible.<sup>12</sup> As Lane and Ersson (1994: 195) argue: 'a stable state has to be an efficient state' and 'when citizens face a poor performance record, then doubts about government legitimacy will arise. Governments look upon state performance as one basic tool for sustaining the legitimacy of the state'. Both bureaucratic and political elites may well support public sector reform for differing motives. Political elites may wish to 'seek advice to gain information which will justify or legitimate a policy...for political ends' (Haas 1992: 15). Epistemic communities may provide such legitimacy. The shift away from political accountability to managerial accountability in public service delivery, implicit in NPM, may be attributed to the diminished legitimacy of the state, reflected by anti-government sentiments.

Elite theory ascribes considerable importance to symbolism in political analysis. Thus, public policy should have symbolic importance in maintaining the legitimacy of elites in society. For instance, 'civil service curbing' can acquire political symbolism and the methods used may take the appearance of classic scientific management. In this scenario, civil servants are reduced to 'managers' in the most technically limited meaning of the term. This strategy seems especially appropriate for a political leadership wishing simply to diminish the role of government. But, as Pollitt and Summa (1997: 16) observe, where political leaders may enjoy popularity from this kind of political engagement, it is not an option for leaders in Sweden and Finland, even if they wanted it, as the 'state is still seen by many as an integrative force in society. Business is not regarded as inherently superior'.

It is evident that the political value of reinventing public administration is unclear because reinvention entails the redistribution of authority and this may take more than one term in office. If political elites are in a position to benefit from NPM type reforms, Kamensky (1996: 248) argues that because the political value of 'reinvention' is so vague it should be differentiated from earlier attempts at structural public sector reforms. Kamensky's claim is based on the length of time taken to effect administrative change and 'if it improves government too much'; politicians lose capital for future campaigns. This can create a

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<sup>12</sup> For example, Prime Minister Mahathir of Malaysia, conscious of threats to his leadership, undertook a drastic package of economic reform measures to ward off the possibility of an IMF loan in September 1998.

paradox, as NPM is hard to evaluate, politicians are likely to be tempted to distort the benefits of NPM implementation.

Furthermore, Kamensky (1996: 248) notes that, 'conventional wisdom has long suggested that governmental reform is undertaken largely as a political symbol. But there is a difference between reinvention and the traditional restructuring approach to reform. The former focuses on incentives, the latter on structure'. The former also suggests long-run benefits for administrative elites in terms of pressing for reform programmes. Therefore, the *appearance* of undertaking reform is important as 'bureaucracies headed by highly trained technocrats' are part of a package which gives 'legitimacy or the appearance of substance to the regime and state, especially for outsiders bearing gifts in the form of loans and grants' (Turner and Hulme 1997: 51). Despite a lack of clarity over the potential political benefits of NPM, a consensus about the need for reform between a strong central political elites and a weakened, decentralised administrative elite offers fertile ground for policy transfer. If the bureaucracy faces powerful incentives (or even sanctions) to reform, the 'ready made' nature of the solutions offered by NPM may make transfer more likely. In sum, research on administrative change should be aware that 'reform' carries symbolic impact and may serve to legitimise elite domination of the political process. Policy learning is only of use to policy-makers who 'are in struggles, not seminars. Like lawyers, they seek victory, not illumination' (Marmor 1997: 361).

In a discussion of Osborne and Gaebler's work, Ferlie *et al* (1996: 18) argue that 'reinventing government'

...represents a means of regaining social and political legitimacy. The public sector is no longer criticised for failing to live up to private sector best practice...public sector managers are enjoined to cast off their old role as administrators and to become more entrepreneurial, results-focused, and market-based, all traits seen as characteristic of the high status private sector business community.

Because political legitimacy requires strong economic performance in the Asia-Pacific region, the appeal of NPM should be potent to public administration systems that wish to be regarded in the best possible light by the business community. Alagappa (1995b) examines the bases of political legitimacy in Southeast Asia and identifies a range of rationales by which governments, particularly those in developing countries, support their claims to legitimacy. For many countries, normative goals are not only to improve economic performance but also to raise their profile in the international community. There is therefore a 'nexus between economic goals and nationalism in the form of "national economic goals"' (Alagappa 1995b: 33). One such example that encompasses this nexus is Malaysia's Vision 2020, which will be discussed in Chapter Seven. The symbolic impact of administrative reform, or the rhetoric of reform alone, may also serve to legitimate governments in the absence of democratic accountability in the Western liberal tradition.

### *Ideology*

Dominant political ideologies appear to be a strong determinant of administrative reform. The link between the introduction of NPM components as part of a global New Right project appears, at first sight, to be a strong one (Peters 1997: 76, Rockman 1998). Public Choice Theory has certain attractions for neo-conservative or neo-liberal governments so a simple approach to mapping NPM would be to look at countries where a right of centre party has been in power. Political ideologies act as 'simplifying mechanisms' to justify reform goals (Haas 1980: 377). However, at second glance, the link appears extremely spurious. For instance, it appears that it is the UK Conservative governments that have pursued NPM with the most determination, yet Wright (1994: 112) runs the counterfactual and points to 'Swedish Social Democrats and Spanish and French socialists, untainted by the same ideological motivations, have been only slightly less zealous'.

A good example of where the link with the New Right is broken maybe located in the adoption of a number of NPM elements by Labour governments in New Zealand and Australia in the 1980s. McAllister and Vowles (1994) remark how both Australia and New Zealand had

social democratic parties in power yet both parties embraced the kind of market liberalism associated with NPM. In order to explain this, McAllister and Vowles argued that while voters were not anti-state (i.e. a redistributive state), they became opposed to state intervention in terms of economic control. In the United States in particular, the deep distrust of government by the public means that it is liberals who are more likely to subscribe to managerialism if they think it will offer a way to save the government from public criticism. Clinton and Gore's National Performance Review appears to be a case in point.

Wright (1994: 117) argues that there are differences between countries in terms of style, nature, timing and pace of reform, which are not correlated with the political colour of governments. For instance, he sees the style of the UK programme as 'imposed radicalism' compared with the 'evolutionary and internally generated programme of the Germans'. In terms of the nature of reforms, we saw earlier the attempt in the UK and New Zealand at theoretical or ideological justifications for NPM. Elsewhere, countries prefer simply to choose items from the NPM 'menu'. Timing could also act independently of political ideology; Britain's fiscal crisis was perceived earlier than elsewhere, forcing the pace of reform which the Labour government of 1974-79 had begun to address, with Thatcher later adding the ideological gloss.

Moreover, Wright (1994: 119) claims that 'political will and durability are vital for reforming governments' and adds that 'these ingredients have frequently been in short supply'. He and Zifcak (1994) have pointed to the favourable conditions in the UK that allowed the introduction of NPM reforms. This has little to do with ideology, except New Right politicians might bolster political will in an anti-bureaucratic direction. Ridley (1996: 17) warned that political leaderships associated with NPM (Thatcher, Reagan, and Mulroney) were 'something of an anglophone phenomenon'. Hoggett (1994) also disagrees that the 'internal' decentralisation of the public sector (where market values are introduced) should be viewed as a specific part of the New Right project. We cannot wholly dismiss the influence of the 'New Right' but an assessment needs to be made of the individual political system of a country to determine how far their influence on reform might be exerted. National

ideologies rather than the kind of political ideologies associated with the Western liberal democratic tradition are more likely to be found in the Asia-Pacific region and so we do not expect neo-liberalism to have any explanatory power.<sup>13</sup>

### *The Colonial Legacy*

Here, the assumption is that NPM is more likely to be transferred to countries where the colonial imprint remains strong, particularly from Britain or the United States. Only the vast bulk of China and Japan remained uncolonized in the region, but elsewhere the influence of colonial systems is considerable. Colonization resulted in public administration importing a range of organisational concepts and types, working methods and values that were either unsympathetic or unsuited to local circumstances. Although colonial administration is very much the 'legacy of the past'; the colonial imprint is a potentially powerful determinant of administrative change. Features that appeared to work in Britain, such as the notion of political neutrality or 'clean government', were not so strictly followed in the region, and administration could be used to further narrow sectional interests. Once a colonial administration had been imposed and established, it appeared to develop in the opposite direction to the principles of neutrality, 'cleanliness' and so on. Therefore, the same processes that were used to exploit the colonies remained after independence.

Turner and Hulme (1997: 221) identify a common set of features that constitute the colonial legacy:

- a tendency towards the centralization of power;
- ambiguity about the roles and relationships of public administrators and politicians (as domestic politicians were latecomers);
- a tradition that senior civil service appointments should be allocated to generalist administrators, rather than to those with technical or specialist backgrounds;

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<sup>13</sup> As Scalapino (1998: 232) notes, in Asia, nationalism is increasingly serving as a substitute for ideology (see Chapter Eight). When characterising the time span of NPM from 1988 in the cases of Hong Kong, Malaysia and Singapore, 'dominant' ideologies remain relatively consistent due to one-party domination in Malaysia and Singapore, and minimum disruption of the political system during the transition to SAR status for Hong Kong.

- a reluctance to provide information to those outside of the administration;
- an emphasis on following statutes, rules and procedures (role not task);
- limited consultation with the public and little recognition of a role for the media;
- an emphasis on written communication and the processing of paper;
- relatively high levels of non-salary compensation for middle and senior level officers (for example free or highly subsidized housing).

Britain left this colonial imprint on Malaysia, Singapore and Hong Kong. Japan left its imprint on Taiwan and Korea. Britain favoured 'indirect administration' therefore it was not seen as being totally unsympathetic to local circumstances when compared to the 'direct administration' imposed by other European countries and Japan. Lyon (1983: 3) pointed to the 'relatively rare disposition of the British to regard *other* (my italics) people's colonies as potential models for emulation, and not only as examples to be avoided' According to Lyon (1983: 2-3, citing Morgan, 1980), Attlee, 'in the secrecy of a Cabinet Committee', observed:

...that he had 'always thought that it would have been wiser in India to have followed the model of the United States rather than of the British Constitution, because serious dangers for democratic government were involved in the enormous concentration of power arising from an excessive centralisation of authority in an area as large as India'. Attlee felt that this kind of mistake should not be repeated in the Colonies and that the local peoples should not regard each constitutional change as a step towards the uniform goal of a constitution based on the Westminster model.

However, Sarji (1996a: 115) notes that what the Malaysia civil service inherited from the British was, in fact, 'public administration'. Sarji associates this with one of Cicero's meanings of the term 'to administer', which is 'to manage, direct, or govern' rather than the more positive 'to help, to serve or assist'. The implication being that the persistence of the 'old' British style of administration hindered past and current reform efforts.

Former colonies tend to be regarded as administrative states where ‘ambiguity’ remains about the relationship between politics and administration. In the colonial era the civil service was usually the focus of political and administrative power. Civil servants effectively constituted the political leadership. This fusion of politics and administration remains a strong feature of former colonial administrations, where bureaucracy was developed at the expense of other institutions.<sup>14</sup> The public service is elevated to a high status in society, which is then preserved by the political leadership, and powerful links develop between the two. Indeed, colonialism required a state structure, which would enable control to be exercised over all indigenous classes. At this historical conjuncture, the state apparatus had to be bureaucratic. Hence, it is not expected that programmes that rely on the separation of politics and administration, such as the UK Next Steps initiative, are likely to be transferred. Instead, the system is more likely to be preserved.

The colonial state attempted to contain and organise economic and social activity but following independence; there were no systematic attempts to replace it. As Berger (1997: 262) notes, ‘during the Cold War and beyond, Anglo-American theories of modernization and economic development have continued to reflect their linkages to the colonial era during which a cultural/racial pride in the perceived superiority of an Anglo-American (and/or a wider Western) historical model had been predominant’. Furthermore, the old administrative framework in the region became based on Weberian bureaucracy as a consequence of the colonial imprint, so administrative reform only served to strengthen this framework in the long run. Consequently, more bureaucratisation, the antithesis of NPM, might be expected.

Chapel (1982: 25) provides an interesting insight into this issue through what is termed ‘the *theory of administrative imitation*’ that ‘is an overall attempt to explain the persistence of the legacy of the past and a certain remoteness from socio-cultural circumstances by the phenomenon of administrative imitation’. Although this research does not attempt to account for the development of the administrations of colonised countries, administrative imitation

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<sup>14</sup> See the discussion in Caiden and Wildavsky (1974: 229).

obviously has significance in the study of policy transfer. As Chapel (1982: 25) goes on to explain, the process of 'administrative imitation'

...is marked by changes, transfers and transfigurations of the colonial administrative model which nevertheless remains largely extant, often because there is hardly any alternative. The illusion of a specifically national and original form of administration is dispelled. The doctrine notes that there are large numbers of foreign and national influences whose role is lasting and of importance...

Chapel's concern that adaptation to the social and cultural conditions of the country was not one of the foremost concerns of those imposing the colonial administrative model is a charge that could also be levelled at those peddling NPM today. The kind of imitation of administrative systems that underpinned colonialism acted as a serious constraint to the development of distinctive administrative systems that reflected the social and cultural features of the countries where they were imposed. The problem becomes exacerbated when other innovations in areas such as agriculture and industry are also imported. In short, post-colonial administrative systems are highly durable and are likely to resist the anti-bureaucratic rhetoric of NPM.

### *Indigenization*

In contrast to the impact of colonisation outlined above, countries may wish to emphasise indigenous culture and values in their administrative systems, especially once countries achieve independence from former colonial powers. As 'culture' may be regarded as a major determinant of work attitudes, and NPM is an Anglo-American invention, its influence cannot be understated. Although culture and indigenisation are separable phenomena, here I use indigenisation to include the reinforcement of culture. Of course, states in the West are as much 'indigenised' as those in Asia, but the assumption here is that NPM is indigenous to the West and Western cultural values.



Hofstede (1980: 25) defines culture as ‘the interactive aggregate of common characteristics that influence a human group’s response to its environment’. Culture is usually applied to societies, but can be applied to organisations located within particular societies. Culture can be used as an explanatory variable in comparative studies as it can cause differences and affect the ‘transferability of management and organizational practices’ (Lachman *et al* 1994: 40). Cultural values are important in determining organisational behaviour. When combined with indigenisation, culture may powerfully affect the transferability of NPM type models. According to Henderson (1995: 17): ‘indigenization is thought of as native patterns which are neither imposed nor copied from the West (i.e. from the USA former colonial powers, or other Eurocentric systems).’ We cannot discount the initial modernising influence of the West, but eventually the process of indigenization gathered momentum.<sup>15</sup>

Indigenization may only affect certain areas of public administration or certain groups of administrators and it often involves religious or ideological elements. Henderson cites Iran and China as examples of countries where indigenization is being consciously pursued. For instance, China is described as an example of Asian Communist/Confucian administration. In Malaysia, Islamic principles are invoked in textbooks on administration (see for instance, Sarji 1996a). Therefore, in an effort to affirm Asian values there may be a tendency in the region to resist westernisation. Majstorovic (1997: 149) notes how Kishore Mahbubani, a senior Singaporean politician ‘contends that Asian interests and methods are different and must be decoupled from the West’. Although Sarji (1996a: 116) identifies ‘reinventing government’ with the US, he argued that Malaysia needs to synchronise administration with its ‘own unique traits and needs’. Moreover, Islam and Chowdhury (1997: 131) argue that some sections of East Asian society regard social problems in the US with such horror that these problems ‘have tarnished - perhaps for ever - the USA as an exemplar worthy of emulation’.

Mahathir was virulent in de-colonising Malaysia; the ‘colonisation of Malaysia by the British, according to Mahathir, had not only resulted in political and economic colonisation but also brought about a kind of mental colonisation whereby the people came to regard anything

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<sup>15</sup> See the observation by Tu (1996: 10).

Western as the best or the ideal to follow' (Ahmad 1997: 30). Ahmad (1997: 87) cites extensively from a speech made by Mahathir in 1987 who asserted that 'there are still many Malaysians with the conception that we can only learn from the 'whites'. In fact it was the white man's ethics that dragged us down while our neighbour had overtaken us with better economic achievement'. This resistance to Western values is not confined to Singapore and Malaysia. As Sikorski (1996: 819) argues, nearly all East Asian nations, including Japan, 'have lately been sending consistent messages to America - expressions of doubt about the applicability in Asia of Western values and processes'.

In any analysis of working methods in Asia, Confucianism is often regarded as an explanatory cultural variable. In particular, economic development in Japan and the Asian Tigers has been ascribed to Confucian principles. Stella Quah (1995: 287) argues that another significant feature of these countries, which may be as important as Confucianism, is pragmatic acculturation. This is a process related to economic development and involves 'the adoption by individuals or groups of aspects of a culture that is not their native one'. This process gained momentum across Asia following the Second World War as countries across the region industrialised. Hence, there are contradictions where methods and techniques introduced from elsewhere clash with more deeply embedded socio-cultural practices.

The link between the Confucian culture and economic performance is a hotly disputed one. Root (1996: 2) dismisses Confucianism as an independent variable, which explains administrative culture and regards it as a cliché. Islam and Chowdhury (1997: 131) would concur by arguing that 'once core 'Asian'/Confucian values are diluted' to a 'level of generality, they lose their distinctiveness and become part of universal human values'. However, others regard the Confucian tradition as a major force that guides societies where Chinese influence is strong.<sup>16</sup> Undoubtedly, national cultures can have a powerful influence on the way public administration works. The value placed on hierarchy which is central to Confucian philosophy, would appear to suggest NPM, with its emphasis on flatter

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<sup>16</sup> See Huque (1996a: 14).

organisations and decentralisation would likely to be shunned by organisations influenced by Confucian culture.

A Confucian government practices a kind of 'moral elitism', which results in a meritocratic government that seeks constant perfection. As Sikorski (1996: 830) explains:

...a Confucian culture implies respect for authority, individual cultivation and merit, and community welfare. Such a value system contributes to a different kind of social aspiration, where strident individualism or rebelliousness is considered less attractive. There is no premium on dissent as in the West. Top-down decision-making is the norm, not bottom-up.

In terms of indigenous political cultures, Hong Kong and Singapore have Confucian cultures (along with China, Japan, South Korea and Taiwan).<sup>17</sup> On the other hand, Malaysia, and other Southeast Asian countries, have cultural traditions based on 'religious syncretism' (Jones 1997) and 'clientelistic' relationships (Clark and Chan 1995; MacIntyre 1994) resulting in strong links between government and business. Where there is a strong Chinese ethnic presence, in many cases a Chinese minority may want to avoid politics and thus favour a more covert form of representation, hence clientalism. Harris (1990: 114) argued that 'officials are likely to be unaware that their history, culture and philosophy make them see problems in a particular way'. In contrast, Clark and Chan (1995: 121, also Tu 1996: 10) see the Confucian culture as 'strongly supportive of developmental activities', while acknowledging that Confucian culture was not homogenous across the region. We cannot downplay the importance of culture. Lynn (1998: 234) cites Lachman *et al.* (1994: 53) to argue that 'Imported' practices may fail, or be ineffectively implemented, if they are inconsistent with the core values of local settings'.

It seems trite but it is still worth noting that where there are powerful forces for indigenization, Anglo-American NPM models are more likely to be rejected. Paradoxically,

the resilience of colonial administrative models has allowed indigenous politicians and bureaucrats to serve their own interests by emphasising bureaucratic features such as lifelong tenure, inflexibility and hierarchy, as well as prize-money salaries and very favourable working conditions. The process of 'localisation' in post-colonial states which involves a number of measures aimed at increasing the number of local civil servants as well as promoting them to key positions in the bureaucracy is unlikely to change this situation.<sup>18</sup> As policy-making and implementation tends to be dominated by the bureaucracy in post-colonial states, indigenization may prove to be a strong counter tendency to the NPM trend.

Furthermore, the core value of individualism in the US, and which is implicit in NPM, conflicts with the notion of collective responsibility found in East Asia. Hickson and Pugh (1995) examine Asian management culture and much of it conflicts directly with Western management theory. In particular, the stress on 'managing relationships in a harmonious manner' and 'managing authority firmly from the top' means that notions of devolved management, 'freedom to manage' and 'brainstorming sessions' are viewed as alien.<sup>19</sup> The kind of restructuring of public organisations required by NPM demands participation by lower-level staff, which often runs against the grain of deeply entrenched communication and authority systems. *A further problem is identified by Tu (1996: 7) who observes that there is a 'lack of clear boundaries between public and private in East Asian societies'*. Cultural congruence may be required for the policy transfer of NPM to take place, and in this sense, the importation of NPM looks unlikely. However, if NPM is being globalised, then this implies that culture is no longer of any consequence or else we need to look at other reasons for cross-national variations depending on whether you believe that this process could lead to divergence as well as convergence.

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<sup>17</sup> See Clark and Chan (1995: 121), Tu (1996) or Jones (1997: 10).

<sup>18</sup> For a discussion of localisation in Hong Kong, see Huque *et al* (1998: 66).

<sup>19</sup> 'Harmony does not assume what the prevailing Western management literature calls participation' (Hickson and Pugh 1995: 154).

## **Second Order Determinants**

By second order determinants I refer to factors that affect administrative change but are usually the consequence of first order determinants. For instance, growing 'tax consciousness' may be a consequence of the level of economic development and changes in the political ideology of dominant groups. 'Managerialism' may be due to the level of economic development and changing societal expectations, and so forth.

### *Tax consciousness*

In developed countries, it has been argued that tax payers are more conscious of how their money is spent by government. Tax consciousness is linked to economic development, and acts as a structural constraint on governments that are perceived to be high spending. Concomitant demands for greater transparency and accountability are then placed upon the polity Hood (1991) has speculated that growing tax consciousness has acted as a spur for NPM, but it is unclear how this might apply elsewhere. For instance, low taxation administrations such as Hong Kong appear to have implemented NPM.

### *Civil Service Capacity*

The capacity of public administration in a single country appears to be a strong determinant of reform. As Turner and Hulme (1997: 90) note, 'administrative capacity is a broad concept which refers to the managerial abilities of organizations - whether they are equipped to do what they are supposed to do'. Anxiety about corruption and exhortations to modernise public administration constantly energise debates about administrative change. In a study of the diffusion of civil service reform in the US between 1880 and 1935, cities adopted civil service procedures usually because of rampant corruption and 'dissatisfaction with governmental performance, especially in service delivery' (Tolbert and Zucker 1983: 23). A further impetus came with the Progressive Movement, keen to implement scientific

management. However, Turner and Hulme (1997: 235) warn that 'in countries with pre-existing high levels of corruption, a key question will be whether the NPM will help reduce this or whether the NPM will permit malfeasance at higher levels than were previously possible'.

In the case of developing countries, the development of a bureaucracy precedes political development.<sup>20</sup> Riggs (1966: 409) notes that there is a 'lack of balance between political policy-making institutions and bureaucratic policy-implementing structures. The relative weakness of political organs means that the political function tends to be appropriated, in considerable measure, by bureaucrats'. An overbearing bureaucracy then appears to fall prey to corruption and calls for its modernisation and cleansing usually follow.

A weak civil service capacity will act as a drag on a country's development. Root (1996: 3) argues that bureaucratic capability, along with an effective state-society interface, was crucial to understanding successful economic development. In effect, the capability of civil servants was being judged while being expected to act as impartial actors in the process of development. A different argument is presented by LaPalombara (1963: 54-5) who contends that politicized bureaucracies were often better able to make fundamental contributions to national development than the Weberian ideal type. Put simply, a weak capacity may refer to a shortage of adequate skills. As Turner and Hulme (1997: 236) elucidate 'proponents of the NPM need to examine whether human resources and organizational capacities within a developing country are sufficiently developed to make market or quasi-market based competition feasible'. Therefore, the transferability of NPM is very much dependent on the capacity of the civil service.

Where states have a strong and competent civil service, they are better able to meet the needs of the population, thus contributing to political stability. In particular, NPM's 'promise' of improving the capacity of the civil service to achieve this political aim should be considerable

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<sup>20</sup> See the discussion by Ro (1993: 38).

where bureaucracies are weak, corrupt or 'factionalized'.<sup>21</sup> Capacity building also receives its impetus from fiscal discipline or a need to improve performance. For East Asia and Singapore, the political system has allowed 'technocratic insulation' which means key bureaucratic agencies are given the freedom to take policy initiatives without interference from either the politicians or the wider political environment (Islam and Chowdhury 1997: 29). Taib and Mat (1992: 424) feel there is a 'widely shared pessimism about the capacity of governments and bureaucratic type institutions' and there 'was the prevalent belief that government bureaucracies were inherently incompetent'. The attractiveness of NPM is that it is concerned with restructuring public organisations to be performance and results oriented. In accounting for the economic success of the region, Root (1996: 5) points to bureaucratic capability as an important factor as it involved civil servants being subjected to performance evaluations while being 'expected to act as neutral referees in the development process'. As Hilderbrand and Grindle (1997: 33) point out, 'organizational culture is more important as a determinant of performance than structures for remuneration and control'. However, well-motivated bureaucrats are not sufficient to guarantee strong government performance. Training is considered important to improve the capacity of officials to interpret and enforce rules. Indeed, suitable training programmes can only raise administrative competence.

Hong Kong, Taiwan and Singapore tend to be the most highly regarded countries in the region in terms of civil service capacity due to the transparency, accountability, and predictability of the public sector. These countries depend upon credible bureaucracies to enforce contracts and take efforts to ensure that civil service appointments were based on job-related ability. Yang (1994: 13) refers to the space created by the party in Taiwan that allowed 'the highly educated administrative elites to choose the best policy for the state'. Administrators are less 'rulers' than 'managers' and will choose the intervention that conforms to market principles. Indeed, similar modes of operation can all be discovered in the post-Confucian societies where economic achievements have been impressive such as Japan, South Korea, Hong Kong, Singapore and Taiwan (see Johnson 1981: 13).

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<sup>21</sup> See Crouch and Morley (1993: 297).

It appears that civil service capacity in the region is focused on achieving economic goals rather than public service delivery. According to Root (1996: 15), 'one of the least noted lessons of the "East Asian miracle" is the importance of being able to change, including the ability to recognise when change is necessary'. One example is the reversal of heavy industry initiatives in Malaysia and Singapore. The impetus towards economic development mean that the 'post-Confucian societies' might be termed 'administrative' or 'technocratic' states, depending on the balance of generalists and specialists in key decision-making positions. Blondel (1995: 318-9) observes that an administrative or technocratic state develops when:

- the legitimacy of the politicians is low,
- the bureaucracy or technocracy 'must be large enough to constitute a pole of attraction for citizens',
- 'there must be similarity, if not identity, between the ideology of the specialists and the prevailing ideology of the country', such as economic development.

Harris (1988: 73) adds that an administrative state should be 'relatively stable: its rules are permanent, practised, anonymous for the most part and, at best, impartial'.

With the possible exception of Hong Kong, most of the East Asian countries do not appear to meet the first condition. However, given the 'semi-democratic' or 'soft authoritarian' nature of their regimes, the notion of political legitimacy is contestable. In post-colonial states, political leaders inherit a system where power is shared with the bureaucracy, and policy and implementation is fused together. Root (1996: 76) argues that limited numbers of trained personnel and economic development requiring 'close collaboration of the political and the administrative élites' brought about this situation. It is worth noting that in regard to Blondel's point about the 'prevailing ideology'; the role of the state in economic development in Hong Kong and Singapore can hardly be described as 'free market liberalism'.

Islam and Chowdhury (1997: 29) outline three distinctive features of East Asian-style (including Singapore) governance: an elite bureaucracy staffed by the best managerial talent



in the system; a political system that has allowed 'technocratic insulation'; and relatively close government-big business interactions. State autonomy thus rests on a highly capable, but also highly insulated, system of public administration that allows decision-makers to be captured by organised interests. Politicians are keen to nurture the system by inculcating national development plans. However, Southeast Asian countries (excluding Singapore) and the ASEAN 4 in particular, lack the bureaucratic competence and 'technocratic insulation' of their East Asian counterparts.

The World Bank (1997) sees corruption as one of the greatest obstacles to administrative modernisation, particularly in the developing world. As Leftwich (1994: 17) observes although 'corruption is notoriously difficult to define, identify and measure comparatively...in rapidly growing economies, sudden wealth generates huge temptations'. The most telling explanation as to why corruption appears to be rampant in public administration centres on the notion of 'distrust'. Huque (1990: 13-14) explains that 'the distance between the public and the administrators is so vast that one does not know the other well enough to trust'. Consequently, distortions of established rules and procedures become chronic. Although the eradication of corruption has been the explicit or implicit goal of practically all major reform efforts, the marketisation and modernisation of public administration will encourage and increase the scope for corruption. As Tsao and Worthley (1996) have argued, this is evidently the case in China. They contend that development inevitably causes value conflicts for public officials, especially where traditional social norms are strong. In the West, corrupt public officials fall into temptation for more selfish reasons. Political institutions tend to lag behind the economic development process and mechanisms to control corruption need to time to catch up. One way to tackle the problem is to strengthen sanctions or establish arm's length institutions as coping instruments. For example, the Independent Commission against Corruption (ICAC) in Hong Kong was founded in 1974 with such an aim. However, the 'clientalism' that is a feature of some Southeast Asian states may tarnish 'clean' government. The desire for 'clean' government may prompt new policy learning activity by governments in the region while simultaneously creating new potential areas for corrupt activity.

## *Fiscal Crisis*

A fiscal crisis is possibly the most cited reason for the introduction of NPM. Ingraham (1996: 250) regards changing economic circumstances, exacerbated by the oil shocks of the 1970s, as a powerful motivation for administrative change. It meant that, 'while the demand for government services continued to be high, the ability to pay for them was reduced'. Governments were forced to look at the waste of resources in the public sector and reduce running costs. However, it is not enough to say that fiscal crisis automatically causes the appearance of NPM and once the crisis is overcome (for example, the UK in the late 1980s), reforms are often sustained. Fiscal crisis does not trigger the same reaction in all countries. Pollitt and Summa (1997: 13) provide evidence to dispute the link between fiscal problems and public policy reform in Finland and Sweden on the one hand, whereas the link is confirmed in the cases of New Zealand and the UK. As Evans and Davies (1999a: 15) point out, the appearance of NPM in the West must be understood 'within the context of relative economic decline' and that NPM fits the 'strategic concerns of the Competition State'. In addition, the size of the public deficit gives a clear indicator of the performance of governments and a higher than average level of deficit (relative to GDP) may help to exacerbate a sense of fiscal crisis.<sup>22</sup> As governments continue to grapple with the inexorable creep in the size of public expenditure as a percentage of Gross Domestic Product, mere cuts will not ameliorate a sense of crisis.<sup>23</sup> The Asia-Pacific region suffered an economic downturn in the mid to late 1980s which forced governments in the region to review their administrative systems and thereafter scale down their activities (Taib and Mat 1992: 424). Some of the consequences of this period for public administration will be looked at in the next three chapters.

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<sup>22</sup> See Peters (1997: 77).

<sup>23</sup> See Rockman (1998: 24).

## *The Impact of Individualism and Consumerism*

Individualism has its ideological roots in liberalism and is consistent with much of the NPM philosophy. Paradoxically, in their discussion of TQM, White and Wolf (1995: 218) contest that the issue of individualism in American culture mitigates the acceptance of TQM. Individualism is a Western value, and TQM is the exception here, as much of the methods and techniques of NPM support an individualistic ethos. Accountability and performance lie at the heart of many NPM reforms. Individualism is of growing influence outside the West, including where it meets communitarian East Asia (Chen 1995: 34). Thus, a basic dichotomy appears between an individualist Western culture and an Eastern communitarian culture. Under the rubric of NPM, the preferences of the individual are enshrined in efforts to instil a consumerist orientation in the public sector. Ridley (1996: 18) argues that:

...in some countries, the development of self-confidence and the revolution of rising expectation is greater than in others. It is easy to see that some societies are further along the road to consumer modernism than those that retain elements of more traditional social structures. Reforms have also gone further where politicians have picked this up and integrated it in an ideology.<sup>24</sup>

NPM has therefore arisen as economic affluence has encouraged consumerism along with demands for the 'customerization' of goods and services, whether or not they are provided by the public or private sectors. The demand is for goods and services to be tailored to meet the individual's requirement.

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<sup>24</sup> Ridley (1996: 18) gives the UK and France as examples where politicians have sought ideological justification for reform.

## *Managerialism*

Managerialism here refers to 'introducing private sector management methods to the public sector' (Rhodes 1997: 48). There is a long history of the transfer of this notion in the West. However, Carroll and Garkut (1996: 548) found little empirical evidence 'of a trend towards managerialism' in the public services of six countries, despite being highly critical of their own methodology. However, we might find managerialism inserted into public administration through a number of methods: the recruitment of 'outsiders' from the private sector; training in managerial methods and techniques; recruitment of new entrants with business administration qualifications; changing behaviour through a battery of techniques such as performance measurement, devolved budgeting and so on. The management theory industry (see Ridley 1996, Hood 1991) crosses national boundaries, although Ridley (1996: 18) argues that 'national cultures will affect the reception of ideas'. In short, where the managerialist ethos is strong, then we might expect to see the introduction of NPM type reforms.

## *The Introduction of Egalitarian Social Conditions*

The development of NPM took place within the context of the decline of industrial welfare states. Rapid economic development in the Asia-Pacific region has also brought about more egalitarian social conditions, and some degree of welfarism. As Root (1996: 160) observes, 'relatively egalitarian social conditions may be a precondition for modern management techniques to take root in a society'. NPM offered governments a range of alternatives for managing developed welfare states that assume equity in public provision. Relative equality in social conditions served as a basis for rational legal authority to emerge as the basis of relationships within government. However, particularly in countries that were former colonies, the problem remained of integrating ethnically differentiated groups. This is particularly true of Singapore, Malaysia and Indonesia. The imperatives of managing this process might mean that bureaucratic reform is not as high on the government agenda as we may assume. Furthermore, egalitarianism is not compatible with East Asian Confucian

societies if inequality can be properly legitimated.<sup>25</sup> The implications for NPM are unclear, as for many Asian societies, social equality clashes with deep-rooted cultural values.

### *The Impact of Westernisation and Internationalisation*

Westernisation is the extent to which elites in the region absorb Western attitudes and values. Linked to the processes of colonialisation and globalisation, this is the idea that a more internationally orientated elite will affect the nature of administrative transformation. Such a trend would be expected to produce the right conditions for policy learning. In East Asia, development and modernisation 'is being attempted in one swift jump through the leadership of an elite and in emulation of the developed West' (Ro 1993: 34). However, if we regard colonial administration as an instance of inappropriate policy transfer that ignores local contexts, then attempts to reform administration using western concepts and methods is likely to exacerbate the problem. Caiden's (1991: 59) notion that 'profound differences in administrative cultures... would not permit the easy transnational inducement of administrative improvement and reform' was substantiated at the EROPA General Assembly in 1968. The Assembly 'concluded that foreign management concepts, techniques and approaches had provided little assistance for development and development administration in South East Asia.' Caiden's (1991: 59) view of EROPA's conclusion was that 'to overcome obstacles to administrative modernization, changes would have to be made in its administrative culture well beyond the application of Western managerial concepts and techniques'. It was clear three decades ago that there were profound doubts about the applicability of Western techniques to the region, but the pace of economic development since the late 1960s produced a growing and mobile middle class with opportunities for travel to, and study in the West. This mobility facilitates the possibility of policy transfer as political élites are able to view first-hand the changes in the social and economic commitments of states elsewhere and begin to expect such developments in their own country.<sup>26</sup>

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<sup>25</sup> See Shils (1996: 59).

<sup>26</sup> See Ikenberry (1990: 103).

### *The Politics of Economic Competition*

Geographical proximity to neighbours enjoying economic success may act as a spur or goad to elites to consider administrative reform. Economic competition in the region thus generates pressure for reform (Salleh 1992: 15). The emergence of Japan as a world economic power led to the emergence of a Japan-centred production network that benefited Southeast Asia in general (Chiu *et al* 1997: 2). Therefore, it is not surprising that Japan became the exemplar for Hong Kong and Singapore, although this situation may be changing. According to Mirza (1986: 66) the People's Action Party and Lee Kuan Yew in Singapore were great admirers of Japan's economic success. Japan influenced the new management techniques that were introduced to Singaporean public administration such as Work Improvement Teams (WITs) and Quality Control.<sup>27</sup> Malaysia's 'Look East' policy explicitly invoked Japanese management methods and ethics as a means of improving Malaysia's economic development. Mahathir (1983: 276) openly declared that 'Look East' involved 'emulating the rapidly developing countries of the East in an effort to develop Malaysia', with Japan as the prime exemplar. As a consequence, it was to Japan and Korea, and not to the West, that administrators and students were sent to learn management skills and techniques to emulate their economic success (Jomo 1994).

### *International Organisations*

The influence of international organisations was considered separately in Chapter Four. International organisations have recently had a high profile in the region, particularly the IMF. The IMF's loan packages to Thailand, Indonesia and South Korea were the biggest in their history (Wade and Veneroso 1998: 5). The main borrowers from the World Bank in the region include Cambodia, China, Indonesia, Korea, Laos, Malaysia, Philippines, Thailand and Vietnam (World Bank 1998a).

### *Other Determinants of Administrative Change*

Other factors such as rising populations and combating poverty may also need to be considered. Urbanisation may have an impact on the acceptability of NPM as it places demands on governments to provide efficient and modern public services. Nakamura and Koike (1992: 485) describe how radio and TV have helped rural populations 'to recognize urbanization' and thus press 'their government for the same material benefits and physical comforts they observed in urban areas and many affluent countries'. Salleh (1992: 14) argues that Information Technology may drive reform given that it becomes 'compelling' for the civil service to attain high levels of technological development for better public service delivery and in the pursuit of economic development goals. The relevance of these determinants will not be discounted in the forthcoming chapters, but the following table is provided as a summary of the likely determinants that will shape administrative change in the Asia-Pacific region.

It is clear that by applying these determinants, the case for large-scale NPM adoption in the Asia-Pacific region appears to be overwhelming. Therefore, it is worth dwelling on those determinants that appear to mitigate the wholesale implementation of NPM, namely quasi-democratic political systems, the persistence of colonial styles of public administration, and moves towards indigenisation. As first order determinants, they will have an impact on the second order determinants, which weakens the explanatory power of the second order determinants as they have been presented in Table 5.1 below. This conclusion seems to suggest that once we start examining our sample of countries, the arguments in support of NPM may appear superficial and NPM policy transfer activity will be less intense than the proponents of the new global paradigm might suggest.

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<sup>27</sup> See Seah (1985: 111) for a full account.

TABLE 5.1: Summary of Determinants of Administrative Change in the Asia-Pacific

Region

<i>Determinant</i>	<i>Correlation with NPM</i>
	+ve
Globalisation	
Level of Development	None
Changing Societal Expectations	+ve
Legitimacy/Symbolism	+ve
Ideology	None
Colonial Imprint	-ve
Indigenization	-ve
Tax consciousness	+ve
Civil service capacity	+ve
Fiscal crisis	+ve (perceptual)
Individualism/consumerism	+ve
Managerialisation	+ve
Egalitarian social conditions	Unclear
Westernisation/internationalisation	+ve
Economic change elsewhere	+ve
International Organisations	+ve



### 3. POLITICAL SYSTEMS IN THE ASIA-PACIFIC

Policy learning is a function of the political system. Once actors within the system become convinced of the need for administrative change, their responses will be conditioned by that system. NPM is difficult to evaluate, and its benefits may only accrue to a narrow range of people: political leaders, senior officials, private sector companies and so forth. Governments therefore need to be convinced of the need to change. A political system is defined as 'the mechanism by which values are allocated in the society in an authoritative manner' (Blondel 1995: 26). Where the political system allows the dominance of a single, powerful party, then public sector reform can be 'pushed through' by the government, even in the face of widespread opposition. Heidenheimer *et al* (1976) and Wilensky (1975) take the view that centralised political elites are 'better equipped to overcome resistance to the necessary taxes and expenditures than elites in decentralized societies' (Heidenheimer *et al* 1976: 258). The same is true when politicians exercise the political will to reduce public spending and introduce administrative reform (Zifcak 1994). Heidenheimer *et al* (1976: 272) go on to argue that 'the most essential and effective component of a successful pro-reform coalition is probably a majority (or dominant) party allied with the leadership of the bureaucracy. Such alliances are easier to create in centralised systems, in which they can also command the resources necessary for the drafting and implementation of thoroughgoing social reforms'. Therefore, we might predict that administrative change is most likely where there are single dominant parties, where there is strong political will for reform and where there is an elite consensus on the need for reform.

If we draw examples from Western democracies, the political systems of the UK and New Zealand appear to allow more radical reforms due to the existence of dominant governing parties when compared to Sweden and Finland. However, leaderships have to rally coalitions of support and, according to Muller and Wright (1994:3), the Thatcher government had found political support from 'internationalised and financial groups' who were keen to change the

regulatory structures of government and the engineering of confrontation between Treasury and high-spending departments. A similar tussle emerged in the United States over the work of the President's Private Sector Survey on Cost Control ('the Grace Commission') (Baber, 1987). Ultimately, weak governments are not in a position to push for 'drastic reforms'. The role of political leadership here is important, and in the West, NPM has largely been a 'top down' process.

NPM is generally associated with western liberal democratic political systems. Although the region is politically organised into nation states, including the micro-states of the Pacific Ocean, here similarities with the West start to dissolve. Frischtak (1994: 18-19) observes, that beyond Europe, other societies did not truly experience the liberal state, 'not even as a paradigmatic construct, until very recently'. The nation state that was imported beyond Europe 'was supposed to either create or substantially recreate society'. This was a fundamentally different rationale from its European counterpart, where the hegemonic liberal conception of the neutral or arbiter state thrived. It is difficult to describe states in the region as liberal democracies in the Western sense. As Curtis (1998: 218) observes, 'there is no single model of democratic development in the East Asian region'. Indeed, writers such as Fukuyama (1998: 225) would dispute that Asia is the exception to this trend.

Turner and Hulme (1997: 236) describe 'democracy' in the Asia-Pacific region as ranging from 'non-existent to 'guided' and/or 'corrupt''. At best, liberal democracy, underpinned by a neutral and impartial administration accountable to elected politicians, is tenuous in the majority of Asian countries. Commentators prefer to refer to 'Asian style democracy' (Neher 1994) or 'semidemocracy' (Case 1996, Islam and Chowdhury 1997). Instead, regime types vary considerably within the region from the quasi-democracies of South Korea, Malaysia, and Singapore to the one-party states of Vietnam, China and North Korea.<sup>28</sup> Only the Japanese political system can be compared to that of a liberal democracy yet it scores low in terms of

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<sup>28</sup> Scalapino (1998: 231) prefers to call quasi-democracy in Asia 'authoritarian-pluralist'. Scalapino (1998: 230-1) argues that the 'Leninist' states of Vietnam, China and North Korea will move towards 'authoritarian-pluralist' as a consequence of economic development.

citizen and interest group participation. Japan also has a single dominant party, the Liberal Democratic party, which despite recent set backs, has been dominant since 1955 (Wang 1994: 79). In global classifications (Sullivan 1996), Malaysia, Singapore and Taiwan all have single dominant parties and are described as 'quasi-democratic' or 'soft authoritarian' (Pei 1998: 5). South Korea has been described, until recently, as a militarised multi-party republic (Sullivan 1996, Crouch and Morley 1993).<sup>29</sup>

It is difficult to generalise, but within the region we see a mix of liberal democratic components (regular elections with universal franchises; interest group activity etc.) with a measure of authoritarianism. As Chun (1996: 70) points out, unlike western liberal democracies, 'modern nations in Asia have emerged out of a lineage of authoritarian states'. On this count, we might expect NPM to sit comfortably in the region as it conflicts with democratic theory by shifting accountability for public services away from the politicians. Terry (1998: 197) cites Diver (1982: 404) who argues that:

...public managers are, after all, public servants. Their acts must derive their legitimacy from the consent of the governed, as expressed through the Constitution and laws, not from any personal system of values, no matter how noble. Entrepreneurial manipulation of public authority in pursuit of personal gain offends this (democratic) principle.

The political will to implement administrative reform inevitably comes from a determined political leadership. Political leadership is crucial to understanding the political system in the Asian context as it plays a critical role in inspiring bureaucratic performance. There is an Asian tradition of political leadership by parental lineage, even when elections are held (*New Straits Times* 16.7.98). The importance of leadership cannot be understated in the Asia-Pacific context. For example, Tu (1996: 7) points to the 'indispensable' quality of strong government leadership with 'moral authority'. Civil servants are therefore included in the

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<sup>29</sup> The military take-over was in 1961, and it was not until 1987 that the government was forced to 'democratise'. To describe the political system in South Korea as 'militarised' lost any applicability with the reforms initiated by

grouping of 'political leadership', as having a 'commanding influence in the public sphere'.

Leaders frequently make public commitments to address political and administrative failure. Indeed, as Root (1996: 10) notes, Asian leaderships will 'establish and consistently enforce performance criteria for entrance and promotion, instead of using the civil service as a spoils system to reward political supporters'. For example, when taking power in 1959, the Singaporean Prime Minister, Lee Kuan Yew, realised that 'leadership must not exempt itself from the standards it hopes to inculcate in others. Expectations generated by positive perceptions of the government's institutional capacity to implement programs are necessary to inspire private sector confidence and co-operation'. More broadly, according to Vatikiotis (1996: 113), Singapore and Malaysia share 'a kind of dynamic equilibrium...in which the force for freedom emanating from some sections of society' is

...balanced by extensive support for the status quo in others. Although such support could be guaranteed by a strong measure of state control, undeniably the material benefits of prosperity also dampened popular enthusiasm for political change. If not, the spectre of economic decline was brandished by the state in the face of dissenters.

Political leaders in the region fear economic decline the most and policy adaptivity is considered an important virtue. As noted in Chapter One, policy transfer offers a convenient short-cut to the standard processes of policy formulation. Because of the Asian notion of strong paternal leadership over the family of the nation, political leaderships are assumed to have more latitude and power than their counterparts in liberal democracies. The implications for policy transfer at this stage are unclear, quasi-authoritarianism and strong leadership may impose administrative change from the top, but this depends on whether or not political leaders have the will, or the inclination, to make administrative reform part of their agenda. Leaders from both Malaysia and Singapore talk NPM rhetoric (see Chapters Seven and Eight), but the Chief Executive of Hong Kong SAR appears less concerned by issues of public

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the then President, Kim Young Sam, in 1993 (see Pei 1998).

service delivery, unlike his predecessor, the former governor, Chris Patten. However, this may be more to do with the politics of leadership succession and the change of values ushered in by the reversal of sovereignty to China. Much depends on the power that leaders can actually wield. In sum, political leaderships may proselytise NPM for both international and domestic consumption, but little of substance may be implemented.

## CONCLUSION

On the basis of secondary data, the Asia-Pacific region would appear to possess the characteristics that make its countries amenable to policy transfer activity in the area of public management. As their economies have become globalised and more developed and while their political leaderships have striven to maintain legitimacy and support, it has become possible for champions of globalisation to predict the arrival of the NPM paradigm in the Asia-Pacific. However, on the evidence considered so far there are three shortcomings to this argument. The first is the persistence of the colonial legacy. The characteristics of colonial administration are strong and durable and thus highly resistant to change. Secondly, as a countervailing force, indigenisation may also work against colonial systems, but it too, by its nature is highly resistant to NPM. Thirdly, the lack of a causal link between economic development and NPM and the absence of dominant neo-liberal ideologies mean that the wholesale transfer of the NPM model is far from assured.

This chapter has provided the final part of the multi-level framework. The model of administrative change introduced in this chapter is the first model to be applied to each of the case study countries in Part Two. Without an understanding of the structured context of each country and the importance of the various determinants, we cannot account for the policy transfer of NPM. Part Two will also examine whether or not policy learning and transfer has lasting impacts for public management reform in the individual countries explored, or whether it is the transmission of ideas that is most important for both political and bureaucratic elites.

## Introduction to Part Two

If the past decade has witnessed the transformation of public administration in the Anglo-American liberal democracies, can the same claim be made outside this group of nations? Part Two uses policy transfer analysis to explore whether NPM has made its home in the administrative systems of Hong Kong, Malaysia and Singapore. The following chapters are therefore devoted to an exploration of administrative change in each country. Three models will be applied in each chapter to each case study:

- the NPM model developed in Chapter Three;
- the determinants of administrative change model developed in Chapter Five; and,
- the policy transfer model developed in Chapter Two

The final chapter will evaluate the findings and the conditions for policy learning. In addition, this chapter will apply Moon and Ingraham's political nexus triad when

comparing the three case studies as a key component of the multi-level analytical approach.

The key research findings of this thesis are located in the following case study chapters. Using the time-frame of 1988-1998, the administrative context of each country is analysed by the application of the determinants of administrative reform introduced in Chapter Five. This process makes an assessment of the amenability of each country to policy transfer. Administrative change in each country is then examined and the NPM model (developed in Chapter Three) is systematically applied. This will evaluate the extent to which each country is converging on the NPM model. However, as this does not explain whether or not transfer has taken place, evidence of policy learning and transfer will then be presented. Hence, these chapters will produce an account of administrative change in each country, the extent to which those administrative changes accord with NPM, and the degree to which policy transfer activity can be used to account for NPM-type policy implementation. Chapter Nine compares policy transfer activity in the three countries as well as applying Moon and Ingraham's political nexus triad to the three cases. Finally, there is a short concluding chapter summarising the main findings. Potentially, the research findings may have important implications for the way that public policy analysis is employed in an increasingly internationalised policy environment.

### *The Nature of the Data Collection*

In Chapters Six, Seven and Eight, primary source information is presented which was obtained through elite interviews and documentary analysis. The interviewees included both senior government officials and academics, ranging from the Chief Secretary to the Government of Malaysia, the Head of the Efficiency Unit in Hong Kong, to an expert on public administration in Singapore. The determinants of administrative change developed in Chapter Five are then applied systematically in Chapters Six, Seven and Eight, which investigate policy transfer in Hong Kong, Malaysia and Singapore respectively. To assess the degree of transfer requires detailed empirical

research in the form of interviews and assessments of relevant documentation. In short, these three chapters critically examine public management changes in these three countries to test the assumption that NPM is being globalised through increasing policy transfer activity.<sup>1</sup>

A key, but familiar research problem encountered here was gaining access to appropriate elite interviewees. Asking senior government officials to respond to a foreign research student is not an easy task in Asian countries as the current economic crisis has meant that the timing of interviews and hence the political atmosphere is crucial, but evidently outside the researcher's control. Indeed, although I was based in Hong Kong during the research period, it was easier to obtain interviews from expatriates rather than local civil servants. Letters of introduction were either ignored or politely declined. In Singapore, although academics proved to be accommodating, some forty letters only produced two interviews with senior civil servants, although others did express an interest, in the event it proved difficult to arrange interviews. By contrast, although the Malaysians required me to gain a research permit, once that was obtained, senior civil servants proved to be willing to be interviewed. It should also be noted that all the interviewees occupied central government positions. Hong Kong and Singapore are small states with virtually no geographical decentralisation, therefore virtually all public services are provided by central government. In Malaysia, the interviews also focused on staff in central agencies because reform messages may become distorted once they reach the decentralised outposts of the country.

## **A PRELIMINARY COMPARISON OF HONG KONG SAR, MALAYSIA AND SINGAPORE**

The three countries seem naturally comparable or 'most similar systems' as all are former British colonies in the Asia-Pacific region.<sup>2</sup> Selecting Hong Kong, Malaysia and

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<sup>1</sup> The word 'change' is used rather than 'reform'. I concur with Norman Flynn (1998: 5) that the word 'reform', is used, 'not always accurately, to gain legitimacy'.

<sup>2</sup> See Chapter Two for a discussion of 'similar systems' and the comparative approach.



Singapore, might appear at first to be a recipe for unpromising results, given their geographic distance from the core NPM reforming countries in Europe and North America. They are similar in that they have all been colonised and influenced by Britain. For example, all three countries have a provident fund scheme introduced by the colonial administrations as a compulsory state-run domestic savings scheme. Furthermore, all three countries have enjoyed outstanding economic growth in recent times. Hong Kong and Singapore are regarded as first-tier East Asian NIEs with Malaysia regarded as a second-tier Southeast Asian NIC (Jomo *et al* 1997: 8).<sup>3</sup> However, 'Malaysia resembles the East Asian tigers...more than its immediate neighbors in the relative egalitarian distribution of wealth and in the integrity of its business environment' (Root 1996: 66). Along with Singapore, Malaysia has relied heavily on foreign direct investment in order to develop economically.<sup>4</sup> All three countries have been labelled as 'administrative states', largely as a consequence of their ex-colonial status. The similarity between the three, as a result of the colonial legacy, provides for an expectation that the countries will be receptive to ideas being developed in Britain in particular, and the West more generally. In addition, all three countries are characterised by close links between the civil service and political elites (in Hong Kong the link is actually a fusion).

Although Hong Kong SAR and Singapore are described as 'small states', care needs to be taken in our definition of 'small states'. The Commonwealth Secretariat (1983: 9) follows the United Nations definition based on population, with a population of one million as the upper limit. Using this definition, only Brunei and the island states of the Pacific would qualify as the 'small states' of the Region. Clearly Hong Kong (7m.) and Singapore (3m.) exceed this definition. Katzenstein's (1985) analysis of small states in Europe identified states which all had populations above that of Singapore, but essentially they were small when *compared* to their neighbours who were, or had the potential to be, economically more powerful. 'Small' can also be defined in terms of geographic area, and both Hong Kong and Singapore only have a surface area of 1,000

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<sup>3</sup> All three countries are members of Asia-Pacific Economic Co-operation (APEC).

<sup>4</sup> See Jomo *et al* (1997: 13).

square kilometres. Another term we could use is that of a 'small *city state*' which may be applied to both Hong Kong and Singapore.<sup>5</sup> Such is its size (1,000 sq. km.), Singapore does not have sub-national government and although Hong Kong's size is the same as Singapore, its very limited system of local government is due for abolition. Hence, Chiu *et al.* (1997) apply the term 'small city-state' to Hong Kong and Singapore, which they believe is crucial to understanding their economic context. For instance, neither has, or ever had a large rural economy to speak of, unlike Malaysia.

In terms of economic potential, Hong Kong and Singapore also remain 'small' when compared to Japan, South Korea and Taiwan. It is assumed that small states are under more pressure from world markets than their larger neighbours because almost by default, they have to be outward-looking. Until recently, Malaysia had also thought of itself as 'small' (Mahathir cited by Sadiq, 1994), but this description is more likely to refer to its status as a developing nation. Katzenstein (1985: 199) would argue that Hong Kong and Singapore have taken advantage of their size as 'small states with open and vulnerable economies' and have responded effectively to changes in the global economy. Indeed both Hong Kong and Singapore have been lauded by the World Economic Forum and the International Institute for Management Development for their competitiveness by scoring very highly in terms of open financial markets and corruption free civil services (Evans 1997). However, when compared to Hong Kong, Singapore 'has followed a highly interventionist route to development' (Jones 1997: 99). Malaysia, a much larger federal state, has not enjoyed similar flexibility. We must therefore remain aware of the fundamental differences between Hong Kong and Singapore. For instance, shortly before SAR status, Hong Kong was judged to have lost its place to Singapore as the 'least bureaucratic' centre in Asia by a consultancy group based in Hong Kong. However, Singapore's strongly interventionist government is not necessarily the same thing as Hong Kong's 'bureaucratic government'.

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<sup>5</sup> See Wettenhall (1992: 59) for the application of the term to Singapore.

Singapore and Malaysia are similar in that they are nation-states that have gained independence from Britain; they became independent of each other in 1965. Hong Kong on the other hand, was returned to China in 1997, a situation which prompted Jones (1997) to regard Hong Kong as an 'anomaly' in the Asia-Pacific region. Other post-independent nations such as Singapore and Malaysia have attempted 'to foster national unity and shore up governmental legitimacy' by establishing national ideologies (Diamond and Plattner 1998: xviii). Finally, Hong Kong and Singapore have predominantly ethnic Chinese populations, while Malaysia has a significant ethnic Chinese minority.

In sum, the three cases have been selected because:

- they stand outside the core 'reform' group of OECD countries;
- they are former British colonies;
- they have recent records of considerable economic success; and,
- in practical research terms, they are accessible from Hong Kong and English is a common medium of communication

The three chapters that follow will therefore critically examine public management changes in Hong Kong, Malaysia and Singapore to explore whether NPM is being globalised through increasing policy transfer activity. It is assumed that policy is being transferred from the Anglo-American countries (the 'NPM' core) to these countries. Although the region is characterised by both intense economic competition and cultural heterogeneity, it might be predicted that these countries prefer to learn from beyond the region rather than from each other. The idea that transfer depends on mutual trust or at least a perception of similarity derived from frequent interaction between and knowledge of other systems and cultures may apply to the EU, but does this idea apply to the Asia Pacific region?

# 6 Administrative Change in the Hong Kong Special Administrative Region (SAR) of the People's Republic of China

*Profile:*

Population: 7 million

Area: 1,000 sq. km.

GNP per capita (1997): US\$ 25,280

GNP Average Annual Growth Rate 1996-97: 2.1%

(World Development Report 1998/99)

Overall deficit/surplus (% of GNP) 1997: -3.5% (Barclays Capital 1998)

## 1. POLITICAL AND ADMINISTRATIVE CONTEXT

Hong Kong has never been an independent polity. Britain's unofficial occupation of Hong Kong and Canton (now Guangzhou) began in the 17<sup>th</sup> century before much of the territory was formally ceded to Britain from China in the 19<sup>th</sup> century. The island of Hong Kong became a British colony in 1843, followed by the peninsular of Kowloon in 1860. However, it was the expiry of the 99-year lease on the New Territories under the Second Convention of Peking that resulted in the reunification of Hong Kong with China in 1997. Following the establishment of the People's Republic of China in 1949, the Chinese opposed the notion of an independent Hong Kong, and the border with China was sealed in 1950. Cold war tensions resulted in Hong Kong being deliberately transformed into a free-market port by Britain.

However, Hong Kong is an anomaly in that decolonisation was not preparation for independence but reintegration with another sovereign state, the People's Republic of China.<sup>1</sup>

China's restraint over reclaiming the territory of Hong Kong during the post-war period finally gave way when China joined the United Nations (UN) in 1972. China's representative requested the removal of Hong Kong and Macau from a list of territories supervised by a 'Special Committee on Colonialism' on the grounds that they were part of China (Miners 1991: 6). In addition, the expiry of Britain's lease on the New Territories in 1997 began to loom and in 1982 Britain decided to press China to clarify a policy on Hong Kong. Negotiations thus began in anticipation of the expiry of Britain's leases in Hong Kong, which resulted in the Joint Declaration between China and Britain of 1984. The treaty was ratified in June 1985.

Hong Kong was returned to China at midnight, 1 July 1997. As Britain had been long aware of the finite nature of its lease on Hong Kong, the transfer of Westminster-style governance was prevented although it had occurred in the majority of the former British colonies. The prospect of reintegration was without precedence and prevented officials from looking elsewhere for guidance. Hong Kong was also exceptional in that following the wave of post-war independence in other Commonwealth countries, there were no moves in Hong Kong towards elections and internal self-government until very recently (Miners 1991: 22).

Effectively, the constitution of the Hong Kong SAR is the document known as 'The Basic Law' and was adopted by the Seventh National People's Congress in 1990. It guarantees the maintenance of the existing system for at least fifty years. This document replaced the former colonial constitutional documents on 1 July 1997. Under the Basic Law, Hong Kong has considerable autonomy from China and maintains its own currency and border control with the mainland. In effect, the only matters left to China are defence and foreign policy. Thus, Hong Kong's status as a SAR of China meant that it is 'semi-autonomous', in theory at least.

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<sup>1</sup> For a full discussion of the unusual nature of Hong Kong's decolonisation, see Lau (1997).

Hong Kong is regarded as a classic example of the fusion between politics and bureaucracy at the centre of government. Hong Kong's government 'has been conceptualized as an ideal type of 'bureaucratic polity' which practises the 'administrative absorption of politics' (Cheek-Milby 1989: 221). Thus, before the introduction of the democratic reforms in the mid-1980s, Hong Kong was labelled an 'administrative state'.<sup>2</sup> This means the bureaucracy is effectively the repository of centralised state power in Hong Kong with no demarcation between politics and administration. The civil service is the only political institution in Hong Kong. Post-1997, the senior civil service is still the political executive and the scope for political participation remains relatively limited, despite recent democratic reforms. Thus, the state in Hong Kong is perceived as highly autonomous and aloof from society. On the other hand, the civil service is also regarded as a 'powerful but conservative force *in* (my emphasis) society' (Lee, cited in Huque *et al* 1998: 16). Whatever the degree of autonomy from society, the bureaucracy in Hong Kong has considerably more power and status than civil service systems in Western liberal democracies.

The historical reason for Hong Kong's highly centralised systems was to ensure that the Governor could exercise control and be fully briefed. Hong Kong had a fairly typical colonial government. Governors were politically accountable to the appropriate Secretary of State responsible for Hong Kong affairs in London. Cooper and Lui (1990: 333) argue that Hong Kong's bureaucratic polity is the product of 'an apathetic political culture, the Chinese tradition of deference to authority' and the colonial legacy of depoliticization.

The civil service effectively constitutes the public sector in Hong Kong. Under the policy guidance of a government secretariat, 64 government departments and agencies, along with statutory corporations and other public bodies deliver public services. The government secretariat contains a range of policy bureaux, responsible for a range of activities. Some departments such as the Housing Department are significant areas of activity in the SAR. Statutory corporations include the Airport Authority and the Hospital Authority. Hong Kong also has a system of local government, with two municipal councils (the Urban Council and

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<sup>2</sup> See Harris (1988) and Scott (1989).

the Regional Council), but these have a very limited portfolio when compared to local authorities in the UK.<sup>3</sup>

## 2. EXPLAINING ADMINISTRATIVE REFORM IN HONG KONG

### First Order Determinants

Hong Kong's bureaucratic polity poses some empirical problems for the application of determinants of administrative change. The preservation of the system of the public administration guaranteed under the Basic Law means that the system was remarkably well insulated from external pressures and influences to ensure stability and continuity in the transition to SAR status.

### *Globalisation*

As a small state, Hong Kong is extremely vulnerable to economic and political globalisation (Scott 1989: 185). However, despite Hong Kong's relative size and its lack of natural resources, its status as a port of international significance has meant that it has weathered economic globalisation remarkably well and has turned it to its advantage. Hong Kong shares with Singapore a history as an entrepot for commerce within the British Empire and the neighbouring region, which brought it into the global economy relatively early. More recently, the close economic relationship with neighbouring southern China, and the Pearl River delta in particular, is based on Hong Kong manufacturers locating production in that region. Considering the region as a whole (with the addition of Taiwan), Chiu *et al* (1997: 168) argue that, 'the advantageous position of Hong Kong in this emergent economic subregion lies in its status as a world city'. Although Hong Kong is undoubtedly 'internationalised', Hong Kong's trans-national trade relies on the discretion of the state, the 'bureaucratic polity'. In terms of the impact of globalisation on administrative change in Hong Kong, the preservation

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<sup>3</sup> At the time of writing, the government has proposed the abolition of the two units of local administration in Hong Kong, with their areas of responsibilities being absorbed into the relevant policy bureaux. The government argued for the reform on the grounds of efficiency and co-ordination.

of the colonial system along with its limited government makes any impact difficult to quantify.

### *Level of Development*

Hong Kong achieved a high level of economic development in a relatively short space of time. As a colony, Britain's promotion of Hong Kong's economy was more to do with steering the colony away from conflict in China rather than a conscious attempt by the sovereign power to 'modernise' the colony (Chun 1996: 58). Hong Kong is the eighth largest world trade entity, the busiest container port and the fourth ranking financial centre, as well as the main 'gateway' to the People's Republic of China (PRC). In terms of administrative change, the level of development prompted the expansion of public services, particularly in health, education and housing. A Hong Kong government publication, *Serving the Community* (Efficiency Unit 1995) claimed that economic success meant that people demanded 'more and better public services'. Therefore, rising public expectations for services as a consequence of successful economic development appeared to act as a further source of pressure for reform (Lui 1994: 18). However, it seems that same success has served to keep administrative reform off the political agenda, at least until very recently.

### *Changing Societal Expectations*

The assumption is that a better educated and more sophisticated population and civil service are likely to demand administrative reform. A link is often made between economic development and the pressure to democratise (see Chapter Four). As Hook (1997: 558) notes, by the 1980s, Britain was under 'mounting pressure from representatives of an educated, articulate and professionally highly successful indigenous middle class to introduce democratic reforms in the system of representational government'. Jones (1990: 451) dismisses this middle-class pressure as being limited to concern over the impending 1997 hand-over. The last Governor, Chris Patten, appeared to be sensitive to the demands of a changing Hong Kong society. In his address to the opening session of the 1992/93 Legislative Council (Legco) he remarked: 'an increasing prosperous and sophisticated community quite



rightly demands greater openness and accountability from the public sector which it pays for and an official attitude of mind which regards the public as clients not supplicants' (Patten 1992: 26).

### *The Politics of Legitimacy*

As an administrative state, Hong Kong's stability in the past owed much to its 'effective legitimacy both to the local population and to China' (Harris 1988: 6). As the government is executive dominated, the importance of legitimation and symbolism is important to the governing elite, particularly in the absence of liberal democracy. Part of the context related to the run-up with reunification with China revealed the contradictory nature of NPM, when calls for public sector reform (see below) allowed the government a 'recentralization' of powers, while advocating decentralisation at the same time (Huque *et al* 1998: 49). Furthermore, the appeal of NPM to the Hong Kong colonial government in the late 1980s may in part be due to the government wishing to assert an eroded legitimacy during the political uncertainty preceding the return of the colony to China. NPM-type administrative change could thus be brandished as a symbol of the government's competence.

### *Ideology*

Hong Kong appears to be a bastion of 'laissez faire' government, but this description is largely inaccurate given that the government does legislate and regulate over large areas of economic activity, especially housing, public utilities, transport, banking and financial institutions. The public sector is well developed and carries out, or subsidises, most of the functions found in liberal democracies. Islam and Chowdhury (1997: 192) argue that the Hong Kong government 'is very much Keynesian in nature and has never shied away from using its public expenditure programme to fine-tune the economy'. They give as an example that to assuage uncertainty following the Tiananmen incident, 'the government used its spending power to boost demand and increased public-sector wages'. Furthermore, in August 1998, the government intervened on the financial markets to protect the Hong Kong dollar 'peg' to the

US dollar.<sup>4</sup> The government is only minimalist in terms of restricting intervention in particular sectors or industries.

In short, we can discount the link between New Right political ideology and NPM in Hong Kong. Cheung (1996a: 33) argues that 'traditionally Hong Kong has been inclined towards economic liberalism'. Although publicly the government champions the free market, there are no espousals of political ideology, including the New Right. Chow's research (1992: 1651) points to the lack of guiding political ideologies for both citizens and civil servants 'consequently they (civil servants) could only serve to serve their individual self-interest, thus making...the bureaucracy as an institution merely a (collectivity) of individual self-interests'. Thus, the public choice thrust of NPM may lack appeal in Hong Kong, especially if its application is able to expose the pursuit of self-interest within the bureaucracy.

### *The Colonial Legacy*

As a former British colony, British institutions were inevitably imposed on Hong Kong, but as Harris (1988: 4) observes, a number of significant modifications were made, 'in particular developing the apparatus of the administrative state'. In this respect, it was a fairly typical colonial government. A dysfunction of this colonial imprint is that it concentrates functions and power into the hands of civil servants which has ensured the continuation of a 'bureaucratic culture of elitism and even arrogance at the expense of public accountability and responsiveness' (Chan 1997: 570). Lui (1994: 26) argues that inside the bureaucracy there was a 'collective organizational mentality which (was) ultimately supportive of the colonial cause'. The hierarchical nature of the government reinforced a degree of authoritarian control, which was fundamental to any colonial administration. Lui (1994: 18) adds that 'one of the distinguishing features of Hong Kong, arising from the colonial nature of the regime, is that its governance is founded more on *ad hoc* solutions than on a commitment to achieving some long-term ideals'.

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<sup>4</sup> The Hong Kong dollar fixes its exchange rate to the US dollar.

With the transition of Hong Kong from a British colony to a SAR of China still very recent, the colonial influence remains powerful and preserved in the Basic Law. According to Hook (1997: 566) the crucial question for the British legacy 'was the extent to which there could be continuity at the top of the civil service'. In the event, most of the top civil servants were reappointed except for the Attorney General and Commissioner of the Independent Commission against Corruption (ICAC). When discussing the impact of the reunification with China later, it appears that in the short term at least, the preservation of the colonial system was congenial to China's interests.

### *Indigenization*

In the transition to independence, 'localization' is usually a parallel development to decolonization. Although Hong Kong did not gain independence, 'localization' has long been on the agenda of the Hong Kong government, although anticipation of 1997 gave it greater impetus. The reality was that up until the 1980s, the domination by expatriates of the civil service system resulted in limited promotion opportunities for the local Chinese civil servants. There was an implicit assumption by British officials that the Chinese lacked the requisite qualities to reach the higher echelons of the bureaucracy.<sup>5</sup>

It was not until the Joint Declaration of 1984 that localization began in earnest, and this was enshrined in the Basic Law. The Basic Law requires that holders of top government positions in the SAR be Hong Kong ethnic Chinese without the right of foreign abode. This condition is generally a reflection of the significant gains the local population has made in terms of skills and professionalism that began to challenge the expatriate elite well before 1997. Localization may be regarded as a natural consequence of an increasingly strong Hong Kong identity. Moreover, Hong Kong people have gained technological skills, academic qualifications and professional experience while continuing to be dominated by an expatriate elite. However, the Policy Committee of the HKDF (1998a) regards localisation as having stripped 'the Civil Service of much of its talent and experience'. On the other hand, Scott (1996: 285) argues that this has undermined the tradition of recruiting the most able to senior positions in the civil

service<sup>6</sup>. In the case of Hong Kong, it could be assumed that localisation would discourage policy learning from the UK in particular, and the West in general.

To what extent is the public sector shaped by the Confucianist philosophy in Hong Kong? According to Clark and Chan (1995: 122) 'the absence of state controls allowed commercial entrepreneurship and a skilled labor force to produce a highly dynamic economy, thus demonstrating the often hypothesized linkage between Confucian culture and an aptitude for small-scale business'. Indeed it may be argued that the Confucian patriarchal culture moulds the 'strong society' in Hong Kong and this culture is reflected in the bureaucracy. Chinese values are further reinforced by the emphasis on line rather than staff positions in human resource management. Furthermore, the cultural emphasis on 'power distance' meant that organisations in Hong Kong tended to be highly centralised.<sup>7</sup> In such circumstances, acceptance of NPM is highly unlikely.

## Second Order Determinants

There was no evidence in Hong Kong to suggest that growing *tax consciousness*, *individualism*, and the *international organisations* had an impact on administrative reform. Nor was there evidence to suggest that *more egalitarian social conditions* had had an effect on administrative reform, which is a reflection of the elite-driven nature of the bureaucracy.

Although Hong Kong regards its society as open and meritorious and the expansion in its economy has improved the standard of living for the vast majority of people, not all have gained equally from rapid economic developments. *Economic competition* has some importance for Hong Kong in terms of administrative change. There is intense competition between the economies in the region so there is an imperative for the public sector to act quickly while anticipating new developments and challenges. However, *reunification with China*, a second order determinant unique to Hong Kong, proved to be an important influence on administrative change in the SAR. This issue will be discussed in detail later.

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<sup>5</sup> See the excellent discussion in Chan (1997: 571).

<sup>6</sup> For a full discussion of localization in the Hong Kong civil service, see Huque *et al* (1998), chapter 4.

<sup>7</sup> See Lachman *et al* (1994: 46) for full details.

## *Civil Service Capacity*

The Hong Kong civil service is generally regarded as capable, efficient and free of corruption. Following its transition to being a SAR of China in July 1997, part of the legacy bequeathed to Hong Kong was the efficiency of its government (Hook 1997: 553). Lui (1994: 26) argues that:

Inside the bureaucracy itself, the notion of efficiency has...been a significant binding and motivating force for the civil service. It has provided a foundation for the development of a collective organizational mentality which (was) ultimately supportive of the colonial cause. It relieves the top management levels from a drastic review of the system, which may upset the authoritarian pattern of control that is fundamental to a colonial-type administration. In this way, efficiency helps to perpetuate the vested interests and values of the colonial regime.

However, Scott (1989: 192) points out that although the Hong Kong Government is generally regarded as efficient, it devotes few resources to improving its policy-making capacity, so it is occasionally prone to costly 'great planning disasters'. The relative size of the public sector is small but continues to grow.<sup>8</sup> Written with the caution of a senior Treasury bureaucrat, Tsang (1995: 4) observes that 'this growing trend became cause for concern'. Apart from arresting the size of the government, it appears the capacity of the Hong Kong government was not a motivation for administrative reform.

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<sup>8</sup> Recent percentage changes in staff numbers (the establishment) in the Civil Service over previous years were: 1993: -1.71%, 1996: +1.06%, 1997: +0.72%. Source: Civil Service Bureau, Hong Kong SAR government. Civil service employment as a percentage of the labour force: 1996: 6.15%, 1997: 5.97%. Calculation by author based on figures supplied by Census and Statistics Department, Hong Kong SAR government.

## *Fiscal Crisis*

The relative cheapness of the Hong Kong civil service due to its tall line hierarchy and low pay at the bottom of the hierarchy came under threat.<sup>9</sup> In the late 1980s, there was a general downturn in the local economy: growth in GDP dropped from 14% in 1987 to 2.5% in 1989 and inflation rose from 5.7% to 10% in the same period (Lui 1994: 27). In addition, an expansion of the civil service between 1978 and 1982 had, by the beginning of the 1990s, worked its way through in terms of staff reaching the maximum point of pay scales. When this expansion became combined with low wastage, calls for reform soon followed.<sup>10</sup> Furthermore, by the end of the 1980s, there were demands from the middle classes for an expansion of social services. Such demands were greeted with concern by the powerful business community, which naturally favoured a limited and low spending government.<sup>11</sup> These factors combined to generate a perception of crisis during this period. In the late 1990s, although public expenditure in Hong Kong is tied to growth in the gross domestic product, the full impact of the recent Asian economic crisis is still being worked through at the time of writing (May 1999). In early 1999, a new sense of fiscal crisis prompted further calls for civil service reform (see below).<sup>12</sup>

## *The Impact of Westernisation and Internationalisation*

For almost two centuries, Hong Kong has been subject to international influences in general, and Western influences in particular. Economic prosperity has allowed Hong Kong people to receive higher education abroad. Moreover, many professionals achieve their qualifications in western countries, particularly Australia, Britain, Canada and the United States. Therefore, the dominant section of the community and its way of life had become internationalised. The new westernised elites had become dissatisfied with the colonial system of government 'that led to the administrative absorption of politics' (Hook 1997: 560). Unless economic hardship

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<sup>9</sup> See Scott (1989: 192) for a full account.

<sup>10</sup> See the compelling discussion in Law (1994).

<sup>11</sup> See Scott (1989: 195) for a full discussion.

<sup>12</sup> Expenditure-based GDP at constant (1990) market prices, estimated at 5.3% (year on year change) for 1997 and -2.3% for 1998. Source: Census and Statistics Department, Hong Kong SAR government.

severely curtails the travel opportunities of the Hong Kong people, internationalisation is expected to be reflected in administrative policy-making.

#### *Other Determinants: Reunification with China*

Reunification with China provided a further source of pressure for reform, at least prior to the Basic Law, and is a unique factor in explaining administrative reform in Hong Kong. Hong Kong is the outcome of an unusual process of decolonization. Instead of the process being a preparation for independence, China replaced Britain as Hong Kong's sovereign power. The bureaucracy became more self-conscious of its role and performance as 1997 drew closer. As Cheung (1992: 137) explains 'since the 1980s, the government has been suffering, to an increasing extent, political stress and a legitimacy crisis induced exogenously by China's growing presence and influence over Hong Kong'. This has led to a decline of authority and the relative autonomy of the government, which has ultimately weakened state power. Thus public sector reform had some appeal to the bureaucracy as a strategy to cope with an increasingly uncertain environment.

Chow (1992: 1654) also believed that '1997 phobia' meant that more civil servants were less concerned with 'excellence' and he found 'the prevalence of the norm of mediocrity'. Political uncertainty thus undermined the motivation of civil servants. Therefore, Lau (1997: 43) regarded attempts to improve the performance of the civil service as part of the overall aim 'to enhance the autonomy and authority of the Hong Kong government in its last years'. The Secretary of the Civil Service argues that since the reversal of sovereignty, the public now has higher expectations of the civil service, and that the civil service is now an interactive partner with China.<sup>13</sup> On the other hand, public esteem of the civil service is now declining, and although there is a general perception that service delivery has improved overall, the civil service is still perceived as being poor at 'crisis management'. However, it appears easy to overplay the impact of the reunification on public administration as the Basic Law essentially preserved the structure of the civil service.

The pressure from a rising population, the increasing proportion of elderly citizens and a deteriorating environment all has potential consequences for administrative reform. Other pressures might include plans to develop large-scale infrastructural facilities, such as the Port and Airport Development Strategy. However, it is difficult to find evidence that explicitly links these determinants to administrative change in Hong Kong. The *South China Morning Post* (7.10.1997) argued that it was public housing, welfare, home ownership and environmental concerns that are likely to be the 'most pressing' issues facing the Government. Moreover, the recent 'Right of Abode' issue whereby the children of Hong Kong residents in mainland China may have the right to live in Hong Kong under the Basic Law will have a considerable impact on the administration should upwards of a million mainland Chinese emigrate to Hong Kong.

### 3. THE POLITICAL SYSTEM

Hong Kong's bureaucratic polity was retained following the reversal of sovereignty to China. The preservation of the status quo was enshrined in the Anglo-Sino Joint Declaration, which was concerned with the way Hong Kong was to be governed after 1997. In the Hong Kong government there are no ministers or a cabinet. An Executive Council dominates the policy process, which consists of top civil servants, business and institutional leaders, but it contains no popularly elected representative. The Executive Council usually listens to appeals or to scrutinise new legislation and meets once a week. The members are appointees of the Chief Executive (or the Governors until 1997).<sup>14</sup> The Basic Law guaranteed the continuation of the Executive Council and specifies that the members shall be senior government officials, members of Legco, and other 'public figures' (Miners 1991: 82). However, the Executive Council appears to correspond to that of the British cabinet (Jones 1997: 53, Huque *et al* 1998: 19) whose members increasingly behaved like ministers following the McKinsey reform of 1974 (see below). This behaviour was reinforced by the arrival of the last Governor, Patten, in 1992, 'who expected these top-rank officials to promote government policies openly

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<sup>13</sup> Lam Woon-Kwong (1999).

<sup>14</sup> The governor was 'no more than a Prime Minister' (Jones 1997: 53).



and to lobby the legislature vigorously' (Huque *et al* 1998: 34). The Governors were, in turn, appointees of the British government.

The executive branch of the government or the Government Secretariat formulates policy. Policy is effectively made by civil servants with little input from elsewhere. Lam (1999) claims however that the government is now more consultative than before. The political legitimacy of the Hong Kong government has therefore relied on the 'appearance' of a politically neutral civil service (Scott 1996: 279). The Joint Declaration enshrined the notion that a neutral, stable and effective civil service was instrumental in guaranteeing the future livelihood of Hong Kong. The dominance of the civil service in policy formulation would appear to ensure that there were no pressures for administrative reform from outside the government.

However, Hong Kong might also be regarded as a fledgling democracy. In May 1998, political parties and independent candidates competed for seats in Legco, although it does not form the government. Until 1985, Legco members were appointees of the Governor. After 1985, the number of elected members on Legco became 24. None of these seats were directly elected. Representatives from sub-national government, namely the District Boards, the Urban Council and the Regional Council indirectly elected 12 Legco seats. The other 12 came from 'functional' constituencies. The Tiananmen massacres of June 1989 prompted the British government to speed up the process of democratisation, and the first direct Legco elections in September 1991 saw pro-democratic candidates capturing 17 out of the 18 directly elected seats. Direct elections for only a third of the sixty available seats in the Legco also took place in 1995 and 1998. Future change to the electoral system is unlikely as the Basic Law stipulated only a third of Legco seats to be directly elected (Miners 1991).

From the Joint Declaration between Britain and China in 1984, the political climate in Hong Kong has been tempered by Sino-British exchanges over its future. However, the democratic culture in Hong Kong is relatively young, and protests at the events at Tiananmen Square in 1989 proved an important impetus to the democratic movement. Pressure for democratisation was also a reflection of the prodigious economic development of Hong Kong and change had

become inevitable by the early 1980s. However, during a period of growing economic prosperity, an actual decline in support for pro-democratic movements was observed in the early 1990s. Although Sing (1996: 487) argues that in 'a booming economy', more public demands, frustrations and conflicts are provoked with the government it appears that economic prosperity for the majority of the population diverted attention away from political participation.

Sing (1996) dismisses the modernization thesis with respect to democratisation in Hong Kong. Although economic growth allowed the development of a large middle class, it cannot be treated as a heterogeneous group. The middle-class is split between business and technical professions and service professions, with the former hostile to democracy that may usher in the welfare state and the latter, who are more sympathetic to the ideals of social equality and democracy. The transition to SAR status under the PRC's 'one country, two systems' formula promised Hong Kong a high degree of political autonomy. Hong Kong's electorate tends to be stereotyped as being politically apathetic, although this argument was not supported by the relatively large turn-out for the Legco elections in May 1998.

We might assume that a slow pace of democratisation would require a more responsive public administration in the absence of political accountability. LeHerissier (1995: 205) predicted that gradual democratisation would allow greater external pressures to be brought to bear on the civil service in Hong Kong. The 'soft democracy' cautiously introduced by Patten was designed to assuage conservative and business elite fears that democratisation would actually undermine the efficiency of the civil service.

Finally, it is important to consider whether political leadership has provided the will to reform the administration in Hong Kong. During his incumbency as Governor, Chris Patten mirrored the resolve shown by his former leader, Margaret Thatcher in pushing for administrative reform (LeHerissier 1995: 205). Prior to Patten, Hong Kong had been governed by a series of career bureaucrats who by and large shared the same culture and values of bureaucratic governance. Unlike his predecessors, Patten was a career politician who made an impression on the style of administration during his term in office. Patten's impact, whose career as a

politician was forged under Thatcherism, would be expected to be significant. However, as a business person (a former shipping magnate), the present Chief Executive, Tung Chee-hwa might be expected to show a strong preference for managerialism in public services. However, the consumerist sensitivity following the establishment of the SAR has been abandoned in favour of less openness, and authority is now delegated with great reluctance. Ironically, Tung's style of government is 'conducive to the restoration of colonial practices' (Vines 1997). The HKDF Policy Committee (1998a) note that the civil service is now regarded as a 'bureaucracy' only fit to implement policy decisions rather than an 'administration' with an authority and a right to govern.

#### 4. POLICY LEARNING

Duncan Pescod points out that the problem with learning from elsewhere is that few countries are as small as Hong Kong, apart from Singapore.<sup>15</sup> As a very recent British colony, it is expected that much policy learning in Hong Kong would originate from the UK and thus Hong Kong seems an obvious place to investigate policy transfer. The basic structure of the government was set out in the Letters Patent and Royal Instructions in the last century and can be regarded as a straightforward case of coercive policy transfer to a colonial government. These documents were drafted in Whitehall and then approved by the relevant British government minister responsible for Hong Kong. Collectively, these documents amounted to a Constitution for Hong Kong (Miners 1991: 55). Therefore, it is unsurprising that Britain has influenced administrative practice in Hong Kong. Consequently, we might comfortably predict that NPM style reforms would also be directly transferred to Hong Kong. However, Scott (1996: 283) argues that the British government has shown scant loyalty to the Hong Kong civil service and has not intervened in Hong Kong government.

Huque *et al* (1998: 46) argue that such is Hong Kong's exposure to the English language, 'that Hong Kong was obliged to follow administrative practices in Britain and, by extension, other Anglo-Saxon societies'. Burns (1994: 248) claimed that besides the UK, Australia had

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<sup>15</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999.

acted as an NPM exemplar.<sup>16</sup> Hong Kong will retain its links with the English-speaking world for the near future, especially amongst those countries where the Cantonese diaspora has settled, despite reunification with China. Hence reforms in Canada, New Zealand and the US have also influenced the development of public sector reform.<sup>17</sup> Senior civil servants of Deputy Director rank are sent to Harvard, Stanford, Henley and INSEAD, Paris, for at least a year. More junior administrative grades are sent to Michigan University. The Deputy Secretary for the Civil Service was reported as placing great emphasis on the importance of 'leadership and strategic management' in attending such courses (Hon, 1997). However, any ideas gained abroad are unlikely to have any impact on their return, especially given the 'anti-intellectual' culture of Hong Kong.<sup>18</sup>

However, reunification with China has brought with it a concern that Hong Kong public administration would be forced to give up its British legacy and become closer to public administration in China. This concern was based on the negative aspects associated with mainland Chinese administrative practice.<sup>19</sup> For instance, trainee civil servants visit Shanghai as part of a programme of 'familiarisation visits' to help understanding and co-operation between civil servants in the mainland and the SAR since 1986 (*Hong Kong Standard*, 1997). However, it is contended that China is going through a phase of administrative modernisation, in other words, moving towards a rational Weberian model. Therefore, it is more likely that China will converge on the Hong Kong system, rather than the opposite way. Huque *et al* (1998: 45) remark that China 'is geared towards emulating the civil service systems in Hong Kong and Singapore' where 'bureaucratic domination' remains strong.<sup>20</sup> Cheung (1996b: 83) is convinced that the municipal government in neighbouring Shenzhen was emulating Hong Kong's civil service system with the eventual aim of converging with it. However,

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<sup>16</sup> For instance, the Financial Secretary, Donald Tsang reportedly said, 'I freely admit that we have stolen the concept of the 'one stop shop' from Australia' (Tsang 1997).

<sup>17</sup> 'The PSR Forum', a web site operated by the Efficiency Unit of the Hong Kong government ([http://www.info.gov.hk/eu/best/best\\_con.htm](http://www.info.gov.hk/eu/best/best_con.htm)) lists documents from these countries as useful global experiences for PSR developments.

<sup>18</sup> Simon Vickers, former Hong Kong government civil servant, Interview, 2 April 1998.

<sup>19</sup> See discussion in Huque *et al* (1998: 14).

<sup>20</sup> Duncan Pescod (Deputy Secretary for the Civil Service, Interview, 2 March 1999) remarked on the number of mainland officials that now visit Hong Kong to look at its public services. However, he also pointed out that their problems are vastly different.

convergence would never be complete until the Communist Party relaxed its control over the bureaucracy.

## 5. ADMINISTRATIVE CHANGE IN HONG KONG

Contemporary attempts at administrative reform in Hong Kong can be divided into four, mutually reinforcing phases: the debate and implementation of the McKinsey review in the early 1970s; the publication of *Public Sector Reform* in the late 1980s; the Patten reforms of the mid-1990s and the Tung reforms. Although this study is focused on the 1988-98 timeframe, the McKinsey review of 1972-3 created the climate for administrative change over a decade later. The review was prompted by a perceived necessity to conduct a thorough investigation of government operations and an apparent failure of the colonial government structure and generalist personnel to cope adequately with new policy demands. McKinsey and Co. was a firm of UK private management consultants employed to seek improvements to the structure, procedures and human resources of the civil service. In 1972, McKinsey began their review of a government machine that was becoming overloaded, and where long-range planning was neglected (Miners 1991: 88). Their report was presented to Legco in 1973.

The most significant recommendation made by McKinsey was to change the organizational structure of the government by dividing it into branches (responsible for policy formulation) and departments (responsible for implementation). This structure has remained until the present. However, the implementation of the recommendations in 1974 faced civil service conservatism and negative public reactions and the net result was little real effect or overall change to civil service practices. McKinsey had basically introduced a 'policy layer' above the heads of departments to co-ordinate and monitor policy and implementation. New policy secretaries took up this role as 'political administrative officers'. The point about McKinsey is that the reform assumed the existence of a Westminster-style cabinet system and therefore was not 'context sensitive' to the Hong Kong situation. Its ideas also revived classical notions of separating policy from administration in advance of many of the NPM prescriptions concerning the establishment of executive agencies. Thus the McKinsey reforms of the 1970s

created the same contradictions as the Next Steps initiative in the UK. Huque *et al* (1998: 50) argued that the bureaucrats in the policy bureaux wanted to create 'some kind of order' in their relationship with departments. The departments on the other hand, wanted to assert their 'operating autonomy' and have the freedom to manage.

### *Public Sector Reform (1989)*

It was the *Public Sector Reform* (PSR) report (Finance Branch, 1989) that appeared to mark the entry of NPM into the Hong Kong government, and built upon the principles laid down by McKinsey some fifteen years previously. PSR was a finance branch initiative and although it was internally generated from within the bureaucracy, the British consultants, Coopers and Lybrand, also had a significant input. The report was basically a discussion document containing seven basic principles for financial management reform:

1. regular and systematic review of all expenditure;
2. establish spending priorities through resource management systems that evaluate systematically the costs and benefits of all government activities;
3. ensure a clear split between policy formulation, resource allocation and implementation;
4. hold managers accountable for all their expenditure in support of their objectives;
5. establish effective working relationships between parent branches and departments and agencies; encourage less administration and more management;
6. develop organization and management arrangements best suited to the nature of the service.

A chief concern of PSR was 'getting the structure right'. In terms of overall resource planning it required that policy secretaries should look closely at the deployment of resources within their areas of responsibility. In terms of policy management, it also required that policy secretaries should increasingly become policy 'managers' responsible for establishing policy objectives as well as policy formulation. Policy secretaries were encouraged to decide on the 'appropriate' type of executive agency for service delivery in their departments. These ranged

from traditional departments funded on a cash accounting basis; trading fund departments established on a quasi-commercial basis with revenue accruing to the fund; public corporations owned and operated by government but managed on commercial principles; and non-departmental public bodies with a role in government but operating at arm's length.<sup>21</sup>

PSR advocated the use of non-departmental governmental bodies. This involves statutory organizations being subvented to provide government services such as the Consumer Council and the Hospital Authority. The drafters of PSR argued that these should be subject to annual policy reviews where the continued need for the organisation would be questioned. In addition, the organisational setting, the review of the annual corporate objectives and the financial management of these bodies would be scrutinised.

As well as centralising policy formulation and urging the use of alternative forms of agency, PSR suggested that policy secretaries be responsible for obtaining and allocating resources to agencies and evaluating the results achieved. Furthermore, there should be annual comprehensive reviews of policy areas by policy secretaries looking at the allocation of resources within the policy area, the achievements and costs of various policy programmes and whether value for money is being achieved.

Recommendations were also made to the policy secretaries of the 'resource' branches (Finance and Civil Service). For Finance they are expected to determine acceptable levels of public expenditure, to manage annual resource allocation exercise and to ensure resources are used economically, effectively and efficiently. For the Civil Service, they should manage general grades of staff and develop and monitor service-wide personnel policies

For policy execution, departments would:

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<sup>21</sup> In organisational terms, trading fund departments stand somewhere between traditional government departments and corporations. Arguably, they might be regarded as the first step towards commercialisation in terms of offering greater financial flexibility; more flexible civil service terms and conditions; commercial accounting systems (accrual); and autonomous banking capacities. Trading funds need to 'break even' and are financial performance oriented. They were deemed as appropriate for services where a charge can be determined and attached.

- focus on objective setting in accordance with planning process
- implement only once objectives match with plans
- performs a policy monitoring role
- question whether objectives are being achieved?

Privatisation was also considered in the report, in relation to two policy options:

- the divestment of assets (privatization) and
- the contracting out of services.

However, privatisation was not a major policy thrust of public sector reform in Hong Kong. As Tsang (1995: 5) remarks, 'most of the public services that can be better provided by the private sector are already being so provided'.

Despite the rhetoric contained in the PSR report, the period 1989-91 saw very little change. Huque *et al* (1998: 16-17) record some hiving-off of civil service functions to quasi-non-government organizations beginning in 1991 with the establishment of the Vocational Training Council and the Hospital Authority. Also, six Trading Funds have been established since the passing of the Trading Fund Ordinance in March 1993 (Cheung 1998b: 105). However, PSR quickly ground to a halt when McLeod came in as Secretary to the Treasury in 1989 who was not an enthusiast of NPM and he attempted to recover the ground as PSR 'had led to too much freedom'.<sup>22</sup>

There is a range of interpretations on offer for the introduction of PSR in 1989. The general view is that the report was a result of the pressures to democratise and for the bureaucracy to maintain its legitimacy (Cheung 1992, Lam 1995 and Lau 1997). As Lui (1994: 18) points out 'failure to attain efficiency would not only be administratively undesirable but also might threaten the political authority of the unaccountable bureaucrats'. Although Cheung (1992: 116) argues that PSR was 'engineered from the top down by the government, without any

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<sup>22</sup> Simon Vickers, former HK government civil servant, Interview, 2 April 1998.



apparent corresponding demands from the outside', Huque (1996b: 121) argues that economic problems in the early 1980s followed by strikes and demonstrations prompted the report 'to ameliorate similar situations'. Chow's (1992) warnings concerning '1997 phobia' and the 'prevalence of mediocrity' may also have prompted the report as a kind of corrective action to counter these tendencies. Burns (1994: 243) adds that, 'squeezed by an ambitious public works programme on the one hand, and demands for more services on the other, the government drafted PSR to cope with the situation'. In sum, the main aim of PSR appears to be political rather than administrative. Although its timing coincided with the diffusion of NPM elsewhere, the document should be regarded as a product of the uniquely uncertain political environment in anticipation of Hong Kong's reunification with China. Burns (1994: 248) argued that although there were NPM underpinnings to Hong Kong's PSR, he was surprised at its introduction given that NPM assumes a relatively stable and predictable administrative environment. This cannot be said of the backdrop to Hong Kong's PSR given the prospect of transition to SAR status that was looming. PSR was being drafted at the same time as the Basic Law, so it could be argued that its basic tenets could be guaranteed as part of the 'continuity' the Law intended to preserve.

#### *Patten (1992-1997)*

The next phase of administrative reform in Hong Kong began with the appointment of Chris Patten as Governor. Unlike his predecessors, Patten was a career politician who made an impression on the style of administration during his term in office. In particular, Patten was in favour of more open and responsive government. As Vines (1997) notes, 'the Patten regime forced even the most humble civil servant to recognise that he or she was also responsible to the public'. Patten built on the rhetoric of *Public Sector Reform* in his approach to administrative reform in Hong Kong. The first change of note under Patten came with the establishment of the Efficiency Unit in 1992. Unlike the financial scrutinies that marked the introduction of its UK predecessor in 1979, the Unit marked the appearance of a 'softer' phase of NPM, or a shift towards a 'client based culture' for the civil service. The focus also switched to human resource management from a stress on financial and policy management in PSR. Like its counterpart in the UK, much of its establishment was to do with

symbolic as well as practical impact. Sankey (1993: 78) viewed the Unit as ‘an agent of change with authority from the top to cross traditional boundaries’ and its purpose was to put into practice the philosophy of the PSR report. In particular, the Performance Pledge (PP) initiative, a key responsibility of the Unit, would ‘pressure departments into adopting basic PSR principles more urgently’ (Sankey 1993: 84). The establishment of a Business Centre complemented the Efficiency Unit on providing a ‘specialised business consultancy service’ to departments (Sankey 1993: 84).

The *Serving the Community* (Efficiency Unit 1995) document was intended to be a ‘management guide for civil servants’ and provided the blueprint for the Patten reforms. Patten’s policy address of 1992 underlined the objective of ‘serving the community’ for the Hong Kong government, but the document does little more than to re-confirm the PSR report, the main points of which are summarised above. In addition, it argues that framework agreements should be drawn up between policy secretaries and agency heads, and the notions of managing for performance and managing by programme for both policy branches and departments were introduced in 1993. A Finance Branch (1995) document amplifies these notions by recommending some delegation of financial management to policy branches and departments from the Finance Branch. Controlling Officers in each department would become responsible for expenditure. In sum, Patten did not try to alter the structure of government nor did he attempt to transform the civil service. Rather, he emphasised politics by promoting Hong Kong’s fledgling democracy whose politicians increasingly put pressure on the government generally, and the policy secretaries in particular.<sup>23</sup> The Patten reforms, like the PSR document, had a political purpose related to the pending reunification with China. Performance Pledges in particular were part of a renewed attempt for the government to ‘bolster its legitimacy’ in the run-up to reunification (Lau 1997: 43). Thus, the notion of managerial freedom that underpins NPM acted as a ‘shield’ for Hong Kong public administration from ‘external political capture’ (Huque *et al* 1998: 52).

## *Tung (1997 -)*

The present Chief Executive, Tung Chee-hwa, has largely maintained the administrative system he inherited in July 1997 following the establishment of the Hong Kong SAR. This is unsurprising, as Tung's biggest restraint is the Basic Law, which guaranteed continuity in the civil service system and conditions of service.<sup>24</sup> However, in his first policy address in 1997, he announced a range of promises on a number of policy areas such as education that cut across departmental boundaries. The civil service responded by proposing a target-based management process (TMP) to achieve continuous improvement in public services. One of the key features of TMP is to identify and manage the process for delivering results across traditional organisational boundaries. Policy secretaries are responsible for delivering Strategic Policy Objectives and co-ordinating across other policy bureaux, departments and agencies.<sup>25</sup> The overall objective is to focus government accountability on results achieved for the community by raising the level of performance review and accountability to a focus on outcomes, leaving departmental managers to concentrate on managing resources effectively (Efficiency Unit 1998: 12-13).

In his policy address of October 1998, Tung announced the Enhanced Productivity Programme (EPP), which demanded that each government department and agency produces plans and targets to achieve a 5% productivity growth by 2002, without additional resources. This appears to be a direct response to the perception of fiscal crisis as Hong Kong is buffeted by the wider economic crisis in Asia. However, this initiative seems to be more concerned with short term quantified gains rather than making lasting improvements in public service delivery. Furthermore, EPP encompasses a move towards contract rather than permanent appointments in the civil service under the guise of human resource flexibility. Although it is too early to assess the impact of the programme, it appears to have little to do with NPM and more to do with cost cutting. More generally, it appears the style of government has changed

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<sup>23</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999.

<sup>24</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999. Basic Law Article 103 states that the employment and recruitment conditions of the civil service should be retained.

<sup>25</sup> The first four Strategic Policy objectives announced in 1997 were 'Better Housing for All', 'Care for the Elderly', 'Business and Industrial Development', and 'Quality Education'. These were set out in four booklets,

little since the transition to SAR status, as the *South China Morning Post* (1998) commented, 'older colonial ways of doing things did not change overnight on June 30 last year'.

## 6. APPLYING THE NPM MODEL TO HONG KONG

Table 6.1 below is the application of the NPM model to Hong Kong. In Chapter Two, I set the time-scale for examining the transfer of NPM at 1988. In the case of Hong Kong therefore the model encompasses PSR, and the changes announced under Patten and Tung. However, it is important to remember that the McKinsey report of 1974 laid much of the groundwork for administrative change in Hong Kong. In Table 6.1 where the word 'limited' appears after each element, it is because that particular element was not fully operationalised or its introduction mooted. For instance, although performance measurement and some attempts at decentralisation were implemented, the reforms have largely avoided the market approach favoured by western NPM countries who have implemented NPM reforms.

Table 6.1 shows that structural reform has been virtually non-existent in Hong Kong. The drive to place executive units from the policy functions of central government in a similar process to that of 'agencification' in the UK has taken place within existing structures in Hong Kong. To be fair, the reforms have affected the centre of government, with the separation of policy and execution roles, and the creation of arm's length bodies, such as the trading funds, but the overall impact on line management is minimal.

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37 more were announced in 1998.

Table 6.1: Application of NPM Model to Hong Kong

Reform	Application
STRUCTURE	Organisational Decentralisation
1. Creation of single purpose agencies	Creation of policy branches separate from departments.
2. New forms of organisation	Greater operational control to some departments
3. Territorial/geographical decentralisation	Negligible
4. Reduce number of ministries/agencies	None
PROCESS	Introduce private sector management techniques
5. Corporatisation/strong organisational leadership	Attempt by PSR to introduce management framework (Huque <i>et al</i> 1998: 48). 'Leadership' highlighted as key value.
6. Strategic management	Linked to 5 above – strong emphasis.
7. Decisions made close to at point of service delivery	Limited
<u>Budgetary Process</u>	
8. Performance measurement	EPP
9. Create Internal Markets	None
10. Cost-centre creation	Limited
11. Use of cost rather than expenditure	Limited
12. Ending annuality	In trading fund departments – otherwise none.
13. Use of budgets for planning/control	High emphasis
14. Use of output measures and volume targets in budgets	EPP
15. Cost-saving incentives	Limited
16. Trading funds	Some trading funds established
17. Resource accounting	For trading funds only
18. Greater evaluation through audit	Audit Commission established 1986, Efficiency Unit 1992.
19. Bulk budgeting	Limited
20. Purchasing deregulation	Limited
<u>Human Resource Management (Personnel)</u>	
21. Change reward structure	No
22. Performance related/merit pay	No

23. Performance contracts	No
24. Appraisal based on performance	Yes
25. Personnel deregulation	Limited
26. Weaken trade union power	None
<u>Quality</u>	
27. Quality management	CASCADE: 'continuous improvement'
28 Programme Review	Under 'Serving the Community'
29 Consumerist mechanisms	Performance Pledges
30. PR and Marketing	Greater emphasis from 1992
31. Integrated service delivery	Implemented in a number of agencies
32. Foster greater transparency	Greater exposure to public scrutiny
FUNCTIONS	
33 Privatisation	'Marketization'
34 Regulation	Negligible
35 Quasi-privatisation	Strong regulation in certain policy areas
36 Contracting out (market testing)	Marginal
37 Extend choice through various mechanisms:	
i 'consumer tagged finance'	No
ii 'vouchers'	No
iii 'user control'	No
38 Deregulation	Limited

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In terms of process, the table reveals a number of managerialist changes. The emphasis on management, leadership and accountability (5, 6 and 32) is certainly consistent with the aims of PSR and Patten's attempts to increase the responsiveness of departments to the needs of the community. However, any flexibility that has been gained is still circumscribed by a strict framework of control with the Finance Branch continuing to dominate the budgetary process. Although the government has just recently released a consultation document on civil service reform (Civil Service Bureau 1999) which addresses the human resource management elements of the NPM model that have not been applied in Hong Kong, it falls outside the timeframe employed for this project. Certainly, the emphasis on quality under the Patten reforms is consistent with the model, particularly the PPs.

Although the Asian economic crisis has precipitated a certain amount of debate about divesting the functions of the public sector to the private sector, this aspect of the NPM model is difficult to apply in a country purporting to have 'limited government'. Public housing certainly constitutes one of the biggest social policy commitments of the Hong Kong government but elsewhere, marketising policy instruments have limited applicability.

The application of the NPM model to Hong Kong appears to be half-hearted. Cheung's (1996a: 32) remark that instead of treating NPM 'as the substantive explanation of change', NPM (although Cheung refers to 'efficiency') 'should be looked at more as an important persuasive power for change, providing the much-needed rhetoric to accommodate the politics making up the reform debate and process'. Burns (1994: 248) agrees that the Civil Service Branch's plans to reform resonated 'with the language of NPM'. Therefore, the rhetorical value of NPM to a bureaucratic polity like Hong Kong's lies in its potential to relieve political pressure from politically appointed policy secretaries by switching accountability for service delivery to government departments and agencies. More generally, LeHerrisier (1995: 205) notes that administrative change in Hong Kong is much less radical than that experienced by Britain or New Zealand but compares the incremental approach adopted in Hong Kong with the Canadian approach to administrative reform. As Tsang (1995: 11) argues, change must be implemented gradually in Hong Kong, 'in order to convince the public that it is doing the right things and ensure that there is no misunderstanding of its objective of reform and no over-reaction to them'.

A considerable barrier to NPM implementation in Hong Kong is the civil service's resemblance to a classical bureaucracy. As Scott (1989: 195) argues, 'if problems do arise, the first assumption is that there is a need for structural reform to improve the span of control or refine the hierarchy' and this is supported by Chinese values. In particular, there is no expectation that junior civil servants will become involved in problem-solving, the kind of discretion and responsibility afforded by NPM is not expected and 'top-down implementation is the rule rather than the exception'. Chow (1992) undertook a survey to identify obstacles to administrative change in Hong Kong. One respondent commented that 'although the

government does incorporate the merit principle of promotion for performance...promotion by seniority is in practice the guiding rule' (Chow 1992: 1639). NPM type reforms may be difficult to accommodate in a bureaucracy where civil servants are ready to accept orders from above, hierarchical authority is 'reinforced by strict bureaucratic rules and regulations which make violation of hierarchical orders punishable' (Huque *et al* 1998: 25).

It could therefore be argued that any administrative exercise is greeted as successful in Hong Kong. Civil servants value the hierarchical nature of the civil service and this sentiment is easily exploited by top-down reforms. Chinese civil servants were said to be unhappy with PSR but were unsure how to challenge it, especially as it was coming from the top. Moreover, they knew how to get around notions such as 'cash-limited budgeting' as there was always funds that could be obtained from the centre. NPM was an anathema to a government that had been run on 'unscientific principles'.<sup>26</sup>

In sum, Table 6.1 shows that NPM has had a marginal impact on public administration in Hong Kong. However, many nuances are not picked up by the model, such as the emphasis on customer-friendly skills and the introduction of 'core values' (Chief Secretary, 1995). NPM has failed to make any structural or functional changes to public management, although some of its techniques have been imported. It appears that the transition to SAR status effectively mothballed the civil service, although the Patten era saw some changes. Although reforms such as performance management were mooted in the early 1990s, the transition and then the Basic Law have provided an obstacle to any attempts at implementation.<sup>27</sup>

## 7. POLICY TRANSFER

The notion of the epistemic community does not explain policy transfer in Hong Kong. Given that epistemic communities have a large degree of autonomy, or may even be in conflict with elites (Stone 1996: 36-7), the highly insulated nature of policy making in Hong Kong precludes their involvement. The civil service anonymity of PSR offers no help in this regard.

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<sup>26</sup> Simon Vickers, former HK government civil servant, interview, 2 April 1998.

<sup>27</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999



As a fairly typical former British colony, the development of public administration itself in Hong Kong was initially the consequence of straightforward coercive policy transfer:

The service is modelled entirely on the British civil service system, from structure to personnel practices, from pay and conditions mechanisms to internal communication styles. Major reforms of the civil service since the Second World War drew lessons from British administrative reforms of the time; some were implemented simply with assistance from consultants or advisers recruited from the sovereign state (Huque *et al* 1998: 27).

The McKinsey Review of 1973 appears to be the obvious place to begin when looking for evidence of policy transfer. There was some speculation that the Fulton Report of 1968 had influenced McKinsey. As Cheung (1992: 120) comments, ‘there was certainly some resemblance in the underlying ‘managerialist’ tones of their respective reform concepts’. McKinsey, like its British counterpart, Fulton, had little immediate impact. Harris (1988: 138) observed that the lack of impact proved that managerial principles are not universally applicable: ‘the fact is the consultants were not talking about Hong Kong’. In other words, Hong Kong’s unique context had been ignored.

It was also difficult to discern the influence of British ‘managerialist reforms’ in the next attempt at civil service reform with the publication of the PSR document (Cheung 1992: 131). However, there were similarities between the UK ‘Next Steps’ initiative and Hong Kong’s PSR. Initially, PSR was focused on financial management reform, in the same way as the FMI in the UK from 1982 to 1987. In addition, the notion of ‘trading funds’ appeared to copy the UK 1973 Trading Funds Act. More generally, both NPM in the UK and PSR in Hong Kong appear to share the same intellectual antecedents, especially as it became difficult for policy-makers in Hong Kong to ignore international trends in public management including NPM and privatisation.

However, it seems that PSR was more of a case of direct transfer than it first appears. In the 1980s, Hong Kong had a series of secondments from the UK Civil Service. It was considered

to be good for the secondees, as work in Hong Kong was more challenging in terms of policy development due to the fusion of administration and politics. One secondee from the UK Treasury was Robert Wright who arrived in 1986 to join the Finance Branch.<sup>28</sup> Wright was a key architect of the PSR document although he knew little about Hong Kong. However, his Treasury experience meant that he was fully versed in the Thatcherite brand of NPM. Wright worked in the Finance and Civil Service branches and focused on financial and human resource issues at the micro-level. Another contributor to PSR was Colin Sankey, who had been a career civil servant in the Hong Kong government since 1974. The British firm of consultants, Coopers and Lybrand, also worked on PSR.

Wright missed the fact that the executive agency model already existed to some degree in Hong Kong, in the form of small policy branches that worked well in the Hong Kong context. Wright also seemed unaware that culturally, the notion of the Finance Branch confronting departments would not be welcomed in Hong Kong. The culture did not reward people who would say 'no' to spending departments. Furthermore, senior civil servants are more mobile in HK than their UK counterparts, so the notion of capture, a key public choice tenet of 'Next Steps', was not applicable to the Hong Kong context.<sup>29</sup> The Hong Kong government was extremely conscious of the UK Next Steps initiative yet the academic commentary on PSR appears unaware that PSR was an experiment in NPM conducted by ex-patriate officials.

Lam (1995: 310) regarded public sector reform as continuing to be modelled on Britain after the arrival of Patten, especially the notion of a 'service culture'. Performance Pledges were the corollary of the UK Citizen's Charter. What was absent in the transfer were 'the elements of popular representation and input from the citizens in policymaking' (Huque 1996b: 116). During this phase, the Performance Pledge initiative appears to be the most obvious example of policy transfer. However, Performance Pledges were not an exact copy of Citizen's Charters because there was:

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<sup>28</sup> According to Simon Vickers, there was no suggestion that Wright had been sent by the UK government with a 'mission'.

<sup>29</sup> Simon Vickers, former HK government civil servant, Interview, 2 April 1998.

- no compensation scheme
- no sanctions on government departments
- no performance-related pay scheme linked to PP.<sup>30</sup>

Lo (1993: 218) was highly critical of the initiative and refers to PPs as ‘cosmetic changes at best’. Huque *et al* (1998: 119) suggest that PPs are manager driven and do not empower ‘the consumer as the NPM ethos suggests’. Rather it is the bureaucracy that is empowered by enhancing its managerial autonomy. It seems that PPs were more of an adaptation rather than a direct transfer. They were also a ‘cultural imposition’ as traditionally, Hong Kong public servants liked having power over the public. Since Sankey’s appointment as Head of the Efficiency Unit in January 1996, he has been visited once by the UK Efficiency Unit, and has made one reciprocal visit. The top-down nature of PPs, driven by performance standards, ensured their widespread implementation. Patten had set the example by letting the public win appeals, which was unusual in Hong Kong.<sup>31</sup> Finally, there is some evidence that Hong Kong looked to the work of the Deregulation Unit in the UK (Tsang 1997) and Patten helped develop trading funds, an idea imported from the UK and introduced in the PSR report.<sup>32</sup>

The *Management of Public Finances* document (Finance Branch 1995) advocated the kind of financial delegation that occurs under the UK Next Steps initiative. Like the UK Treasury, it was expected that its Hong Kong counterpart, the Finance Branch, ‘should focus more attention on strategic performance issues... and that more authority for financial management should be delegated to policy branches and departments’. The notion of framework agreements (Efficiency Unit 1995) appears to copy the Framework documents between ministers and Chief Executives in the UK. However, what was lacking was a structural change consistent with ‘agencification’ and there was no suggestion that executive units concerned with identifiable business areas be ‘hived off’ from government departments.

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<sup>30</sup> Sankey (1998) describes PPs as a *simplified* version of the Citizen’s Charter.

<sup>31</sup> Simon Vickers, former Hong Kong government civil servant, Interview, 2 April 1998.

<sup>32</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999.

Although the executive agency model has been mooted in Hong Kong, it is little more than a proposal at the moment. As well as the UK, New Zealand and Canada also served as a model for putting agencies at arm's length, as well as trading funds.<sup>33</sup> Australia, the US and Singapore were also cited as models.<sup>34</sup> Sankey also describes TMP as 'managing for results', which was also influenced by New Zealand.<sup>35</sup> The Financial Secretary, Donald Tsang, initiated a delegation to New Zealand in 1996 to look at its reform programme, led by the then Secretary for Treasury, K.C. Kwong. This became the catalyst for TMP.<sup>36</sup> Furthermore, calls for a system of accrual accounting rather than the preparation of budgets on a cash basis have been made on the basis that 'Hong Kong should learn from New Zealand' (Policy Committee, HKDF, 1998b). There also appears to be some resonance between TMP and Singapore's 'Budgeting for Results' initiative (see Chapter Eight). Sankey acknowledged that there are exchanges of ideas with Singapore.<sup>37</sup>

However, it appears that until 1997, the UK had set the pattern for reform in Hong Kong. Although, for instance, the 'cash control system' had moved budgeting away from incrementalism, there was no question of coercion.<sup>38</sup> Cheung (1996a: 42-3) was sceptical of the role of policy transfer in the case of Hong Kong as 'the influence of external administrative or managerial ideas only played the cosmetic role of rendering the reforms more in line with the international trend'. NPM thus provided external legitimation for administrative change in the absence of political legitimation: the discourse or rhetoric of NPM is equally important to bureaucratic elites. Thus Cheung (1996a: 43) argues that:

By embarking on a reform programme that looks like an overseas reform movement, the local initiative can gain an added degree of acceptance and can downplay whatever political and bureaucratic implications that may arise from the reform.

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<sup>33</sup> According to Colin Sankey, nothing substantial has been adapted from Canada.

<sup>34</sup> 'The PSR Forum'

<sup>35</sup> Colin Sankey, Head, Efficiency Unit, Interview, 17 July 1998.

<sup>36</sup> 'The PSR Forum'.

<sup>37</sup> Colin Sankey, Head, Efficiency Unit, Interview, 17 July 1998.

<sup>38</sup> Colin Sankey, Head, Efficiency Unit, Interview, 17 July 1998.

For example, following the release of 'Civil Service Into the 21<sup>st</sup> Century' (Civil Service Branch 1999), the Secretary of the Civil Service, Law Woon-Kwong, pointed out that similar schemes to introduce performance contracts and incentives for civil servants had been introduced in the US and Australia (Hon and No 1999: 6).

Table 6.2 applies the policy transfer model to administrative change in Hong Kong. There were three key, interrelated motivations for the transfer of NPM. The first is the power that NPM has as a legitimising discourse for administrative change. This motivation is related to the political context that was dominated by the pending reunification with China. As the key political institution in Hong Kong, the civil service was anxious to emphasise its legitimacy as the transition approached in 1997, and afterwards in the absence of full democratic reform. The perceptions also surrounding Hong Kong as an Asian financial powerhouse in competition with the other 'Asian Tigers', especially Singapore, meant that the government had to demonstrate its appetite for current reform ideas.

Bureaucrats from within and outside the Hong Kong government transferred the NPM rhetoric in the PSR document from the UK. It is clear that the Hong Kong government wished to emulate 'Next Steps' without necessarily copying it. Consultants also contributed to the PSR document and added managerialist credibility to the document. On the other hand, Patten transferred a number of NPM programmes from the UK during his tenure as the last Governor. Initiatives such as PPs could only be adapted to the Hong Kong context. Following the transition to SAR status in 1997, it appeared that the Hong Kong government was no longer obliged to look to Britain. Furthermore, Patten had been replaced by a Chief Executive who was not a professional politician. Moreover, the bureaucrats once more had a free rein to learn from elsewhere at a time when New Zealand was becoming a powerful global exemplar of public sector reform. It is not surprising that TMP was adapted to Hong Kong.

Table 6.2: Policy Transfer and Hong Kong Public Administration

Why Transfer?	Who Transfers?	What is transferred?	Where from?	Degree of Transfer
Legitimate conclusions already reached	Bureaucrats (Sankey, Wright etc.)	NPM Rhetoric in PSR	UK	Emulation Inspiration
(Voluntary)	Consultants (Coopers and Lybrand)			
Political context (China)	Political Appointee (Patten)	PPs, Efficiency Unit, Trading Funds	UK	Adaptation
Perceptions	Bureaucrats (Sankey, Tsang)	TMP	New Zealand	Adaptation

## CONCLUSION

The transfer of NPM to Hong Kong from the UK, in particular, has been more a question of style rather than substance. Very little has happened to the Hong Kong public sector when compared to the UK, and there was no pressure on Hong Kong to follow UK models.<sup>39</sup> Although the rhetoric is an important consideration, what has been implemented does not imply that Hong Kong has leapt on the NPM policy bandwagon. Rather, Hong Kong's reform strategy is more sensitive to its particular context than the proponents of NPM would expect. In fact, in many ways Hong Kong is an exceptional case in its NPM practice and should be understood as the product of a government striving to maintain its legitimacy during the

<sup>39</sup> Duncan Pescod, Deputy Secretary for the Civil Service, Interview, 2 March 1999.

relative political turbulence in the transition to SAR status. Within the NPM time frame of 1988 to 1998, the public sector in Hong Kong was effectively preparing for the challenge of transition to SAR status. The poor fit between the NPM model and administrative change in Hong Kong can be explained by the desire to maintain the system during the transition.

Hong Kong is also a unique case as its attempts at administrative reform was not driven by the usual determinants; in fact they were largely 'absent' in the Hong Kong case. In particular, until very recently, the civil service has been held in high public regard in Hong Kong. Therefore, there was a lack of pressure for change internally. However, the civil service elite still felt compelled to introduce new ideas that could be sold to the local business community to show that the government was modern and efficient. Due to its commitment to the free market and the freezing of the public administration system under the Basic Law, globalisation, economic development and other determinants of administrative change had relatively little impact on public management. Therefore, there were few incentives to engage in policy transfer.

Although we might expect Britain, as the former sovereign power, to transfer policy coercively to Hong Kong, much of what was imported was largely rhetoric. Undeniably, Hong Kong had transferred policy from the UK in the past, coercively or otherwise but administrative reform also has much to do with the changing socio-political context of Hong Kong including rising standards of education and living, as well as the drive for democracy. It is the latter, or the emphasis given to the debate on political reform in Hong Kong and the preservation of the system under the Basic Law, that has resulted in the lack of major structural reforms to Hong Kong public administration. Although policy entrepreneurs such as Wright were able to transfer NPM ideas from the UK in the PSR document, there was no substantial implementation. Following the transition in 1997, bureaucrats such as Sankey, were just as prepared to look to New Zealand or Singapore for policy inspiration.

Finally, in the Hong Kong context, reunification with China cannot be ignored. The fact that the transition to SAR status preserved Hong Kong's system of governance was, in the circumstances, acceptable to China. Government by civil servants, especially by those loyal

to Beijing, was always going to be agreeable to the Chinese leadership. Therefore, the irony is that preservation of the colonial system facilitated a smooth transition to SAR status. China did not want the prospect of political parties being able to form a government in Hong Kong. Even Western NPM style reforms which emphasised efficiency 'helped to depoliticize performance evaluation of public service, thus reducing the pressure for greater political accountability from elected politicians and the population at large' (Cheung 1997: 727). In short, the Hong Kong government engaged in selective policy learning for pragmatic solutions to suit its own unique circumstances with other countries regarded as 'benchmarks'.<sup>40</sup> Now, Hong Kong has to catch up quickly and when change comes, it will be dramatic. As Metcalfe (1993: 174) warns, 'in the 1990s the pace of change, and the complexity of tasks facing government mean that the 'three Es' are no longer a sufficient basis for reform. They presume a degree of constitutional and institutional stability that cannot be taken for granted'. Hong Kong did not enjoy that stability despite the NPM boom that was sweeping across the OECD countries.

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<sup>40</sup> Colin Sankey, Head, Efficiency Unit, Interview, 17 July 1998.



## 7 Administrative Change in Malaysia

*Profile:*

Population: 21.66 million

Area: 329,000 sq.km

GNP per capita (1997): US\$4, 284.

GNP Average Annual Growth Rate 1996-97: 8.2% (World Development Report 1998/99)

Overall deficit/surplus (% of GDP) 1997: 6.3% (Economic Planning Unit, Prime Minister's Department, 1999)

### 1. POLITICAL AND ADMINISTRATIVE CONTEXT

When compared with Hong Kong, Malaysia is a large country. It divides into two main geographical regions: Peninsular Malaysia (West Malaysia) and Sabah and Sarawak on the island of Borneo (East Malaysia). This division has implications for the political context of Malaysia because much of the political and economic emphasis and discussion is usually given to Peninsular Malaysia rather than the states on Borneo (Ahmad 1987: 2-3). Britain's first attempt at direct governance in the area that is now modern Malaysia was to federate the

peninsular Malay states in 1895 (Jones 1997: 33). What became the Federation of Malaya was granted its independence from Britain in 1957 following a relatively peaceful period of transition. This was largely achieved by the incremental granting of concessions to the main ethnic groups in Malaya following the Second World War (Means 1998: 96). In 1963, Singapore briefly joined the Federation, which then became known as Malaysia, and also included the states on Borneo. Singapore was expelled from the federation in August 1965.

Unlike Hong Kong's bureaucratic polity, Malaysia has a Westminster style of parliamentary democracy, which it adopted following independence. According to Means (1998: 97), although there were strident demands by local politicians for independence, there was no question that British-style political institutions would not be 'transplanted'. However, since the first full elections for the bicameral legislature in 1959, a single party (UMNO) has dominated Parliament. Malaysia remains among a small group of countries in Southeast Asia that 'operates a stable regime with little use of force' and 'oversees a nation-state whose validity is contested, if anywhere, only on the regional fringes' (Case 1995: 71).

Government in Malaysia consists of the federal government, thirteen state governments, four municipalities (namely Penang, Ipoh, Kuala Lumpur and Malacca), *non-financial public enterprises* (NFPEs), public financial institutions such as the Employee Provident Fund (EPF) and the Bumiputra Investment Foundation, plus other government companies (Asher 1989). The federal government is responsible for defence, external affairs, internal security, citizenship, civil and criminal law, finance, commerce and industry, shipping, communications, health and labour. Sixty five government departments serve twenty five ministries. Overall, the federation is highly centralised, with the federal government accounting for about 80 per cent of public spending (Halligan and Turner 1996: 73). The public sector in Malaysia is an important provider of employment, goods, services, investment and management of the economy. Consequently, Malaysia has one of the largest public sectors among countries at a comparable level of economic development and it is also larger than average economically 'advanced' countries (Osman-Rani 1996: 24).

## 2. EXPLAINING ADMINISTRATIVE CHANGE IN MALAYSIA

### **First Order Determinants**

Malaysia's system of public administration has been more susceptible to changes in both its internal and external environment than that of Hong Kong. Although it shares with Hong Kong a high dependence on international trade, its status as a developing nation has meant that there has been a high degree of intervention in the economy while Hong Kong purported to be a 'laissez faire' government.

### *Globalisation*

Politicians and officials in Malaysia appear to be extremely conscious of the potential impacts of economic globalisation. The economy is now export-led with a significant degree of foreign direct investment (FDI) aimed at global markets. However, the government's reaction to the economic crisis in 1998 reaffirmed the importance of the nation state in terms of developing strategies to cope with the adverse effects of globalisation. The main objective was to ward off the threat of having to seek loans from the IMF that had happened to Malaysia's near neighbours, Indonesia and Thailand. Awang (1995: 187) regards the introduction by the government of two major documents, the Second Outline Perspective Plan 1991-2000 (OPP) and the Sixth Malaysian Plan 1991-1995, as being direct consequences of global uncertainty. The stress in these documents on economic growth, public private co-operation, greater investment, and the emphasis on skills provide the backdrop to administrative change in Malaysia.

In terms of the impact of globalisation on public administration in Malaysia, Ali, the Chief Secretary to the Government, reportedly remarked, 'in an environment of intense global competition, expeditious decision-making and policy adjustment is necessary'. He also raised

the possibility of administrative decentralisation as another potential consequence of globalisation (*South East Asia Business Times*, 1997a). It can be assumed that a major impact of globalisation is to place pressure on the civil service not only to behave like a business but also to put the interests of business first. The public service has found itself under pressure from the private sector, which perceives government as slow and unresponsive.<sup>1</sup> Although strategies such as 'Malaysia Incorporated' were designed to improve the quality of the dialogue between the public and the private sector, Malaysia remains highly centralised. However, the *South East Asia Business Times* (1996) comments that:

With the emphasis today on economic relations, trade and investments, the civil service has to adjust, to acquire expertise in economics and trade practices, even master entirely new jargons. Failure to do so will make the civil service ineffective or even irrelevant

The connection between economic globalisation and an efficient civil service that facilitates thriving business and industrial sectors is repeated throughout much of the literature concerning Malaysia. Of course, much of it is aimed at attracting foreign direct investment. Moreover, the stress in recent years on privatisation and outsourcing carries with it the implicit assumption that the Malaysian civil service is too large. Thus, a rationale for administrative change in Malaysia in response to globalisation might be to 'downsize' the public service.

Although the arguments regarding the impact of globalisation are held constant from Chapter Two, it is worth noting again that in Southeast Asia the 'inexorable trend is toward the globalization of norms and values, and probably of institutional structures as well' (Means 1996: 116). This argument predicts institutional isomorphism in individual nation-states as a consequence of integration into the global economy. In Malaysia, the introduction of ISO 9000 and demands for IT appear to confirm this hypothesis, along with a stress on proficiency

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<sup>1</sup> Prof. Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

in foreign languages.<sup>2</sup> Liang (1997), a Malaysian based consultant, writes that 'to compete successfully in global competitions, a company has to incorporate strategic management in their quality management system such as the ISO 9001 or ISO 9002'. It appears that quality initiatives, such as ISO certification, are becoming a standard requirement as global trade pushes organisations to have common procedures and processes, irrespective of the countries they operate in. In comparison with Hong Kong, Malaysia appears much more responsive to the threats and opportunities posed by economic globalisation, which provides a general rationale for administrative change.

### *Level of Economic Development*

Until recently, Malaysia enjoyed high levels of economic growth and its economic performance has been particularly strong in recent years.<sup>3</sup> Initially, Malaysia emphasised the import substitution of consumer goods followed by an industrialisation strategy based on heavy industry and capital goods. The world-wide recession in the mid-1980s saw Malaysia abandoning this industrialisation strategy in favour of trade liberalisation, although the Malaysian economy was otherwise largely unaffected. Consequently, annual growth rates since 1987 have been over 8 per cent led by the manufacturing sector when the manufacturing sector overtook agriculture as the main component of GDP (Cuaresma 1995). In the 1990s, there was considerable diversification, particularly within the manufacturing sector with the stress on metal and non-metallic mineral products and scientific and optical equipment (Awang 1995: 175). In the late 1980s, the imperatives of economic development had prompted a change in focus of the public sector in Malaysia from development administration to changing the internal processes of its administrative system. The 'take off' stage occurred once the private and services sector were sufficiently developed and there were demands to reduce the bureaucracy and 'right size'.<sup>4</sup> Public management reform in Malaysia therefore appeared to be aimed at enhancing the civil service capacity in relation to economic

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<sup>2</sup> ISO 9000 is an international quality standard for quality management achievement. Service quality is one of the criteria for earning ISO 9000 accreditation.

<sup>3</sup> Average annual growth rate of gross national product (%) was 7.5% for 1996-97 (World Bank 1998).

<sup>4</sup> Tan Sri Dato' Seri Ahmad Sarji bin Abdul Hamid (Sarji), Chair, Golden Hope Plantations Berhad and former

development and the quality of its relationship with the private sector. Strategic policies such as 'Malaysia Incorporated' in the 1980s and 'Vision 2020' in the 1990s are direct consequences of the impact of economic development on public administration in Malaysia.

### *The Politics of Legitimacy*

The reinforcement of governing legitimacy remains important to the Malaysian government although as Case (1995: 71) remarks, the very stability of Malaysia's politics 'makes it difficult to establish legitimacy's presence'. However, the discourse of administrative reform appears to be driven by the government seeking to legitimise itself to both the business community and the voters at large. It is unlikely that such admissions would be forthcoming from interviews with officials but governing elites 'have vigorously sought legitimacy among various mass audiences' (Case 1995: 72). The consolidation of legitimacy is linked to the drive for economic development. The Malaysia Incorporated Policy of 1983 provided a 'valid and legitimate basis' for the government to engage in administrative changes (Awang 1995: 190). Although the policy was a direct response to global economic challenges, it helped sustain support for the government's development efforts. By the 1990s, the ultimate aim of the Malaysian government became the achievement of full development by the year 2020. This strategy, known as 'Vision 2020', was launched by the Prime Minister in 1991 and can be regarded as a plan for the national development of Malaysia. Although it is a broad strategy, in economic terms Vision 2020 'ended two decades of quota-driven development in favour of a more liberal framework for attaining full industrial and developed nation status' (Root 1996: 70). Political legitimacy is strongly linked with the drive for economic development in Malaysia.<sup>5</sup>

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Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

<sup>5</sup> Malaysia is classified as an upper middle income country by the World Bank (1998) whereas Hong Kong and Singapore are classified as high income.

## *Ideology*

In Malaysia, *ideology* is roundly dismissed as a determinant of administrative change. As Sarji asserts, 'the New Right thesis is not acceptable: the system is non-political and we had no alternative to change'.<sup>6</sup> With regard to privatisation, Jomo (1995: 6) attributes Malaysia's willingness to accept the instruments of the ideological climate of the 1980s to Mahathir's own views although he 'was once believed to be hostile to such cultural influences...of the new right in the Anglo-American world'. Like many rapidly developing countries in the Asia-Pacific region, the Malaysian government propounds a National Ideology, which was proclaimed in 1970. The promulgation of this National Ideology was more a product of 'inter-elite ethnic bargaining' (Means 1991: 13) rather than being related to expounding neo-liberal, or any other state theory.

## *The Colonial Legacy*

The colonial legacy remains as strong in Malaysia as it does in Hong Kong. As with other former British colonies prior to independence, the civil service in Malaysia was a 'political bureaucracy' that made policy and maintained law and order. Sarji described the British legacy as a 'control administration'.<sup>7</sup> Zainuddin (1998: 1328) adds that 'structurally, the public services of the federation are derived from British colonial administration', which has served to centralise the public sector to a large extent. Power is concentrated in the central agencies, especially the Public Service Department (PDS), the various service commissions and the Treasury. Generalists hold key posts in each ministry with the Malaysian Administrative and Diplomatic Service (ADS) controlling the operating departments. This emphasis on strong central control is a feature of the colonial administrative style and also contributes to the highly centralised structure in Malaysia. Furthermore, the elitist nature of the public service

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<sup>6</sup> Sarji, Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

<sup>7</sup> Sarji, Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

has been preserved in Malaysia. Crouch (1996: 17) points out that long before independence, 'the British set out to create an English-educated administrative class recruited from the Malay aristocracy; and members of this class filled the highest echelons of the bureaucracy after independence' (see also Puthuchery 1987). On the surface at least, Malaysia is similar to Hong Kong in the sense that the strong post-colonial bureaucracy appears to be an unpromising environment for the implementation of NPM.

### *Indigenization*

Despite the persistence of colonial structures and practices, there has been a push since independence for a distinctive *Malaysian* public service. The dominance of the United Malays National Organisation (UMNO) since 1963 eventually resulted in 'an official reassertion of traditional ideas in order to create a...Malay-dominated Malaysia' (Jones 1997: 35). The process had begun pre-independence when considerable effort went into the '*Malayanization*' of the civil service with the introduction of a quota system in 1952 (and operating at least up until ten years ago) whereby one non-Malay could be recruited for every four Malays recruited (Puthuchery 1987: 97). When the Malay Administrative Service (MAS) assumed the duties of the largely British Malaysian Civil Service (MCS) on independence, 'the elitist nature of the MCS was preserved' (Zainuddin 1998: 1327).<sup>8</sup> Prime Minister Mahathir wanted to call the civil service, the *public* service, in an effort to distance it from British rule: 'the public service...is no more a colonial bureaucracy meant to serve the Colonial office...Instead, the public service is now truly a servant of the public and not a civil service' (cited in Harun, 1995b). It was perceived that a colonial civil service was unable to serve an independent nation.

Mahathir was virulent in de-colonising Malaysia, underlined by campaigns such as 'Buy British Last' in the 1980s.

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<sup>8</sup> The MCS became the ADS in 1973.



Colonisation of Malaysia by the British, according to Mahathir, had not only resulted in political and economic colonisation but also brought about a kind of mental colonisation whereby the people came to regard anything Western as the best or the ideal to follow (Ahmad 1997: 30).

Ahmad (1997: 87) also cites extensively a speech made by Mahathir in 1987 where he asserts that 'there are still many Malaysians with the conception that we can only learn from the 'whites'. In fact it was the white man's ethics that dragged us down while our neighbour had overtaken us with better economic achievement'. As a result of this attitude, Malaysia was encouraged to 'Look East' rather than West for policy inspiration. 'Look East' became government policy in 1981 and is 'basically an endeavour at gaining embedded knowledge, recognizing that such Eastern values, traditions and decision-making styles can be adapted and adopted in Malaysian organizations' from the Japanese management style (Sarji 1993: 25). Moreover, Islamic principles are invoked in textbooks on administration (see for instance, Sarji 1996a and b), although the 'bureaucratic elites has great difficulty in syncretizing the Islamic fundamentalist interest...with its developmental goals' (Jones 1997: 36). On the other hand, Mahathir reportedly said that Malaysia was very lucky in that it has inherited a good civil service system from the British capable of coping with the demands of modern government (Aris 1993). Overall, there is ambivalence about Mahathir's attitudes towards the West in general and the former colonial power in particular, which makes generalisation difficult.

Confucian philosophy appeared to have some influence on public administration in Hong Kong. Although Malaysia has a significant ethnic Chinese population, its indigenous cultural tradition is based on 'clientelistic' relationships. Clark and Chan (1995: 123-4) note those countries with 'more clientelistic cultures'...stress 'dividing the spoils' rather than on working to 'increase the pie'. Consequently, when compared to Confucian cultures, 'less effort is expended on pursuing pragmatic goals'. Due to the domination of Malay culture in the bureaucracy, Zainuddin (1998: 1328) argues that deference has created 'a psychological and social distance between senior and junior officers, with the complete subordination of

organization members to their superiors as well as between the civil service and the citizens or clients'. The separation of public and private life which lies at the base of modern administrative theory appears to be absent as status in the administrative hierarchy in Malaysia was traditionally a reflection of social status. Although this is difficult to test empirically, the efforts made by the Malaysian government at improving the capacity of its public service appear to have mitigated the effects of this particular cultural variable. Thus, the conclusion from indigenous determinants in Malaysia is mixed to say the least: hostility to Western ideas and the lack of a cultural fit with NPM is in sharp contrast to evidence of some respect for western style administration.

### **Second Order Determinants**

There was little secondary evidence to support *tax consciousness* and increasing individualism or *consumerism* as having an impact on determining administrative change in Malaysia. However, the Malaysian leadership is very conscious of *economic competition*, particularly the success of its close neighbours Singapore. The performance of public services is also compared with those of Singapore.<sup>9</sup> The 'Look East' policy, which was a conscious effort to emulate the economic success of Japan and Korea will be discussed later. It might also be argued that *managerialism*, as a Western concept, would not take root in the Malaysian civil service, especially given the hostility shown to Western prescriptions. Malaysia's rapid economic expansion, in line with much of the Asia-Pacific region, meant that the perception of a *fiscal crisis* was irrelevant as a determinant of administrative change. However, the recent economic crisis that took hold in Asia in late 1997 had some immediate consequences for public administration in Malaysia including job freezes and the suspension of its privatisation programme. In December 1997, Cabinet Ministers had a salary cut of 10 per cent while MPs and senior civil servants had their salaries cut by 3% This was followed in January 1998, by an announcement of a package of cuts, mainly senior civil service perks (*Straits Times*, 7.1.98). In addition, calls for a 'Public Sector Management Plan' to assist the

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<sup>9</sup> Tan Sri Abdul Halim bin Ali (Ali), Chief Secretary to the Government of Malaysia, Interview, Malaysia, 13 February 1999.

public sector cope with the current crisis were made by the International Trade and Industry Minister, Rafidah Aziz (*Asia Pulse* 1998). There has also been significant pressure for more deregulation. However, it is perhaps too early to assess the full implications of the current economic crisis on public administration in Malaysia.

### *Civil Service Capacity*

Although there is no explicit reference to *Civil Service Capacity* as a determinant of administrative change, the proliferation of reform initiatives that are discussed later seem to indicate that at least initially, the Malaysian leadership was constantly questioning the civil service's capacity in terms of economic development. By the end of the 1980s, the question of efficiency in public service delivery began to be addressed. The political leadership of Malaysia has expended much energy in portraying the civil service as an extremely capable institution. Government publications make frequent references to 'paradigm shifts' in connection with the public service. Indeed, Malaysia is reckoned to have a relatively corruption free and efficient bureaucracy when compared with its neighbours. Malaysia's Anti-Corruption Agency was established in 1967. However, a former director of the agency was reported as saying that Malaysia now suffered from 'passive corruption' in the public service (*Straits Times* 22.8.97). This form of corruption has been described as 'information paternalism', which includes refusals to disclose information, despite computerisation (*New Straits Times* 8.8.1998). The belief in Malaysia, as well as in Singapore and Japan, is that well paid civil servants are more resistant to corruption.

### *More Egalitarian Social Conditions*

Rapid economic development has brought greater social equality and some degree of welfarism to Malaysia.<sup>10</sup> This clearly has an impact on administrative change. According to Root (1996: 161) Malaysia demonstrates 'how relatively egalitarian social conditions may be

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<sup>10</sup> Welfare spending (education, health, social security, welfare, housing and community amenities) as a % of total expenditure: Indonesia 39%; Malaysia 42.5%, Singapore 39.7%, United Kingdom 51.7%. (World Bank 1998)

a precondition for modern management techniques to take root in a society'. However, as a former colony, Malaysia has been faced with the problem 'of how to forge new value-systems for what were basically inchoate societies of poorly integrated ethnically (or culturally) differentiated groups' (Seah 1985: 95). Neighbouring Singapore and Indonesia have also faced the problem of managing heterogeneous societies. The imperatives of public administration in such an environment may mean that bureaucratic reform is not as high on the government agenda as we may assume. However, to imply that greater social equality is a determinant of administrative change is problematic, because in the case of Malaysia social equality may also be an *effect* of administrative reform. Root (1996: 67) notes that 'gross economic inequality would conflict with the government's commitment to egalitarian development' which thus guarantees political stability. Therefore, the government has been careful to ensure that the bureaucracy is not comprised of economic or social élites so that:

the official-citizen relationship does not reflect a fundamental social inequality of social conditions. A democratic ethos allowed the government to inculcate modern management techniques successfully. Within the civil service, the same rules apply regardless of the officeholder's status as citizen (Root 1996: 160-161).

However, this statement supports the existence of a representative bureaucracy, but in Malaysia this is clearly dominated by one ethnic group. The 'democratic ethos' in Malaysia is also of a different kind to the type of western liberal democracy that spawned managerialism in the public service.

### *The Impact of Westernisation and Internationalisation*

The Malaysian *Business Times* (4.3.97) has noted that: 'Malaysians, who today travel far and wide, tend to compare government services abroad and at home. Whatever is lacking at home is fast considered a shortcoming. In short, more is expected of the Malaysian civil service today than, say, a decade ago'. As in the case of Hong Kong, economic development has made such international comparisons possible for more Malaysians. The public now

demands better services and now compares their experiences overseas with what they find at home.<sup>11</sup>

The civil service has encouraged westernisation by commissioning management development programmes for top civil servants and sending students to institutions such as Harvard, the Massachusetts Institute of Technology, Stanford University, the London Business School and INSEAD. 'Foreign experts' regularly contribute to management seminars for senior civil servants.<sup>12</sup> However, according to Gomez and Jomo (1997: 5), the social consequences of rapid Westernisation 'have forced the government to try to check some of their most pronounced social consequences'. These consequences range from dissatisfaction in rural areas at not feeling the benefits of development to a feeling of alienation or that the new economic environment is hostile to Malaysian interests. Mahathir tried to turn this to political ends when he rounded on the opposition accusing them of using the terminology of the 'foreign press'. Apparently terms like 'crony capitalism' and 'nepotism' had never circulated in political discourse until recently (Ghazali 1998). The use of the English language is another consideration when considering the global influence of NPM. However, in 1997, Ali, the Chief Secretary to the Government, declared that all government agencies should use Malay in all their official business. Malay is the national and official language of Malaysia, and Ali was thought to be responding to the growing use of English as a working language (*Straits Times*, 29.11.97).

### *The Role of International Organisations*

Unlike Hong Kong and Singapore, international organisations have been active in Malaysia. Despite the British legacy, Malaysia appeared to look to US-based organisations during its development administration phase. For example, the Ford Foundation sponsored the consultants that introduced Performance Program Budgeting System (PPBS) to modernise

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<sup>11</sup> Prof. Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

<sup>12</sup> Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

Malaysia's budgeting system in 1969-70. The World Bank began lending to Malaysia in 1958, and made its last loan in January 1994. Malaysia still has two loans outstanding with the World Bank for health and education projects. However, not only does the World Bank retain an involvement in the country in social policy, it is also involved in 'economic and sector work'. This is not part of new lending, but in 1990, the Bank provided 'informal advice' on the Government's Privatization Masterplan (see below) (World Bank, 1998). Gomez and Jomo (1997: 79) also note how the World Bank, the Asian Development Bank, and the IMF had helped to put pressure on Malaysia in the late 1980s to institute economic reforms oriented towards the private sector and away from government intervention.

However, despite the present Asian economic crisis, unlike some of its neighbours, Malaysia has avoided calling in the international financial institutions. The former Deputy Prime Minister, Datuk Anwar, was reported as driving through a tough austerity programme, based on IMF 'principles' (*Straits Times* 12.8.1998). That strategy brought him into personal conflict with the Prime Minister, Mahathir, who is reluctant 'to take the IMF road', unless the economic situation deteriorates. Mahathir even further remarked that IMF measures are too tough in that they 'ask the Government to reduce its administration expenditure by closing several departments which it deems unnecessary. They do not worry about its impact to the staff' (Lim W., 1998: 24). Mahathir's anti-West rhetoric of the 1980s has re-emerged: 'Dr Mahathir has made no secret of his hatred of the IMF's apparent universal prescription...he tells the Malaysian masses the IMF's medicine has been concocted in the West and should not be forced on to the East' (Porter 1998). Sarji remarks that the international financial institutions could insist on the introduction of policies that are contrary to national interests, such as meritocracy and equal opportunities.<sup>13</sup> This was considered coercive in the Malaysian context as it was contrary to the New Economic Policy (NEP) of 1971 which was to grant special rights to Malays to end ethnic monopolies in the economy (Means 1991: 24).

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<sup>13</sup> Sarji, Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

### 3. THE POLITICAL SYSTEM

Malaysia is a parliamentary democracy modelled upon the British system, with a monarch as Head of State. Out of the pre-independence Malay administrative elite emerged its political wing, United Malays National Organization (UMNO), which was established in 1946 and was the first Malay political party to be organised on a countrywide basis. However, Ahmad (1997: 4) argues that:

...though the British parliamentary tradition had a certain amount of influence on UMNO, it was not totally accepted. The historical Malay polity was primarily based on a feudal monarchy system. Therefore, when UMNO began its struggle (for independence), it combined the elements of its own indigenous political heritage and that of the British.

British political institutions were only grafted onto the Malaysian context, which allowed the political elite to consolidate its power base. Soon after independence, curbs on political freedoms appeared as UMNO, under the leadership of Tunku Abdul Rahman, increased its power. By the formation of Malaysia in 1963, the country was governed by a 'relatively homogenous Malay elite' (Crouch 1996: 19) although British officials were not finally replaced until the late 1960s. However, the Malays were not the dominant group in economic terms. The aim of the NEP of 1971 'was to achieve national unity...by 'restructuring society' to achieve inter-ethnic economic parity' between the Malays and the Chinese. It was a form of 'affirmative' action aimed at reducing the gap between the Malays and the economically successful Chinese community (Gomez and Jomo 1997: 24). Although the NEP was moderated in 1991 when it was re-launched as the New Development Policy, there is a remote possibility that new ethnic strains may appear with the current economic recession and the consequent ethnic violence in neighbouring Indonesia.

Smith (1996: 204) uses LaPalombara and Weiner's (1966) classification of party systems in developing countries to describe Malaysia as a 'competitive system'. Competitive systems are associated with large or ethnically fragmented countries such as Malaysia.<sup>14</sup> However, Malaysia's system could be described as 'hegemonic' given the existence of a single, dominant party: UMNO. According to Means (1996: 106), Malaysia's political system has evolved into what has been called an 'elite accommodation system' or a 'consociational democracy'. 'Elite accommodation' thus produces policies such as the NEP that are designed to promote the economic welfare and political power of the Malays, to counter the economic power and vitality of immigrant communities. However, Malaysia remains essentially a plural society. As Crouch (1996: 13) observes 'all political issues were inextricably interwoven with communal considerations - economic policy, regional development, language, education, immigration, recruitment to the civil service...and many more'. Therefore, 'managing ethnicity' is a key administrative task: outwardly the career system appears to favour professionalism and political neutrality but ethnic values help to politicise administrative behaviour.

As politics in Malaysia is ethnically based, 'elite accommodation' extends to the ruling Barisan Nasional (BN) (National Front) which is a multi-ethnic, multi-party coalition dominated by UMNO. As ethnicity determines party identification in Malaysia, the BN was formed in 1974 to consolidate wider political support for the government. The dilemma for the Malays, is that they 'have never been able to turn their political dominance into hegemonic force without undermining the basic reciprocity among the communal groups that is needed for growth' (Root 1996: 69). The Malaysian political leadership realised that economic growth depended on political stability although Majstorovic (1997: 148) calls into question the notion that modernity and political-economic development transcends ethnopolitics in Malaysia. Ahmad (1987: 2) argues that 'the issue of race must surely remain pivotal in all analyses of Malaysian politics'. Yet, Malaysia's 'semi-democracy' has been considered to

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<sup>14</sup> Present ethnic composition of Malaysia: Malay and other indigenous groups 58%, Chinese 26%, Indian 7%, others 9%. In 1965, it was Malay and other indigenous groups 52.5%, Chinese 35.9%, Indian 9.6% and others 2.2%. Sources: <http://www.odci.gov/cia/publications/factbook/my.html> (Nov. 1998) and Means (1991: 1).



have brought 'ethnic peace, political stability and socio-economic prosperity' (Diamond 1989: 2).

Due to the colonial legacy and the drive for economic development, Malaysia, along with Hong Kong, has been described as an 'administrative state' (Ahmad 1987: 1). Hence the Malaysian bureaucracy is unable to distinguish between implementation and formulation. If we accept Malaysia as an administrative state, then decision-making is confined to a narrow political leadership acting together with senior bureaucrats, with a slow turnover of personnel. Top bureaucrats are in accord with politicians on the need for effective public management. As the Chief Secretary to the Government explains, administrative matters are discussed in the cabinet and ministers are told to be 'hands on'. Politics and administration are considered separate in Malaysia, especially since the accession of the present Prime Minister.<sup>15</sup> However, elsewhere Malaysia has been referred to as a 'patrimonial state', which is characterised by 'the extension of patron-client networks beyond the immediate circle of individual loyalties and friendships of key actors of the political scene' (Means 1991: 298-299). The patrimonial state has benefited from the expansion of the public sector since the late 1960s. Zainuddin (1998: 1327) also argues that the domination of the Malays in the civil service 'is the key to understanding the pattern and style of its administration'.

In Malaysia, in line with other countries in the region, political leadership is not subject to rapid succession, despite its status as a parliamentary democracy. Mahathir was elected to Prime Minister in 1981 and despite current rumours of a 'snap' election, he is the favourite to win the next general election in April 2000. Mahathir has dismissed the assumption that Malaysia should evolve into a western-style liberal democracy but is yet to fully articulate an Asian alternative (Gomez and Jomo 1997: 3). Mahathir's government has also managed to

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<sup>15</sup> Ali, interview, 13.2.99. However, Sarji (Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999) argues that Malaysia actually relies on the separation of politics and administration. However, the discussion of administrative problems in Cabinet and the involvement of ministers suggest the falseness of this dichotomy. Sarji remarked that, 'I can't imagine introducing administrative reforms without cabinet support' while stating that 'the civil service is not enmeshed in politics'. Sarji argues that without the separation of politics from administration, corruption and dissatisfaction would be rife. Hence the civil service should remain neutral and support the government of the day. It is worth noting that as well as being the Chief Secretary to the Government, the post holder is also Secretary to the Cabinet and Head of the

strengthen and centralise executive dominance in a similar way to Hong Kong and Singapore, and this dominance is underlined by a powerful Prime Minister's Department and the Barisan (Malay) majority in the lower house of Parliament (Bowie 1994: 169).

Mahathir's personal impact on public administration in Malaysia has been considerable. Consequently, administrative reform has come from the 'top down' from a politically secure and stable political leadership, at least until very recently. Mahathir was instrumental in driving public administration reform from the beginning of his incumbency in 1981 and he considered the notion of leadership by example as being very important. Prior to his accession, there had been a lot of inertia.<sup>16</sup> Sarji adds that 'the PM is innovative and a builder with vision. He is aware that the civil service is an important institution and realises that it is good for the government'.<sup>17</sup>

The reform process in Malaysia emanates from a Panel on Administrative Improvements to the Civil Service (PANEL). The PANEL, which was established in 1986, acts as the 'prime mover and co-ordinator' for the implementation of administrative reforms (Hussain 1998).

PANEL consists of permanent members plus others who are called in depending on the topic discussed. It is the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) which usually formulates papers that propose particular reforms. Therefore, most reforms originated from Development Administration Circulars issued on behalf of PANEL by the Chief Secretary to the Government in the Prime Minister's Department. INTAN then develops training packages to accompany each reform circular. Development Administration Circulars were the innovation of the former Chief Secretary, Ahmad Sarji. Sarji issued the circulars under the seal of the Prime Minister's Department (Sarji 1996b: 163). During Ahmad Sarji's tenure as Chief Secretary between 1990 and 1996, these circulars were the basis of Malaysia's administrative reforms. Prior to Sarji's appointment, although there were attempts at reform, these were not detailed and amounted to little more than 'exhortations'.

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Civil Service.

<sup>16</sup> Tan Sri Abdul Halim bin Ali (Ali), Chief Secretary to the Government of Malaysia, Interview, Malaysia, 13th February 1999.

<sup>17</sup> Sarji, Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96),

No circulars have been issued since Sarji's retirement as a strong basis had been established. Sarji has explained that these reforms were necessary so that procedures could be changed but kept simple and innovative. Accountability was a chief concern so there was a stress on reporting and performance indicators. According to Sarji, the civil service should also be more responsive to its clients so there should be financial accountability and efficiency standards should be established.<sup>18</sup>

#### **4. LOOKING EAST: POLICY LEARNING IN MALAYSIA**

In Malaysia, there has been a 'conscious effort' at taking ideas from the West.<sup>19</sup> The Chief Secretary to the Government, Halim bin Ali, agrees Malaysia learns a lot from other countries to the extent that policy formulation is often 'short circuited' by policy learning.<sup>20</sup> He also added that there were no particular countries or models for Malaysia to look at and that it was often too difficult to distinguish what was adopted from where. The former Chief Secretary accepts that there are universal values and in particular, processes such as accountability and transparency needed to be 'reengineered'.<sup>21</sup> However, given the economic development impulse that drives Malaysian politics, much policy learning appears to be in terms of learning from exemplars in economic policy, rather than public administration per se. In particular, Japan has been the 'latter-day exemplar' for Hong Kong and Singapore as well as Malaysia (Jones 1990: 449). Regional economic competition and the notion of Asian 'values' appears to have enhanced Japan's, and to a lesser extent South Korea's, status as exemplars and are institutionalised in Malaysia's Look East policy of December 1981.

'Look East' involved the Malaysian government studying, evaluating and adopting 'positive values and ethics from Japan and Korea to suit local needs and conditions' although Mahathir

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Interview, Malaysia, 11 February 1999.

<sup>18</sup> Sarji, Chair, Golden Hope Plantations and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

<sup>19</sup> Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

<sup>20</sup> Ali, Chief Secretary to the Government, interview, Malaysia, 13 February 1999.

<sup>21</sup> Sarji, Chair, Golden Hope Plantations and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

stressed that Look East does not 'involve disregarding positive values from Western countries' (Ahmad 1997: 28). Look East intended to improve the performance of the public sector as well as emphasising positive work ethics within a distinctly Malaysian public service (Taib and Mat 1992: 432). It appeared to the Malaysian leadership that countries like Japan, Taiwan and South Korea were very capable at coping with global uncertainties, and so Malaysia would benefit by emulating their development orientation (Awang 1995: 187). More controversially, South Korea and Japan's appeal as exemplars had much to do with the fact they were non-Chinese. As Bowie (1994: 176) explains, Mahathir could avoid 'the charge that he was perpetuating the unacceptable domestic economic dominance of the Malaysian Chinese'. Bowie also adds that South Korea's state-led model was particularly attractive as 'it suggested a leading role for the Malay-dominated civil service'.

In terms of administrative reform, the simple hypothesis that was applied to Hong Kong might also be applied to Malaysia; that Malaysia would have a natural inclination to look towards its former colonial power for policy inspiration. However, there is less evidence for this than there was in Hong Kong. The former Secretary to the UK Cabinet, Sir Robin Butler, visited Malaysia in September 1996 and was reported as saying there are no plans in the offing for Malaysia to follow UK's reforms towards its civil service or vice versa. However, he drew parallels with the UK Citizen's Charter and Malaysia's Client's Charter (T'Ratnam 1996). Having attained independence from the UK, some thirty years before Hong Kong's change of sovereignty, Malaysia appears to be influenced by Anglo-American models in terms of administrative reform, but the evidence is clearer that it 'looked East' for inspiration in economic policy. However, despite Look East, it seems the US and the UK appeared to provide the inspiration for privatisation. The global economic downturn in the early 1980s provided some rationale for the privatisation policy introduced in 1983 in particular, and downsizing the Malaysian public sector generally (Commonwealth Secretariat 1995).

The Commonwealth Association for Public Administration and Management (CAPAM) also appears to influence Malaysian administrative practice. The Secretary General of the Commonwealth Initiative for Public Service Reform, Chief Emeka Anyaoku has remarked

that 'the potential of the Commonwealth to inspire and mobilise the sharing of best practices is clearly not entirely limited by budgets'.<sup>22</sup> Former CAPAM President, Gordon Draper has also said that CAPAM provides the opportunity for the sharing of experiences and for real learning to take place among the Commonwealth countries (Harun, 1995a). Malaysia has been an active member of CAPAM, and Ahmad Sarji is its Immediate past President.

Malaysia has been keen to learn from the private sector, particularly the so-called 'gurus'. Sarji (1993) refers to Peters and Waterman's *In Search of Excellence* and the work of Peter Drucker as being particularly inspirational when he was the Chief Secretary to the Government. Charles Handy's 0.5x2x3 formula was cited by Ali, Chief Secretary to the Government, at a civil service conference recently (*Business Times* (Malaysia), 14.8.97).<sup>23</sup> By 1996, Sarji (1996a) had studied more books on administrative reform, including Osborne and Gaebler's *Reinventing Government*, and had received a Masters in Public Administration from Harvard. Shafie also acknowledges the influence of *Reinventing Government*, and the period 1993-1997 saw a number of outside consultants visiting Malaysia including Osborne and Gaebler, Edward de Bono, Peter Drucker and Michael Porter.<sup>24</sup> Private sector practices are also influential. MAMPU, for example, looked at human resource management in Petronas.<sup>25</sup> Sarji argues that developments in the public sector should be congruent with those of the private sector.<sup>26</sup> However, Shafie felt that it was inappropriate for Malaysia to bring in private sector expertise to actually manage in the public service, unlike in the UK and the United States.<sup>27</sup>

By 1997, Ted Gaebler had given the 'reinvention' blessing to Malaysia (Tan R., 1997). On an earlier visit in 1994, Gaebler had advocated building upon the 'Malaysia Incorporated'

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<sup>22</sup> Reported by the author, Hotel Equatorial, Bangi, Malaysia, 7.9.98.

<sup>23</sup> The formula is: 'half as many people, twice the salary, three times the productivity'.

<sup>24</sup> Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

<sup>25</sup> Professor Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

<sup>26</sup> Sarji, Chair, Golden Hope Plantations Berhad and former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999.

<sup>27</sup> Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

policy by introducing more competition into the public sector, and withdrawing government into a regulatory role (*Business Times*, 22.8.94). Moreover, the National Institute of Public Administration (INTAN) introduced attachment programmes in 1983 for top officials to spend time in MNCs to gain 'exposure to corporate management techniques' (Root 1996: 79). In sum, with the exception of 'Look East', policy learning in Malaysia appears to be unsystematic in terms of public management change apart from a general desire to keep abreast of trends in both Western public and private management thinking.

Malaysia has also found itself to be an exporter of policy ideas. In September 1997, the UK Public Service minister, Peter Kilfoyle, engaged in policy learning from both Malaysia and Singapore. He was particularly attracted by the notion of '24 hour government'. Kilfoyle was looking to see how the most successful ideas in both Malaysia and Singapore could be incorporated into the UK 'Better Government' programme. Kilfoyle reportedly claimed that:

both countries have well-developed plans for the electronic delivery of public services. With little old infrastructure they can quickly try out modern methods. They are likely to try out the best and possibly the less successful ideas in modern technology before anyone else in the world. This gives us the opportunity to look, listen and learn. We need to identify where the advantages to the UK lie and consider how the more successful ideas can be incorporated into our own vision for the future (Hermes 1997).

However, perceptions of similarity are important for policy learning to occur between nations. For instance, the Romanian ambassador to Malaysia, Eugen Popa, has tried to explain Vision 2020 to his government, but remarked, 'I try to build a bridge between Malaysia and Romania. It is necessary to know each other better since our knowledge of one another is so limited' (Ong, 1998). On the other hand, Pakistan has launched a 2010 programme, with Malaysia's Vision 2020 as the model. The Pakistani Minister of State, Ahsan Iqbal recently visited the Economic Planning Unit in the Prime Minister's Department and commented that Malaysia was chosen from successful East Asian countries because it had a lot in common

with Pakistan ‘in terms of colonial legacy’ and ‘similar cultural roots’ (Asia Intelligence Wire, 1998). However, Sidek remarks that the extent to which Pakistan can learn from Malaysia depends on its own internal conditions.<sup>28</sup> Jordan also learnt from Malaysia’s experience of civil service reform and economic policy (Kaur 1994), and other countries in south Asia were urged to do the same by the Asian Development Bank, particularly Sri Lanka (Shan 1996).

## 5. ADMINISTRATIVE CHANGE IN MALAYSIA

The first notable attempt at administrative reform post-independence began in 1965 with the Montgomery-Esman report. Following the recommendations of the report, a Development Administration Unit (DAU) was established to plan and guide major programmes in administrative reform. Taib and Mat (1992: 425-6) argue that the significance of the report was that it shifted public administration in Malaysia from ‘systems maintenance’ to ‘development administration’. The NEP of 1971 reinforced this shift. In 1972, the Staff Training Centre was replaced by INTAN, under DAU’s guidance, in order to ‘professionalise’ the civil service so that it could assist with the development effort. In the same year, DAU was merged with the Implementation and Co-ordination Unit of the Prime Minister’s department. However, this arrangement was short-lived as MAMPU came into being in 1977 and took over much of DAU’s work (Taib and Mat 1992: 429-430).<sup>29</sup> The initial establishment of DAU and later MAMPU were efforts to protect the neutrality of the civil service system during the development effort. Root (1996: 72) regarded them as extra precautions that ‘were needed to protect that essential British legacy’ of neutrality.

The emphasis on economic reform and development continued into the 1980s with the ‘Malaysia Incorporated’ concept, introduced in 1983, the aim of which was to improve quality of the dialogue between government and business. However, ‘Malaysia Incorporated’

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<sup>28</sup> Dr. Mohd. Shahar bin Sidek (Sidek), Deputy Director General (Administrative Modernisation), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 12 February 1999.

<sup>29</sup> Now the Malaysian Administrative Modernisation and Information Technology Unit but still referred to as ‘MAMPU’.

was starting to flag by the mid-1980s (Jomo 1993: 438) but given renewed emphasis in 1990. In a Development Administration Circular of 1991, it was stated that:

The Malaysia Incorporated Policy stresses the importance of co-operation between the public and private sectors in order to ensure rapid economic growth and national development. The success of the private sector leading to its expansion and increased profits will provide more revenue to the nation through the collection of government taxes. It is therefore crucial that the public sector ensures the success of the private sector.<sup>30</sup>

Although Mahathir committed Malaysia to privatisation in 1983, the government had no formal overall plan or written strategy on privatisation despite a deepening economic crisis in the mid-1980s. Therefore, in early 1988, a tender was awarded to a British consulting firm (J. Schroder Wagg) to undertake a study and submit recommendations to the government for privatisation (Salleh and Osman-Rani 1991: 127). The 'Privatization Masterplan' (as these recommendations became known), was published in 1991 and was seen as an attempt to get away from the ad hoc and arbitrary nature of privatisation efforts in the 1980s (Jomo *et al.*, 1995).<sup>31</sup> Between 1991 and 1995, over 200 government projects were privatised through a variety of instruments (Mazian, 1997).

The next phase of public management reform began in 1986 with the introduction of the Productivity Measurement Programme, which was further reinforced by new guidelines on productivity improvement in 1991.<sup>32</sup> As Hussain (1998) argues, the public sector in Malaysia was no longer involved directly in economic development and a focus was now placed on the internal workings of the public sector.<sup>33</sup> Thus, the Productivity Measurement Programme appeared to mark the shift from development administration to NPM. Although Quality Control Circles (QCCs) had been introduced in the Civil Service in 1983, Total Quality

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<sup>30</sup> Development Administration Circular 9 of 1991, Prime Minister's Department.

<sup>31</sup> Between 1983 and 1997, 11.4% of the public sector workforce was transferred to the private sector (Mazian 1997).

<sup>32</sup> Development Administration Circular 6 of 1991, Prime Minister's Department.



Management (TQM) made its first appearance in the Malaysian public sector in 1989 under the theme of the 'Excellent Work Culture Movement'. Under this 'Movement', all government agencies were directed to implement TQM and QCCs. Although this timing appears to be consistent with the NPM trend elsewhere, as in the case of Hong Kong's *Public Sector Reform* of 1989, these changes were more 'context specific' and had little to do with following international trends. Therefore, Root (1996: 75) argues that the 'Excellence' movement was more concerned with asserting 'a neutral merit-based criteria for providing and assessing public service as contrasted to the ascriptive criteria of race, ethnic or family origin'. However, the Excellence movement was generally regarded as the beginning of a concerted reform programme for the 1990s which included guidelines on quality improvement in the public service and quality control circles in 1991 and a guide to TQM in the public service in 1992.<sup>34</sup>

The Modified Budgeting System (MBS) was introduced in 1990 and was intended to improve the budgeting process under PPBS, hence the word 'modified'.<sup>35</sup> PPBS was regarded as having a number of weaknesses, including its bottom-up approach, a lack of emphasis on Performance Indicators, and limited delegation of powers. MBS also appeared more in line with the new 3 E's culture.<sup>36</sup> MBS retained the salient features of PPBS such as the concept of a 'programme' but this was refined accordingly. Under each programme, expenditure for each government agency is broken down according to its activities and discretion is allowed for virement between agencies although this process involves considerable negotiation.<sup>37</sup> Accountability for financial management under PPBS was perceived to be poor as responsibility was restricted to top management or the Finance Division. MBS was phased in gradually before reaching full implementation in 1995. MBS stresses decentralised management more broadly rather than being simply a budgeting system by attempting to

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<sup>33</sup> Director General, Implementation and Co-ordination Unit, Prime Minister's Department.

<sup>34</sup> Development Administration Circulars 4 and 7 of 1991, Prime Minister's Department and Development Administration Circular 1 of 1992, Prime Minister's Department.

<sup>35</sup> Sidek (Deputy Director General, MAMPU, Interview, Malaysia, 12 February 1999) argues that MBS learnt from the bad experiences and mistakes of PPBS.

<sup>36</sup> 'The pursuit of the three Es' is consistent with the desire to improve organisational performance in the public sector (see Lawton and Rose, 1994: 155).

<sup>37</sup> Dr. Mohd. Shahar bin Sidek (Sidek), Deputy Director General (Administrative Modernisation), Malaysian

match authority and accountability in a similar way to the UK FMI in the 1980s. Under MBS, Controlling Officers of agencies and the Treasury enter into a Programme Agreement specifying the inputs to be used to achieve particular outputs and the anticipated impacts of each activity in a given financial year. In theory at least, greater autonomy and flexibility is given to public sector agency managers under MBS. MBS was thus introduced along with the existing performance indicator regime, which was reinforced in 1993 with the issuance of Guidelines for establishing Performance Indicators in government agencies. MBS was broadly based on the concepts of 'let managers manage' and departmental autonomy.<sup>38</sup> These freedoms include ministries having to operate within a pre-determined budget ceiling although controlling officers can vire between items within the same programme without having to seek approval from the Treasury (Commonwealth Secretariat 1995: 110). However, performance measurement under MBS has not reached the level as required by the Treasury (Government of Malaysia 1997: 205).

In 1992, the Micro Accounting System (SPM) was announced to determine the cost of outputs of government agencies and thus ensure greater cost consciousness among managers. It also supports MBS by providing the cost information for the output of each project, programme or activity in all ministries and departments. Thus SPM is 'accounting in detail' and was envisaged as being useful for comparing planned costs with actual costs and to further enhance accountability in the Public Service.<sup>39</sup> Although ministries and departments have been requested to utilise this form of accounting, SPM is yet to be fully implemented. Shafie regards SPM as largely conceptual that falls short on implementation, the reality is that the system still uses cash accounting and line budgets and treasury control remains tight.<sup>40</sup> A proposal to adopt accruals accounting for government ministries and departments was made in 1995, but has yet to be established (Government of Malaysia 1997: 246).<sup>41</sup> By the

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Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 12 February 1999.

<sup>38</sup>Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

<sup>39</sup> Development Administration Circular 3 of 1992, Prime Minister's Department.

<sup>40</sup>Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

<sup>41</sup> Sidek (Deputy Director General, MAMPU, Interview, Malaysia, 12 February 1999) notes that accruals accounting is easy to apply in the private sector, but much more difficult in the public sector.

end of 1993, seventeen ministries had set up internal audit units to provide independent observations on the activities of their agencies (Root 1996: 80). In 1997, it was decided to streamline the implementation of both MBS and SPM. It was felt that with MBS, middle management was reluctant to take decisions, and that managerial freedom needed re-emphasising. The Treasury is still unwilling to let go and the present economic difficulties have only served to strengthen their hand.<sup>42</sup> SPM received a renewed emphasis on training from MAMPU and from 1997, MBS was expanded into the Federal Statutory Authorities (Government of Malaysia 1997: 196).

There were also changes in the area of human resource management. The New Remuneration Scheme (NRS), announced in 1991 suggested that salary movements be tied to annual rather than three-yearly appraisals. Although the implementation of the appraisal scheme has been patchy, a key significance of the NRS was that it had the potential to alter the structure of public organisations, as well as their remuneration systems and conditions of service. The NRS can reduce hierarchy by amalgamating salary and service groups and by reclassifying personnel into three main groups: top management, middle management and professional and support group (Halligan and Turner 1995: 86). The impact of restructuring on public sector agencies is shown in Table 7.1.

Economic downturn created pressure from the Congress of Unions of Employees in the Public and Civil Services (CUEPACS) to have the NRS changed and to increase salaries (Mansor 1995). One can speculate that reluctance to implement NRS initially was due to the need for tighter fiscal control, which would have been relinquished under the flexibilities promised by NRS. Implemented along with the NRS was a new performance appraisal system (NPAS) 'based on reward and recognition' (Shafie 1996: 342). NPAS includes the establishment of specific annual work targets and criteria for determining salary progression. It was also designed to minimise subjectivity in performance appraisal although there are claims that it does the opposite (Petani 1998).

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<sup>42</sup>Ali, Chief Secretary to the Government, interview, Malaysia, 13 February 1999.

Table 7.1 Restructuring of Public Sector Agencies to 1997.

<i>Type of Agency</i>	<i>Total</i>	<i>No. of Agencies Restructured</i>	<i>No. of Agencies that have not been restructured</i>
Federal Service	136	133	3
State Service	277	235	42
Federal Statutory Bodies	72	69	3
State Statutory Bodies	76	13	63
Local Authorities	142	120	22
TOTAL	703	570	133

Source. Prime Minister's Department (Government of Malaysia 1997: 161).

The next significant public management change was the launch of a Client's Charter in June 1993; nine months after Patten announced Performance Pledges in Hong Kong. Linked to a Total Quality Management programme, the Client's Charter is a written commitment by an agency to its users and is largely an attempt by the Malaysian government to standardise service delivery.

The alleged benefits of the Client's Charter to the public are that it enables the public to know specifically the quality of service and to evaluate the performance of the services rendered. The Charter can also help to reduce uncertainties over the delivery of services and facilitate comparisons between agencies that offer similar services. The public will be aware of the quality standards of each department/agency and a Service Recovery Mechanism ensures that appropriate actions are taken to restore the faith of customers should the department/agency fail to deliver on the pledges in the Charter. The benefits to government departments and

agencies are that the Charter will act as a performance indicator and will enable the department or agency to make evaluations and discipline, responsibility and accountability in the public service will be upgraded, which in turn will contribute to a more transparent service (Aris 1993; Hussain 1998).

By December 1994, 318 agencies had produced Client's Charter and the best formulated Charter is awarded the Best Client's Charter (Commonwealth Secretariat 1995: 88). However, a *Business Times-Research Pacific* survey of Malaysian businesses conducted in 1996 found that companies were largely unaware of government reforms to improve public services. Indeed, 70 per cent admitted that they had not heard of the Client's Charter (*Business Times* (Malaysia), 22.7.96). However, the government is convinced that the Client's Charter has helped agencies become more sensitive and committed to providing quality services to users (Government of Malaysia 1997: 103). The Charter is under review because the government is unable to take it for granted that agencies are implementing them. Ad hoc surveys have been conducted, but Charters in the public service have not been reviewed as a whole.<sup>43</sup>

The most recent public management change in the Malaysian public service includes the introduction of quality standards. The ISO 9000 requirement for all government organisations was introduced in June 1996 by a Prime Ministerial circular.<sup>44</sup> Malaysia is supposed to be the first country in the world to try and implement ISO 9000 for its entire administration.<sup>45</sup> This was not to be enough because in January 1997, Prime Minister Mahathir gave all government agencies and departments until the year 2000 to qualify for *ISO 9001* certification. Yunus (1997) notes that Mahathir was clearly taking his cue from developments in the public sector of several OECD countries. However, what is being implemented in the Malaysian public service is in fact 'MS ISO 9000', which refers to the Malaysian Standard (MS) series issued by the Standards and Industrial Research Institute of

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<sup>43</sup>Dr. Mohd. Shahar bin Sidek (Sidek), Deputy Director General (Administrative Modernisation), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 12 February 1999.

<sup>44</sup>Development Administration Circular 2 of 1996, Prime Minister's Department.

<sup>45</sup>Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12

Malaysia. It is the Standards Institute that looks at other international standards and chooses whether or not to adopt.<sup>46</sup>

Much of Malaysia's push to towards economic development has involved an Information Technology (IT) strategy.<sup>47</sup> IT can be used for a number of purposes including: rationalising bureaucracy, increasing access to information, and managerial decentralisation. Competition from other 'labour surplus' economies in the region along with labour shortages and rapid growth in the late 1980s underlined the push towards high technology industries. IT is one of the fastest growing industries in Malaysia, with about one per cent of GNP spent on it per annum (Saleh 1996: 41). Ali, the Chief Secretary to the Government was reported as demanding 'computer literacy and other multi-media skills for an efficient electronic government' (*Straits Times* 11.4.97). Ali has made numerous press statements that stress the importance of IT for the Malaysian civil service, including the government's 21<sup>st</sup> century agenda which involved: greater computer literacy; more privatisation and corporatisation of government enterprises with the consequential narrowing of direct government participation in economic development; more outsourcing of services required by the Government; wider and more intensive use of computer and IT within the government and between the government and the public; and a global working environment in which both domestic policy formation and its administration are subject to increasing international constraints. Ali also foresaw 'processing' and 'delivery' functions as being the main areas for privatisation (*Straits Times*, 11.4.97).

The stress on IT means that the notion of an 'electronic' civil service is firmly on the government's agenda. The Multimedia Super Corridor (MSC) was launched in August 1996. Located between the new International Airport and Kuala Lumpur, it is meant to be the catalyst for a public private partnership to develop IT applications including Electronic Government (EG). This is meant to go beyond the computerisation of the civil service, its

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February 1999.

<sup>46</sup>Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12 February 1999.

<sup>47</sup>Prof. Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian

'ultimate objective is for a more efficient and responsive Civil Service' (Government of Malaysia 1997: 16). The government sought advice from the private sector who recommended the 'Concepts Requests for Proposals' to develop the IT applications.<sup>48</sup> This was intended to speed up the buying process of the government.<sup>49</sup> A Multimedia Development Corporation was established to oversee the process. Anuar claims that this IT strategy would link with other public sector reforms to improve management accounting and to make the government more responsive to developments.<sup>50</sup> Evidently, there are a number of pilot projects under the scope of EG including Driver and Vehicle Registration, Human Resource Management Information System and Electronic Procurement (Government of Malaysia 1997).

## 6. APPLICATION OF THE NPM MODEL TO MALAYSIA

The application of the NPM model to Malaysia falls within the time-frame of 1988 to 1998. In a similar vein to that of the PSR reform in Hong Kong in 1989, the transition to the MBS in 1990 marked the financial management phase of reform. However, there was no stress on the separation of policy from operations. As with Hong Kong, there appears to be little structural change at the centre of government. The emphasis on quality management appears stronger in Malaysia and this began well before Hong Kong's experiments. However, quality management in Malaysia is more likely to be the consequence of the 'Look East' policy rather than being part of the NPM 'trend', although the Client's Charter appeared a year after Hong Kong's Performance Pledges were announced in 1992. Moreover, Malaysia has a comprehensive privatisation strategy that appears to be orientated to off-loading state assets rather than exploring alternative forms of public service delivery. In Table 7.2, the NPM model is applied to the Malaysian administrative reforms.

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Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

<sup>48</sup> Concepts Requests for Proposals are government procurement documents.

<sup>49</sup>Prof. Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

<sup>50</sup>Prof. Anuar Bin Maarof (Anuar), Deputy Director General (Information Technology), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 11 February 1999.

In Malaysia, currently all the reforms documented in this chapter are being sustained and enhanced, including those outlined in the series of development administration circulars. Although table 7.2 records the reforms, implementation has been inconsistent. Malaysia has not pursued the executive agency model of the other core NPM countries. Even Hong Kong attempted to separate policy from operations. In terms of process, the MBS shifted budgeting close to the NPM model, but even here implementation has been incomplete. For instance, productivity measurement remains limited to outputs. Despite being introduced in 1992, patchy implementation has prompted the government to propose a uniform productivity measurement system that focuses on the cost per unit of output (Government of Malaysia 1997: 206). This system can only be operationalised by the full implementation of SPM and MBS, which is yet to occur. The measurement of outcomes (effectiveness and quality) is addressed by the TQM, Client's Charter and MS ISO 9000 initiatives (Government of Malaysia 1997: 207).



Table 7.2: Application of NPM model to Malaysia

Reform	Application
STRUCTURE	Organisational Decentralisation
1 Creation of single purpose agencies	None
2 New forms of organisation	Flexibility within guidelines
3 Territorial/geographical decentralisation	Federal system already highly decentralised
4 Reduce number of ministries agencies	Review within guidelines
PROCESS	Introduce private sector management techniques
5 Corporatisation/strong organisational leadership	Marginal
6 Strategic management	No particular emphasis
7 Decisions made close to at point of service delivery	Marginal
<u>Budgetary Process</u>	
8 Performance measurement	MBS (1990), Productivity Improvement (1991), TQM (1992), Guidebook on Establishing Performance Indicators (1993).
9. Create Internal Markets	None
10. Cost-centre creation	Under MBS (1990)
11. Use of cost rather than expenditure	Under MBS (1990)
12. Ending annuality	None
13. Use of budgets for planning/control	Under MBS (1990)
14. Use of output measures and volume targets in budgets	Under MBS (1990)
15. Cost-saving incentives	Under SPM (1992)
16. Trading funds	None

17. Resource accounting	Accruals Accounting in statutory bodies and local authorities only.
18. Greater evaluation through audit	Auditor General's role enhanced 1992
19. Bulk budgeting	Under MBS (1990)
20. Purchasing deregulation	None

#### Human Resource Management (Personnel)

21. Change reward structure	Under NRS (1992)
22. Performance related/merit pay	No - but under NRS salary linked to performance
23. Performance contracts	No
24. Appraisal based on performance	NPAS (1992), under NRS (1992)
25. Personnel deregulation	No
26. Weaken trade union power	No

#### Quality

27. Quality Management	Excellent Work Culture (1989), other TQM initiatives
28. Programme Review	Under MBS (1990)
29. Consumerist mechanisms	Public Complaints Bureau (1992), Client's Charters (1993)
30. PR and Marketing	No
31. Integrated service delivery	'One-Stop Clearance Centre' and 'Electronic Government' initiatives.
32. Foster greater transparency	No

#### FUNCTIONS

	'Marketization'
33. Privatisation	Privatisation Masterplan (1991)
34. Regulation	No
35. Quasi-privatisation	No
36. Contracting out (market testing)	No
37. Extend choice through various mechanisms:	
i. 'consumer tagged finance'	No
ii. 'vouchers'	No
iii. 'user control'	No
38. Deregulation	Limited to 'administrative procedures relating to business enterprises' (Commonwealth Secretariat (1995: 96).

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The NRS appeared to be the key NPM characteristic of human resource management, but other key NPM features such as performance contracts and greater flexibility in personnel regulation are absent. Unlike the core NPM reform countries, the Malaysian government did not explicitly set out to reduce the public sector establishment, throughout much of the NPM time frame, there has been a net reduction of personnel (excluding the Police and Armed Forces) from 711, 741 in 1989 to 666,986 in 1997, at an average reduction of 0.76% per year, (Government of Malaysia 1997: 164). Features of quality management introduced in the late 1980s are the product of the 'Look East' policy rather than NPM, although later consumerist mechanisms, especially the Client's Charter, can be regarded as NPM characteristics. Finally, in table 7.2, although the Privatisation Masterplan has divested the government of a range of state enterprises, other NPM 'quasi-market' reforms have not been pursued.

When compared to Hong Kong, the application of the NPM model to Malaysia reveals the partial adoption of NPM without any radical restructuring. However, Hong Kong's reforms were frozen by the 1990s due to the impending transition to SAR status, whereas table 7.2 shows that Malaysia attempted to implement key NPM characteristics during the early 1990s in line with the NPM 'policy boom' elsewhere. However, interviewees revealed that implementation has proved to be difficult and table 7.2 only records when key reforms were introduced.

## **7. POLICY TRANSFER**

In Malaysia, there is a reluctance to acknowledge policy transfer, from both the West and neighbouring countries, particularly Singapore. Shafie regarded policy transfer as being particularly difficult in the Malaysian context which includes federal government and strong central control: 'our political structure and history does not allow full implementation of these (NPM) ideas'.<sup>51</sup> Despite the British legacy, Malaysia appeared to look to the US in the early

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<sup>51</sup>Dr. Halim Shafie, Director, National Institute of Public Administration (INTAN), Interview, Malaysia, 12

years, rather than the UK as noted earlier, as a possible expression of independence from the former sovereign power. In terms of administrative reform, two Harvard professors gave their names to the Montgomery-Esman Report of 1966. The Ford Foundation sponsored the consultants that introduced PPBS in 1969-70 to modernise Malaysia's budgeting system.<sup>52</sup> Arguably, these 'reforms' could be regarded as coercive transfers from North America. In the case of the latter, it was assumed that the benefits of PPBS 'would be automatically reaped' once the system was installed (Doh 1994: 127). However, the implementation of PPBS was handled almost entirely by American and Canadian consultants and the means started to displace the ends. Doh (1994) documents how problems emerged due to the lack of sensitivity to the Malaysian context on the part of the implementers. Despite these initial setbacks, PPBS proved remarkably durable by remaining in place until 1990. As the MBS only 'modified' PPBS, it could be argued that it still remains a policy transfer from Canada.<sup>53</sup> The New Zealand model was rejected on the grounds that it would require splitting politics from administration, which was not considered appropriate to Malaysia.<sup>54</sup>

As noted earlier, Malaysia has sought recourse to the international financial institutions. The World Bank was involved in Malaysia between 1958 and January 1994. In the late 1980s, the World Bank, the Asian Development Bank, and the IMF had put pressure on Malaysia to institute market reforms. During the current Asian economic crisis, Mahathir appears resolved to not 'taking the IMF road'. I also noted the influence of CAPAM as providing a source of inspiration for Malaysia. However, it is difficult to find evidence of policy *transfer* to Malaysia from the international organisations, coercive or otherwise.

Policy transfer is more evident in Malaysia in terms of economic policy. The 'Look East' policy statement which appeared in December 1981 which explicitly invoked Japanese

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February 1999.

<sup>52</sup> In Chapter Four, it was noted that Caiden (1991: 54) regarded the Ford Foundation as part of a 'new international superstructure' that 'embarked on elaborate programs of administrative modernization in the Third World'.

<sup>53</sup> Ali, Chief Secretary to the Government, Interview, Malaysia, 13 February 1999. Sarji (Former Chief Secretary to the Government (1990-96), Interview, Malaysia, 11 February 1999) stated that PPBS was the only reform to come from abroad. It should also be noted that Canada is a federation, like Malaysia.

<sup>54</sup> Dr. Mohd. Shahar bin Sidek (Sidek), Deputy Director General (Administrative Modernisation), Malaysian

management methods and ethics as a means of improving Malaysia's economic development. Mahathir (1983: 276) declared that his 'Look East' policy involved 'emulating the rapidly developing countries of the East in an effort to develop Malaysia', with Japan held up as the prime exemplar. As a consequence, it was to Japan and South Korea that administrators and students were sent to learn management skills and techniques. In particular, 'Look East' intended to highlight the group benefits rather than individualism that were observed in the success of Japan and South Korea (Hussain 1998). However, following the policy learning of 'Look East' came the policy transfer of 'Malaysia Incorporated' in 1983, a concept similar to 'Japan Incorporated' (Smith 1994: 336). Malaysia Inc. emulated the Japanese MITI model of economic development. The ramification for public administration was that Malaysia was to be regarded as a company, or a 'corporate nation'. However, Sarji is cited by the *Business Times (Malaysia)* (8.2.94) as saying that 'Malaysia Incorporated' was not an exact copy of the Japanese model, adding that in Malaysia there is no 'pantoflaue' between retiring senior civil servants and the private sector, as in Japan.

A component of Malaysia Inc. that involved direct copying by Malaysia was the notion of Japanese *sogoshoshas* (Lim and Gomez, 1994). Announced by Mahathir in 1982, and in contradiction to the privatisation strategy announced roughly at the same time, *sogoshoshas* are large trading firms with a diverse product portfolio and are involved in both export and import and command foreign trade (Means 1991: 97). Malaysian *sogoshoshas* were formed out of consortia of public and private companies. But despite powerful political support, 'by the mid-1980s, at least six Malaysian-style *sogoshoshas* were formed, none of which have been particularly successful' (Lim and Gomez 1994: 234). One reason why they failed was that there was simply no need for them in Malaysia. Other reasons include difficulties in managing the diverse interests that comprised the *sogoshoshas*, poor access to finance and a 'limited knowledge of trading in new commodities' (Lim and Gomez 1994: 241).

However, within the time frame of this thesis, there is scant evidence for policy transfer in terms of NPM-type changes from 1988 onwards. The Client's Charter appears to be more of

However, within the time frame of this thesis, there is scant evidence for policy transfer in terms of NPM-type changes from 1988 onwards. The Client's Charter appears to be more of a faithful copy of Britain's Citizen Charter than Hong Kong's PPs, for instance, there is a procedure for compensating an aggrieved public service user, there is no direct evidence of transfer.<sup>55</sup> Sidek claims that the private sector rather than the British initiative inspired the Charter.<sup>56</sup> Although many of the other reforms conform to the NPM model, evidence of transfer was not forthcoming either in documents or interviews. None of the Circulars on Administrative Reform make any reference to developments elsewhere. Although Sarji (1996b: 172) was aware of the similarity of the Charter to that of the UK and New South Wales's 'Guarantee of Service' in Australia, he did not admit to having actively learnt from those two countries. Before deciding to go ahead with ISO 9000 for the Malaysia public service, Sarji consulted both the Secretary General of ISO and Sir Robin Butler, his UK counterpart, about the experience of other countries in implementing ISO (Sarji 1996b: 290-293). However, it can be extrapolated from the writings and reported speeches of Prime Minister Mahathir and former Chief Secretary to the Government Sarji that they were the agents of policy transfer given their exposure and appetite for reform ideas that were in currency in the West. Clearly, Sarji in particular, is a member of the NPM epistemic community (as former Chief Secretary to the Government and former CAPAM President).<sup>57</sup>

Table 7.3 applies the policy transfer model to administrative change in Malaysia. As a developing country, Malaysia has sought to modernise its system of public administration. Following rapid economic development in the 1980s, the political leadership became dissatisfied with the public services. *Problems were also perceived by a new generation of senior bureaucrats who were becoming exposed to the discourse of NPM.* The three examples in table 7.3 reflect the transfer of a diverse range of policies. As MBS was a revised

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<sup>55</sup> Root (1996) refers to it as the *Citizen's Charter* rather than the Client's Charter. In addition, although Osborne and Plastrik (1997: 239) claim that Malaysia adapted the Citizen's Charter from the UK, they provide no evidence.

<sup>56</sup> Dr. Mohd. Shahar bin Sidek (Sidek), Deputy Director General (Administrative Modernisation), Malaysian Administrative Modernisation and Information Technology Unit (MAMPU), Interview, 12 February 1999.

<sup>57</sup> Head of the Federal Public Service (Head of the Civil Service) and Chief Administrator (Secretary to the Cabinet). Thus the post carries with it a very powerful political influence.

version of PPBS, it remains a policy adaptation from Canada. The Look East policy aimed to emulate certain East Asian countries, which resulted in some administrative reforms such as QCCs. However, this is unrelated to NPM. By the 1990s, once appointed as Chief Secretary to the Government, Sarji became a key policy entrepreneur who subscribed to the NPM policy community. The circulars on administrative reforms, issued between 1991 and 1996, are a series of NPM adaptations from the NPM policy community. However, this presents a problem with the policy transfer model. It assumes that in cases of cross-national transfer, an exporter of policy ideas can be identified, usually another country. In the case of Malaysia, it was clear that Sarji was learning about NPM from a wide range of sources. Even in-depth research interviews cannot fully reveal the true extent of where individuals learn about policy innovations.

Table 7.3: Policy Transfer and Public Sector Reform in Malaysia

Why Transfer?	Who Transfers?	What is transferred?	Where from?	Degree of Transfer
Dissatisfaction (Voluntary)	Bureaucrats (Sarji, INTAN)	1. MBS	Canada	Adaptation
	Elected Officials (Mahathir)	2. Look East QCCs	Japan (plus Korea and Taiwan)	Emulation
Perceptions	Bureaucrats (Sarji)	3. NPM (ideas, rhetoric)	NPM policy community	Adaptation

## CONCLUSION

The introduction of MBS appears to be one of the most fundamental public management reforms in Malaysia, but this only amounts to a partial adoption of NPM. More generally, Malaysia is fully aware that 'reinventing government' is a product of American public administration and that its own system of public administration cannot be changed without recognising its own particular context. However, public management change can also appear to be less pragmatic and cautious in approach, as the elite seeks to legitimise and consolidate its political power. Therefore, the discourse of NPM serves as a powerful tool. As Zainuddin (1998: 1327) observes, 'even though the forms of the Western system are outwardly observed, there appears to be a widespread discrepancy between form and reality' in Malaysian public administration. In Malaysia, it appears that the kind of policy transfer that has been undertaken is largely of the kind described in Chapter One by Bjorkman and Altenstetter (1997: 15), in other words, 'the adoption of labels and buzzwords'. However, the circulars on administrative reform produced between 1991 and 1996 are finely detailed and are supported by full training programmes. Therefore, the deceptively superficial nature of the application of NPM to Malaysia is a consequence of some deep-rooted features of the Malaysian system and culture.

The potential problems with implementing Western-style reforms had been identified by Mahathir long before he became Prime Minister. Root (1996: 74) quotes from Mahathir's book, *The Malay Dilemma*, published in 1970:

...because Malay values and concepts and codes of ethics are different from those of the West, it is unlikely that mere changes in environment will bring about the necessary changes in Malay values to such an extent that they will be able to compete with the drive of other communities or races.

Mahathir appeared very self-conscious about Malaysia's status in the international community and this is still evident today in his vehement opposition to the IMF. Therefore, Root (1996:



75) argues that once becoming Prime Minister, Mahathir was determined to use the Civil Service as a way of forging a 'new value system' that would eventually displace traditional values based on family and ethnic loyalties.

Malaysia, much more than Hong Kong, emphasises the problems of implementing NPM in particular, and transferring policies from the West more generally, into an unreceptive context and culture. As a former colony, and as a developmental state, Malaysia was thus exposed to the globalisation of norms and values, but once the NPM era got underway, the persistence of the colonial legacy and the fusion of policy and administration remained stubbornly in place. However, this has not prevented Malaysia from building on the colonial administrative heritage in its efforts to learn from the West. This much it does share with Hong Kong. Mahathir was determined that the Malay culture should not be an obstacle to administrative reform. As Root (1996: 88) argues: 'rejected was the notion that 'indigenous cultural traits' excuse the absence of modern administration or the capacity to benefit from the examples of others'. The powerful rhetoric of NPM might be regarded as being one way of introducing cultural change in the Malaysian public service. However, when writing about the introduction of ISO 9000, Sarji (1996b: 294) noted that without 'motivating a deep-seated change of mind-set for a civil service *par excellence*', purchasing the fundamentals of management on the open market becomes a hollow achievement.

## 8 Administrative Reform in Singapore

*Profile:*

Population: 3.1 million

Area: 1,000 sq. km

GNP per capita (1997): US\$ 32,940

GNP Average annual growth rate 1996-97: 8.8%

(World Development Report 1998/99)

Overall deficit/surplus of government spending (% of GDP) (1997): 0.15% (Barclays Capital 1998)

### 1. POLITICAL AND ADMINISTRATIVE CONTEXT

Singapore differs from other East Asian countries in a number of respects including its political system, the cultural heterogeneity of its population, and its size and natural resources.

From 1997 when Hong Kong reverted to Chinese sovereignty, Singapore and Hong Kong appeared to be the two of the most comparable territories in the world; both can best be described as 'city states' and both were former British colonies in relatively close geographical proximity. They both also have recent histories of considerable economic success. One would assume therefore that administrative reform and policy learning in Singapore would mirror that of the Hong Kong experience. However, the reality is that Singapore's political and administrative trajectory has been somewhat different. The

differences between the two states start to become apparent after a brief look at Singapore's recent history. Singapore was 'founded' in 1819 by Sir Stamford Raffles, who was an employee of the East India Company, not a civil servant of the British government. Singapore was effectively a ward of the company and accountable to the British Raj in India. Five years later, the British, via the East India Company, gained permanent possession of the island (unlike the lease on Hong Kong). In 1826, Singapore was merged with two other dependencies of the East India Company: Penang and Malacca, to form one administrative unit controlled from India, so Singapore was ruled at 'arm's length' from Britain.<sup>1</sup> Direct British rule commenced in 1867 when Singapore (along with the other dependencies) assumed Crown Colony status. Following the end of the Second World War and Japanese occupation, Britain separated Singapore from what had become the Malayan Union as a separate crown colony.

However, unlike Hong Kong prior to 1997, Britain's grip over Singapore was to loosen in the 1950s. Terms for self-government for Singapore were agreed at the same time that Malaya was granted independence in 1957. Singapore was then granted partial independence in 1959 and elections were held with Britain retaining control over defence and foreign policy. In 1963, Singapore was briefly part of the federation of Malaysia as an 'autonomous state' before gaining full independence in 1965. Remaining in the federation was seen by the dominant People's Action Party (PAP) as 'vital for Singapore's survival both militarily and economically' (Islam and Chowdury 1997: 196). Yet conflict with Malay politicians led to the eventual expulsion of Singapore from the Malay federation. The declaration of full independence for Singapore was virtually enforced. Thus, Singapore has been described as a unique case as it was born 'by accident'. As Noor (1998) explains, Singapore 'was never meant to emerge as a state with a Government as its own'.

The administrative system in Singapore includes the Singapore Civil Service (SCS) plus state agencies such as statutory boards and over five hundred government linked companies (GLCs), the Armed Forces, the Legal Service and the Police Force. The management of government comes under the Public Service Division, which is part of the Prime Minister's

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<sup>1</sup> This administrative unit was known as the Straits Settlements.

Office. In addition, there are two dominant public institutions in Singapore, the Central Provident Fund (CPF) and the Economic Development Board (EDB). The CPF was established in 1955 and is intended to provide financial security for those who have retired or are unable to work. The CPF administers a comprehensive social security savings scheme including the finance of home ownership, providing cover for medical care, and assistance in paying for education. Nonetheless, the CPF constitutes a weak welfare state (there is no unemployment benefit) when compared to the West, and even here the state is trying to reduce its involvement as the CPF is considered expensive.<sup>2</sup> Indeed, the state declares its ideological opposition to welfare in a way that is similar to the 'New Right' in the West. However, this hostility to the welfare state is often based on an association with perceptions of Western decay (Ramesh 1992, 1993).

The EDB was established in 1961 and is the main agency of the government's economic policies. The EDB is responsible for the planning and promotion of economic development in the private sector. The EDB is regarded as being crucial to Singapore's economic growth (Schein 1996: 1). As a statutory board, the EDB enjoys considerable flexibility and discretion over its operations. There has been some gradual and limited privatisation since 1987 but as Low (1993: 176) comments, the process has been 'slow and cautious, suggesting the government's reluctance to surrender complete control of macroeconomic policies and targets'. The public utilities have been corporatised, with the exception of the Water Authority. The Public Utilities Board (PUB), established in 1995, regulates the other public utilities.

Generally, the interventionist nature of the Singaporean state has led to it being variously described as 'developmental', 'corporate' and 'administrative'. Singapore's transformation from a post-colonial developing state has been remarkable, and the public sector has played a key role in that transformation. Therefore, Singapore is described as a 'developmental state' (Tamney 1996: 59). According to Leftwich (1994: 9), a developmental state is characterised by a political system, which has:

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<sup>2</sup> In 1996, 39.6% of total government expenditure is spent on social services in Singapore. The figure is 51.7%

...concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions of economic growth, or by organizing it directly, or a varying combination of both.

Singapore is thus an ideal-type developmental state. Moreover, in line with other Asian political systems, the state in Singapore is characterised by 'inclusionary corporatism' (Jones 1997: 51). Singapore's description as a 'corporate state' is mainly derived from the extensive and interventionist role of the statutory boards and GLCs. It is worth quoting extensively from Soon and Tan (1993: xii) on the role of these organisations in Singaporean government, starting with the statutory boards which are:

...de facto extensions of the civil service, supervised by the ministries and answerable to parliament, but with autonomy in the day-to-day management of their operations.

There is a statutory board in almost every socio-economic field, including public housing, transport and education. They have remained profitable and generate large operating surpluses. Government-linked corporations (GLCs) were established for strategic reasons (defense related) or where the private sector was slow to invest (hospitals and medical services). GLCs tend to be large and earn better returns than local private sector companies. GLCs compete on both domestic and international markets and face hard budget constraints.

GLCs, in theory at least, can be closed down if they are unprofitable.

Singapore is also described as an 'administrative state' (Chan 1975 and 1989, Jones 1997), with the bureaucracy operating as a strong top-down hierarchy. Additionally, like Hong Kong, the real political arena is contained within the bureaucracy. The perception in Singapore is that the state should be managed in a rational and scientific manner with the citizenry expected to place its trust in the hands of an 'expert' government. As Root (1996: 42) points out, 'technocratic dominance in economic decision making' is institutionalised in

Singapore by insulating the bureaucracy from politics. In a process similar to that of Hong Kong, the 'deliberate depoliticization of the political arena' led to the establishment of 'an administrative state' in Singapore (Chan 1985a: 73). However, the state in Singapore is more interventionist than that of Hong Kong, and as Clark and Chan (1995: 122) note 'Singapore offers an example of state-guided development effort under an able political leadership and bureaucracy'.

## 2. EXPLAINING ADMINISTRATIVE CHANGE IN SINGAPORE

### First Order Determinants

In assessing the impact of first order determinants of administrative change, only a full discussion on *legitimation symbolism* is absent in the case of Singapore. However, as Khong (1995: 108-9) observes, Singapore's record is 'too short to permit a definitive assessment of the problem of legitimacy...and no conclusive measurement of its extent is possible'. The government appears to enjoy a high level of legitimacy, both during the current economic crisis and the crisis of 1985. However, the need for political legitimacy remains given that Singapore has been striving for a unified, national identity, although this is never made explicit. On the other hand, the emphasis on technology and the 'information society' is extremely important to the political leadership. The use of contemporary management language is regarded as an extension of the modernisation impulse in Singapore, but again, this is rarely made explicit.<sup>3</sup>

### *Globalisation*

Due to its small size, Singapore is extremely vulnerable to changes in the global economy. Its geographical position and excellent harbour had helped to establish it as an international trading centre long before independence. Like Hong Kong, Singapore's status as an entrepot, initially for trade within the British Empire, brought it into the global economy well before

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<sup>3</sup> Dr. C.J. Wee Wan-ling, Fellow, Institute of Southeast Asian Studies, Singapore, Interview, 7 December 1998.

full independence. Following its enforced independence in 1965, the Singaporean leadership realised that it would have to integrate with the world economy in order to survive. Singapore's perception of itself as a 'global city' had already been contemplated by its first foreign minister. This strategy rested on participation in international trade and exchange which was 'a vital condition for its survival, given its small size and extreme paucity of resources' (Tyabji 1985: 25). The expulsion from the Malayan federation meant, 'Singapore could no longer follow an inward-looking development. It thus took the very bold step of opening up the country to foreign investment and multinationals with attractive fiscal incentives' (Islam and Chowdhury 1997: 197).

The strategy of opening up to international trade proved to be successful, with the principal focus being on the rapid industrialisation and modernisation offered by the 'new global capitalism' (Beng 1993: 101). Singapore's economic success was primarily led by TNCs and Singapore is described as 'virtually' a free trade economy (Cuaresma 1995: 29). Moreover, as Acharya and Ramesh (1993: 136) argue, 'consistent with the globalisation trend, Singapore's trade has shifted away from the Southeast Asian region and has become increasingly global'. They point to the fact that trade with the USA, Europe and Japan had overtaken ASEAN countries by 1989 and foreign investment had reached 89.3% by 1990 (Acharya and Ramesh 1993: 138). The Economic Planning Committee decided in 1991 that Singapore should explicitly engage in a globalisation strategy (Murray and Perera 1995: 28). In short, Singapore appears to have taken full opportunity of economic globalisation while facing intense competition and dependency on external demand. However, Singapore is not the bastion of economic liberalism that the proponents of free-trade globalisation would have us believe. Internally, state control remains strong and the state played an 'effective and crucial role' in the country's development (Cuaresma 1995: 29).

### *Level of Development*

In Singapore, the government consistently places a high priority on economic growth and development and the population are continually reminded of this 'national priority' (Tamney 1996: 8-9). Unlike Hong Kong's strategy of 'limited intervention', the Singapore government

led the way in terms of economic development. The transformation of the colonial bureaucracy in 1959 had economic development as its objective. Putting the public sector 'in the driving seat' began with the *First Development Plan 1961-1964* (Low 1993: 168). The PAP also needed the support of the civil service in achieving economic and social goals to guarantee its survival in office. To achieve this, they reduced the workload and created the statutory boards so as to 'enhance' its efficiency and implement development programmes (Quah 1996b: 300). Following independence from Malaysia in 1965, Singapore embarked on strategies to raise its level of economic development, which were consistent with Leftwich's view of the activities of a developmental state. Singapore's GDP grew at an annual average of 9.2% between 1960 and 1981, accompanied by relative price stability (Tyabji 1985: 28). By the 1990s, the government's aim was to achieve the status of a fully developed country and the government's development strategy appeared to be vindicated when Singapore was ranked number 4 in the world in terms of GNP per capita with an annual growth rate of 7.2%.<sup>4</sup> However, the perception remained that the public sector needs to be 're-engineered' to sharpen the economy's competitiveness (Song 1997b). Despite running surpluses from the mid-1980s, Singapore has tried to improve its public services by approximating the government to the private sector in terms of its internal management practices.

### *Changing Societal Expectations*

The government cannot ignore the impact of economic development on societal attitudes towards the public sector. The middle-class in particular feels that it shoulders the greatest burdens and that generally Singaporeans are more complaining and demanding.<sup>5</sup> The need to provide good public services to a 'better educated and more demanding public' is widely accepted by the Singapore government (Hoong, 1996; Budget Division 1996a: 1; Song 1997b).

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<sup>4</sup> World Development Report 1998/99 based on 1997 figures – Hong Kong was ranked 13 with an annual growth rate of 2.1% and Malaysia 35 with an annual growth rate of 5.2%.

<sup>5</sup> Dr. Wee Wan-ling, Fellow, Institute of Southeast Asian Studies, Interview, 7 December 1998.



## *Ideology*

As the dominant party in Singapore, the PAP began life as a socialist party, committed to ending colonialism (Shee 1985: 5). The victorious PAP in 1959 promised to 'establish an independent, democratic, non-communist, socialist Malaya' (Kim 1985: 5). However, socialism was gradually abandoned by the PAP following the separation from Malaysia in favour of a 'pragmatic, non-doctrinaire' approach to economic development (Chan 1985b: 158). There are three, undocumented principles of governance that have been applied since independence: meritocracy; to test for results, not 'political correctness'; and, strong leadership.<sup>6</sup>

Singapore is a small state so it is relatively easy for a political leadership to mobilise and steer, but it is argued that strong leadership is still required. The political elite have now 'long argued that their 'pragmatic' approach to government excludes the influence of any ideology whatsoever' (Khong 1995: 124). Another factor in the abandonment of ideology was that as a small island state set in the midst of Malaysia, Singapore has tried to engineer a national identity, at the risk of marginalising the non-Chinese population, principally the Malays and Indians. A 'National Ideology' was announced in 1991, which appears to consolidate state power with the ruling Chinese majority. The 'National Ideology' was very different from the one proposed by the first PAP government in 1959. However, the present national ideology insists Singapore 'must remain Asian in order continue enjoying economic growth and social peace' (Tamney 1996: 19).

Although the Chinese are the dominant ethnic group, opinion about the Confucian influence is divided. Khong (1995: 125) argues that the National Ideology reinforces sentiment against Western values and stresses the cultural values of Confucianism. Others regard Confucianism as a residual factor.<sup>7</sup> Jones (1997: 49) summarises Singapore's official ideology as 'pragmatic

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<sup>6</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998. See also Commonwealth Secretariat (1998: 8).

<sup>7</sup> Professor Jon Quah, Department of Political Science, National University of Singapore, Interview, 7 December 1998.

survivalism'. Any administrative change must therefore be justified on the grounds of improving the economic competitiveness of Singapore.

### *The Colonial Legacy*

As in Hong Kong and Malaysia, the colonial imprint powerfully affects an analysis of public administration in Singapore because it has remained well preserved. The early PAP leadership regarded the civil service as a vital instrument through which to achieve the objectives of economic development.<sup>8</sup> The challenge for the incoming political leadership in 1959 was to change the culture of the civil service from one of a politically neutral agency maintaining law and order to one that would achieve national economic development. However, the civil service had identified itself with the British Colonial government, so it was not particularly sympathetic to the goals of the PAP government (Seah 1985). This problem was addressed in 1959 with the establishment of the Political Study Center that was designed to raise the awareness of civil servants of the problems facing Singapore. Promotion on merit rather than seniority was also retained from the old British system. The Public Service Commission (PSC), established in 1951, was also modelled on the British Civil Service Commission. Von Alten's (1995: 229) assessment is that the 'strong British civil service tradition has produced an efficient and corruption-free administration which was also very successful in implementing its development policies'.<sup>9</sup> The strong notion of meritocracy in Singapore's political culture was believed to militate against corruption and it was emphasised that the civil service should recruit the best talent. The emphasis on scholarship was meant to prevent the development of a social class structure within the civil service, despite the heritage of the UK civil service system traditionally dominated by an 'Oxbridge' elite.

### *Indigenization*

During the period leading up to limited self-government in 1957, the civil service was gradually localised. Localisation began in earnest with the creation of the PSC. As in other

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<sup>8</sup> See Koh (1997: 117).

<sup>9</sup> Corroborated by Prof. Quah, Department of Political Science, National University of Singapore, Interview, 7 December 1998.

localisation exercises, the aim was preparation for independence by recruiting local qualified staff and adapting the civil service to local conditions. The transition from a colonial to a developmental state required a change in the civil service culture, and this was one of the aims of the Political Study Centre (Quah 1996b: 301-305). However, local bureaucrats felt that they were 'inheritors' and should uphold the traditions such as bureaucratic neutrality of their former administrators. At least initially, it appeared that localisation actually served to weaken the management of the civil service (Seah 1985: 100).

As in the cases of Hong Kong and Malaysia, local culture also needs to be considered, although in the Singaporean case, only a small proportion of the population might be considered 'indigenous'. According to Tamney (1996: 8), 'the traditional cultures of Singaporeans had standards that were useful for modernization. They valued education and hard work, gave high status to state bureaucrats, and believed the state is responsible for perfecting society'. Such values are reflected in the authoritarian political culture of the elite in Singapore, which is patriarchal and hierarchical and produces the 'strong state' (Clark and Chan 1995: 123). Von Alten (1995: 228) argues that Chinese culture, in particular, has been beneficial for Singapore's economic development. This resulted in a 'social contract' between the government and the people, who have renounced a measure of political freedom in exchange for the government promising to share economic benefits with all the people.

Cotton (1993: 5) noted that once the PAP had consolidated their monopoly on power following the election of 1968, moral issues appeared on the political agenda including protecting Singaporeans from 'the individualist and enervating influence of the West'. The leadership also took the opportunity to emphasise their 'superior moral stance' by promulgating Confucianism. From the late 1970s, the government actively addressed the dilemmas that economic progress had brought about, beginning with a Report on Moral Education in 1979 which marked the beginning of religious and ethical campaigns, including the revitalisation of Confucianism (Chun 1996: 61). However, Chun regards Singapore's experimentation with indigenization as 'disastrous'. Chun's opinion was based on a report to the Ministry of Community Development in 1988 concerning the revival of religious fundamentalism in Singapore, which was directly attributable to the government's crusade.

Its efforts to promote Confucianism were shunned by a majority of secondary school students (Chun 1996: 62).

Mirza (1986: 278) also disputes the influence of Confucianism in Singapore by pointing out that:

...the ruling class of Singapore was moulded by British values and most are English educated. Lee and the liberal PAP actually fought the Chinese educated left wing for control of the island-state. Indeed, Lee and his cronies could be termed “Machiavellian”!

The influence of Confucianism is thus unclear. Indeed, it could be argued that Singapore’s political culture is not Confucian, as it is a multi-racial rather than a Chinese society. In terms of administrative change, there remains a contradiction between an ‘old style’ statist approach and ‘new style’ managerialism in that the system resists making senior officials accountable and there is no genuine transparency at the top levels.<sup>10</sup>

## **Second Order Determinants**

Although there is little evidence to suggest that *economic competition* influenced administrative reform in Singapore, it is hard to imagine that this was not a determinant, given Singapore’s size and drive for economic development. Singapore has faced fierce competition from its immediate neighbours, Malaysia and Indonesia. However, on the other hand, the economic integration of Hong Kong and Guangdong province, China, is being repeated between Singapore, Malaysia, Indonesia and Thailand (Chiu *et al* 1997: 160-1), which may influence administrative change in the long run. In Chapter Six, the argument was presented that the civil service system in Shenzhen is converging with that of Hong Kong. However, in that particular case, this is as much the outcome of political integration as it is with economic integration. Indeed, the recent economic crisis may serve to unravel economic integration in the region, at least in the short-term.

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<sup>10</sup> Dr. Wee Wan-ling, Fellow, Institute of Southeast Asian Studies, Interview, 7 December 1998.

It is unlikely that tax consciousness is an impetus to administrative change in Singapore. For example, a Goods and Services Tax (GST) was introduced in April 1994, with relatively little debate.<sup>11</sup> The association of individualism and consumerism with Western values makes this an unlikely second order determinant in an atmosphere that is occasionally hostile to such values, although government officials and other commentators regard voters as more demanding and individualistic (Murray and Perera 1995: 20). The role of the International Organisations has been limited in Singapore. There was some early involvement when staff from the UN, International Labour Organisation and the World Bank helped to establish 'key institutions' like the EDB following independence (Low 1993: 176). Managerialism was recognised early on in Singapore's development as a 'crucial factor' in economic development (Goh 1995: 72), but is not explicitly referred to either in the literature or by interviewees. Finally, the size of Singapore should be mentioned as 'in as small an administrative unit as Singapore, government is more accessible' (Sikorski 1996: 828). This allows the government to react quickly to developments and any administrative change is more likely to be effectively implemented and co-ordinated.

### *Civil Service Capacity*

The demands of economic development meant that the characteristics of the bureaucratic elite in Singapore were different from those in the West. In Singapore, the bureaucracy is meant to be a problem solver rather than being involved in policy implementation and systems maintenance, as in the West (Koh 1997: 114). Clearly, the civil service in Singapore successfully completed the transition from colonial to development administration and it appears it has now entered a third phase, that of a service administration. Koh (1997: 119) reports how Goh, in his first address as Prime Minister to the Administrative Service in 1991, had argued that the bureaucracy should adopt a 'service culture'. Since the beginning of the 1990s, the emphasis has been on the need to retain top talent in the civil service. In order to

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<sup>11</sup> The GST was a response to the fiscal crisis of 1985. An Economic Committee report published in 1986 suggested that a switch to indirect taxation could beat the recession. The Economic Committee was established in 1985 to address the crisis, and was the first time the government had openly consulted the private sector (Prof. Quah, Interview, 7 December 1998).

maintain its 'technocratic management', Singapore must compete with the private sector in terms of pay and conditions of staff, hence the 'parallel salary' policy (Root 1996: 47). The White Paper, 'Competitive Salaries for Competent and Honest Government: Benchmarks for Ministers and Senior Public Officers', published in October 1994, enshrined the notion of parity with private sector pay, which virtually ensured that Singapore's civil servants are the best paid in the world. Another key policy impetus was a regional economic boom that was attracting good graduates to other parts of the region.

Like Hong Kong, corruption is not considered to be an administrative issue, mainly because civil servants are paid competitive salaries and have parity with the private sector.<sup>12</sup> Furthermore, there is a system whereby two bureaucrats must take decisions, thus making it difficult to hide decisions made on self-interest. Like Hong Kong and Malaysia, there is an anti-corruption agency, the Corrupt Practices Investigation Bureau, which was originally established under the colonial government in 1952, but given fresh powers in 1960 (Quah 1995: 336). The PAP has always publicly committed itself to a tough anti-corruption policy.

### *Fiscal Crisis*

The economic recession of 1985-1987 tested the political support given to the government on the 'narrow base' of economic performance (Khong 1995: 123). The recession gave the government the opportunity to give the public sector 'the signal to reform, principally in scaling down its hyperactive tendencies' (Low 1993: 169).<sup>13</sup> More recently, and more complacently, the *Straits Times* (19.4.97) commented that: 'flab, fortunately, is not a concern for Singapore, where public sector spending takes up a fairly lean 14.3% of the gross domestic product'. However, this was written before the advent of the current Asian economic crisis. Although the impact of the crisis on Singaporean public administration is still unclear, the immediate implications were civil service pay-cuts that included ministers.<sup>14</sup>

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<sup>12</sup> See discussion in Tamney (1996: 60).

<sup>13</sup> The report of the Public Sector Divestment Committee in 1987 marked the beginning of marginal privatisation efforts in Singapore, see Low (1993).

<sup>14</sup> In fact, the Civil Service was expected to grow by 5.4% in 1998 (Fernandez 1998).

### *The Introduction of Egalitarian Social Conditions*

Like Malaysia, Singapore is also a multi-racial polity, although Means (1998: 100) alleges that policies favour the majority ethnic community. It is debatable whether there is political egalitarianism in Singapore.<sup>15</sup> The population comprises roughly 78% Chinese, 14% Malays and 7% Indians (Lim 1997: 168). Cross-cutting the main ethnic groups is a cultural divide between those that are Western educated and those who remained faithful to their native languages and traditions. Therefore, the notion of unifying the country behind a national ideology was deemed necessary for national integration. Malay and Indian communities were naturally suspicious of an 'imposed Asian identity' (Khong 1995: 126) although Singapore is regarded as largely devoid of racial conflict (Kim 1985: 13, Means 1998: 101). English is used as a common language although the government encourages bilingualism (Shee 1985: 15), or use of English and the mother tongue.<sup>16</sup> However, efforts to promote Mandarin began in the 1990s, although English still dominates the professions and the bureaucracy (Khong 1995: 129-130). In terms of social equality and wealth distribution, Singapore fares favourably against other Southeast Asian countries (Tyabji 1985: 40). Rapid economic development in Singapore appears to have helped to bring about more egalitarian social conditions with some degree of welfarism. Therefore, this 'precondition' for modern management techniques (Root 1996: 160) is present in Singapore.<sup>17</sup> Furthermore, the meritocratic nature of Singaporean public service is repeatedly stressed and is one of the unwritten principles of governance.

### *The Impact of Westernization and Internationalisation*

'Westernization' is a concern of the Singaporean government, and out of the three countries studied here, Singapore is possibly the most hostile to the notion.<sup>18</sup> By the mid-1980s, once economic development was achieved, the quality of life became an important consideration

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<sup>15</sup> Dr. Wee Wan-ling, Fellow, Institute of Southeast Asian Studies, Interview, Singapore, 7 December 1998.

<sup>16</sup> Singapore has four official languages: Malay, Chinese (Mandarin), Tamil and English.

<sup>17</sup> See Root (1996: 160).

<sup>18</sup> In my interview with Dr. Wee Wan-ling (7 December 1998), he remarked that this did not prevent Singapore from being the most pro-western government in Southeast Asia in other policy areas such as security.

in the life of Singapore and appeared to mark the appearance of Western and liberal values, particularly individualism (Tamney 1996: 18). Although the political elite frowns upon such values, the Public Service Commission for instance, awarded 100 overseas scholarships, mainly to universities in the UK and the US, in 1993 (Von Alten 1995: 193). The clash between Singaporean values and those of the West were highlighted by the diplomatic 'squabble' over the American youth accused of vandalism in Singapore in 1993. Singaporean officials were somewhat contemptuous of American appeals for leniency (Sikorski 1996: 819). Moreover, Ramesh (1993: 116) reports how the Prime Minister was unhappy with an emerging 'serve-me-or-else' attitude among the voters which is likely to erode the bond between people and government and then Singapore will be run like 'many other Western democracies'. The process of Westernisation appears very contradictory in Singapore, on the one hand it appears to embrace notions such as market rationality and the use of English as a common language but on the other hand, Singapore is hostile to social liberal Western values.

#### *Other Determinants of Administrative Change*

Like Hong Kong, Singapore is concerned about its rising population. This may lead to administrative decentralisation, including the introduction of 'Town Councils'.<sup>19</sup> In addition, there was the formal recognition that an ageing population will place greater demands on the public service (Budget Division 1996a: 1). The possibilities offered by information technology appear to have driven a number of reforms. As Sikorski (1996: 828-9) notes 'in terms of business and economic operations, the Singapore government has responded to the new information technologies in the "post-Fordism" pattern'. Thus, the 'informatization' of the public sector was explicitly cited as a rationale for 'Budgeting for Results' (Hoong, 1996), a key administrative change that will be discussed below. However, it appears to be the demands of economic globalisation that determine administrative change in Singapore. According to a Permanent Secretary in the Public Service Division, Prime Minister's Office, Lim Siong Guan, there is strong evidence to suggest that an increasingly demanding public

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<sup>19</sup> Prof. Quah, Department of Political Science, National University of Singapore, Interview, 7 December 1998.



and a globalised economy has driven, and will continue to drive administrative change in Singapore (Lim 1998: 124).

### 3. POLITICAL SYSTEM

As a parliamentary system, Singapore's political system is much closer to that of Malaysia than Hong Kong. Its political system is based on the Westminster model although the Parliament is unicameral. However, the resemblance to western liberal democracy then starts to fade. The first general election was held in 1959 and was won by the PAP, who has won every subsequent election. The first change of Prime Minister, from Lee Kuan Yew to Goh Chok Tong, was not to occur until 1991 with Lee Kuan Yew withdrawing to the role of 'Senior Minister'. By the time of independence from Malaysia in 1965, the dominance of the single party in Singapore, the PAP, quickly became apparent. The PAP went on to win all 58 parliamentary seats in the general election of 1968. Thus, the PAP has a complete monopoly on the government executive. It was not until 1981 that an opposition party candidate won a by-election. Kim (1985: 12) ascribes the PAP's dominance to its ability to deliver economic benefits, a leadership that was regarded as clean and efficient, and disarray and factionalism within the opposition parties. Jones (1997: 49) regards the PAP's uninterrupted rule as having contributed to the emergence of Singapore's 'apolitical, administrative state'.

Unlike Hong Kong and Malaysia, Singapore is also a presidential system. Prior to the announcement of plans for a directly elected presidency in 1991, the President was a political appointment, and the role was largely ceremonial. The first directly elected President, Ong Teng Cheong (formerly the chair of the PAP) came to office in August 1993. The President appoints the Prime Minister and the cabinet from Parliament but the new role extended veto power to the President over civil service appointments, the budget and the use of foreign reserves. Parliament's legislative power requires the assent of the President. The President is elected for a six-year term whereas Parliament has a life of five years.<sup>20</sup>

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<sup>20</sup> Information from *Reuters News Service* (1993).

There are a number of definitions of Singapore's political system on offer, but the weight of opinion is against the existence of Western liberal democracy in Singapore. Chan (1985a: 73) describes Singapore as a 'hegemonic party system' and Paul (1993: 294) calls it 'technocratic authoritarianism'. Civil servants have long played a role in the political process (Khong 1995: 117), thus underlining Singapore's characterisation as an 'administrative state'. Kim (1985: 3) takes a softer view by noting the system is actually a mixture of parliamentary democracy, multiracial polity, and mixed-economy state. Kim (1985: 12) also argues that Singapore is a democracy simply because it has regular general elections and that there are strong lines of communication between government and governed. The fact these lines of communication were actually institutionalised by the PAP in the form of 'grass-roots organizations' are very different from the plurality of interest groups and social movements found in western liberal democracies.

Because of its economic success, Singapore has been lumped together with that of the other 'Little Dragons' practising 'soft' authoritarian political regimes. According to Tamney (1996: 58), Singaporean leaders do not accept they are authoritarian, but describe their system as an 'Asian' form of democracy. In order to democratise, Singapore would need to end the PAP's political monopoly, to reduce restrictions on the rights of citizens, and to accept criticism from various interests. However, democracy is regarded as 'a Western institution unsuitable for Singapore' (Ramesh 1993: 116). Sikorski (1996: 822-823) cites a Singaporean academic who asked, 'do we strengthen features that have worked, or do we introduce features merely because they are found in liberal Western democracies?' Another aspect of democracy, pressure group politics, is also rejected as being inappropriate for Singapore (Sikorski 1996: 822). Further restrictions on democratisation include the high level of dependency on foreign investments and the dependence of the middle class on foreign and state spending and patronage for economic security (Paul 1993: 294). The resilience of the political system towards further democratisation might be also explained by a dominant Confucianist philosophy. Finally, Tamney (1996: 57) notes that Singaporean economists believed that the Confucian culture, which they equated with 'accepting authoritarianism and a regimented social order', was one factor for the success of the 'Little Dragons'.

For the foreseeable future, Singapore's prosperity is unlikely to be jeopardised by a shift in the political values of the elite. As in the cases of Hong Kong and Malaysia, the influence of policy learning on policy formulation in Singapore can only be explained by focusing on a narrow elite of senior PAP politicians and bureaucrats. Thus, the leadership succession in November 1991 from Lee Kuan Yew to Goh Chok Tong might be regarded as a watershed for public management in Singapore. Goh introduced a 'public service orientation' for the civil service (Khong 1995: 134). There is a parallel here with the arrival of Patten in Hong Kong in 1992, where the leadership succession heralded administrative changes in a more consumerist direction. However, initiatives such as the Service Improvement Unit (SIU) were established before the leadership succession, and it was seen as a response to a more demanding public. It is therefore difficult to ascribe a new phase of administrative change in Singapore to leadership succession, especially when the leadership has consistently given its collective support to new administrative initiatives.

#### **4. POLICY LEARNING IN SINGAPORE**

As a small state, thrust into independence relatively recently, there were strong incentives for the Singaporean leadership to learn from other nations. Margolin (1993: 84-5) ascribes the policy learning imperative in Singapore from the perspective of three 'contingencies':

1. Singapore became 'independent by expulsion' with a leadership that 'ignored the nationalist paraphernalia usual in new states';
2. PAP leaders were largely trained in British universities and were thus the 'products of the cosmopolitan, multicultural tradition specific to Singapore' and 'inclined to look for references in the vast world'; and,
3. The elitist nature of its leadership prompted Singapore to forge a 'new and rational society...out of bits and pieces from here and there'.

Huque and Lam (1996: 152) remark how 'Singapore has always been looking round for good practices elsewhere, and has benefited by learning from the experience of other countries, particularly those of a similar size'. Hence, in the 1960s, Israel was an early exemplar for

Singapore. According to Margolin (1993: 89) among its attractions was the apparent success of 'integrating immigrants from many countries' but in particular, 'Israel constituted an oasis of competence and development in the middle of backwardness and poverty'. Later, Singapore's policy learning became 'Nippo-Swiss' in outlook (Margolin 1993: 85). Singaporean officials looked to Switzerland for inspiration, as it was perceived to be the most comparable country to their own in terms of its small size and multi-ethnic and multi-lingual character. Switzerland became an exemplar in the 1980s, and continues to be an exemplar, although it had provided inspiration from the 1960s. The Deputy Prime Minister was reported as saying 'unless we strive to do our utmost what Switzerland has done, we are in serious trouble' (Lee Hsien Loong, cited in Murray and Perera 1995: 4).

However, although Singapore began to enjoy economic growth, further development became paramount. Thus, as with Malaysia, the leadership looked to Japan once Western values started to come under attack by the late 1970s. Margolin (1993: 92) argued that Japan represented 'the future that the PAP leaders are dreaming of for Singapore: a technological, diversified, highly efficient society'. According to Mirza (1986: 66), the PAP and Lee Kuan Yew were great admirers of Japan's economic success, at least until the late 1980s. The education the PAP leadership had received in the UK meant that it too, was held up as an exemplar. However, despite Singapore's economic success, there is still a perception that the country is still 'behind'. The *Straits Times* (19.4.97) refers to Britain, New Zealand and the United States as 'advanced countries' who have placed a premium on public sector efficiency. In particular, Singapore had been looking to New Zealand since 1993 for policy inspiration in terms of public management, attracted by its ranking as first for its quality of government by the World Competitiveness Report of the World Economic Forum (Song, 1997b).

In Singapore, the process of policy learning follows some basic steps. Stella Quah (1995: 290) calls this process 'pragmatic acculturation' in Singapore. Once the problem is identified then a team is sent from Singapore to go around the world to the relevant organisations to find out how similar problems have been solved. Then 'internationally recognized experts' are invited to give their professional opinion, and then finally a policy plan is produced, if appropriate. Stella Quah argues that 'pragmatic acculturation' in Singapore is an important

consideration when analysing administrative change in Singapore. As a small, new, multi-racial nation, the demands of economic development has intensified the process of pragmatic acculturation which means that Singapore is 'well versed' in policy learning. However, Singapore claims it does not subscribe to the 'gurus', unlike Malaysia; the approach in Singapore is to 'learn by doing'.<sup>21</sup> In sum, the policy learning imperative has been institutionalised in Singapore.

Singapore can now be considered to be an exemplar in its own right, and therefore other countries may learn from Singapore. Quah (1993) suggests that policy-makers elsewhere, particularly in Australia, would benefit from learning about the Singaporean experience. Singapore is now regarded as a 'centre of public sector innovation' (Halligan and Turner 1995: 131). In the previous chapter, mention was made of the visit to Malaysia in September 1997 of Peter Kilfoyle, the UK Public Service Minister. Singapore was also on the itinerary. Kilfoyle was interested in looking at ideas in both Malaysia and Singapore which could be incorporated into the UK 'Better Government' programme. Of particular interest to Kilfoyle were the Public Service 21 (PS 21) and Singapore ONE initiatives.<sup>22</sup> Kilfoyle reportedly said he had come to steal ideas and to critically evaluate whether certain Singaporean and Malaysian applications were transferable to the UK. For instance, the use of smart cards as identity cards were likely to be rejected in the UK (*Southeast Asia Business Times* 1997b).

The attraction of Singapore as a model was also ascribed to 'a 'Pacific mania' which began with the mid-1970s recessions in the West (Margolin 1993: 85). However, Singapore's appeal irritated a senior Hong Kong official who lamented that Hong Kong was by-passed in favour of Singapore by other governments seeking to learn about models of public administration.<sup>23</sup>

Singapore also holds an attraction to other Asian countries. According to Quah (1998: 12), Deng Xiaoping was an admirer of Singapore following his first visit in 1978, and subsequently China has sent many delegates there. Primarily, it is other Commonwealth countries that learn

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<sup>21</sup> Ong Ye Kung (Director, Organisation and System Department, Public Service Division, Prime Minister's Office, Interview, 8 December 1998) remarked that 'The Witch Doctors' (Micklethwait and Wooldridge, 1996) was a revealing book in that it contained many of the fallacies of subscribing to management 'gurus':

<sup>22</sup> A government initiative to link all Singaporean homes to various multimedia services.

<sup>23</sup> Colin Sankey, Head, Efficiency Unit, Hong Kong SAR government, Interview, 17 July 1998.

from Singapore followed by its ASEAN neighbours. Notably, very few 'Francophone' countries come to learn from Singapore.<sup>24</sup>

Quah (1998) argues that other countries could learn from Singapore if:

- their political leaders are committed to solving problems;
- there is sufficient economic growth;
- developing human resources can compensate for a lack of natural resources;
- they learn from Singapore's mistakes and adapt according to their own contexts.

This is a reflection of the confidence that Singapore has in its own achievements, as well as an acknowledgement of Singapore's own limitations.

## **5. ADMINISTRATIVE CHANGE IN SINGAPORE**

Moves in Singapore towards the appearance of NPM began in line with the core NPM countries in the 1980s. Like Malaysia, public sector reform in Singapore was expected to constitute a 'paradigm shift' (Koh 1997: 115), although this 'paradigm shift' was only proclaimed in 1996 once government agencies and departments started the process of becoming 'autonomous agencies' (A.As). As in the cases of Hong Kong and Malaysia, it appears that administrative reform activity reflects the mutually dependent relationship between the public and the private sectors. For instance, in April 1981, the government appointed a Committee on Productivity whose report 'recommended that the public sector in Singapore set an example for the private sector to follow in improving productivity, work attitudes, and human management'. Substantial recommendations included raising awareness about the importance of productivity, broadening the staff confidential reporting system to include factors such as team work, and the creation of work improvement teams (WITs) in each ministry (Quah 1994: 155).

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<sup>24</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

WITs are 'quality control circles', an idea imported from private sector. WITs were implemented in the Singapore Civil service in October 1981 under the guidance of a WITs development unit. WITs provide suggestions on methods of improving work procedures and systems in various departments.<sup>25</sup> The private sector also provided further inspiration for other reforms such as the adoption of the performance appraisal system from Shell merely because of its reputation as a company and it offered 'best practice' (Quah 1993: 326). Public organisations also compete with the private sector for Quality Awards, which makes 'benchmarking' possible.<sup>26</sup> Although the Singapore government acknowledges the private sector as fundamentally different, it regards many functions such as personnel management as similar.<sup>27</sup>

In the 1980s, other reforms followed including the establishment of a Feedback Unit in 1985 to conduct forums and receive correspondence to give the public feedback on national issues and public service. Jones (1997: 51) regards the Feedback Unit as a product of Singapore's administrative state implementing a 'corporatist strategy of popular management' as part of the nation-building effort. The Feedback Unit was a mechanism for gathering 'state-licensed' inputs from the public rather than being part of any NPM trend towards greater transparency and responsiveness. However, these initiatives fall before the NPM time frame that begins in 1988, and so it is difficult to regard them as part of a coherent 'NPM movement'. Such developments may be interpreted as 'part of a nation-wide process of improving efficiency and quality through good management' (Flynn 1997: 19).

Within the NPM time frame, there was some delegation of budgetary authority to ministries beginning in 1989 under the block vote budget allocation systems (BVBAS) (Doh 1994: 126). Ministries were thus allowed to engage in financial management without interference from the Ministry of Finance. This marked the beginning of the end of the PPBS system

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<sup>25</sup> As of December 1997, there were approximately 9500 WITs in the government, a participation rate of 90% (Lim 1998: 127).

<sup>26</sup> The Singapore Quality Award is an annual competition, sponsored by the government to promote business excellence.

<sup>27</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

introduced in 1974. In addition, performance bonuses were introduced in 1989 for senior officers.

However, the accession of Goh Chok Tong as Prime Minister appeared to intensify the reform effort in Singapore's public service. The Service Improvement Unit (SIU) was established in the PM's office in April 1991, 'to monitor and improve upon the standard of public administration' and 'to maintain the highest possible standards in our public services'.<sup>28</sup> Feedback was sought from the Singaporean public to improve the service provided by government departments and statutory boards' (Wee 1991: 3). This is achieved by the SIU developing and monitoring quality indicators for public services.<sup>29</sup> A Civil Service College was established in April 1993, also under the direction of the PM's office. Both this and the SIU might be regarded as a political symbol of commitment to reform, in much the same way Hong Kong's Efficiency Unit was for Patten. Some devolution of powers from the Public Service Commission to hire, pay and promote staff to ministry-based personnel boards occurred in January 1995, which basically meant that ministries will assume responsibility for personnel management decisions for the majority of their staff. Furthermore, in 1995, OSCARS (One stop Change of Address Reporting Service) was introduced as a move towards a 'one stop service' by the government by means of integrated I.T.

### *PS 21*

However, two major reforms were heralded in the mid-1990s: Budgeting for Results in July 1994 and Public Service for the 21<sup>st</sup> Century (PS21) launched in May 1995. It is these reforms that have appeared to bring Singapore in line with the international NPM trend. Of the two reforms, PS 21 has the highest profile. In fact PS 21 consolidates or extends a number of existing schemes, including WITs and Service Improvement. However, PS21 requires a 'paradigm shift' from public servants (PS 21 Office 1995: 2) and is an attempt to

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<sup>28</sup> The SIU is now part of the Public Service Division (PM's Office), established in 1983 as a division in the Ministry of Finance responsible for civil service management. It was transferred to the PM's Office in 1994 (Halligan and Turner 1995: 140-1).

<sup>29</sup> Government departments and statutory boards set 'unique service indicators' to gauge the level of public satisfaction with each function of a particular organisation. The SIU uses 'generic service indicators' to compare the performance of each organisation.



get away from the 'top down' approach of Singaporean policy making. More directly, it is an attempt to get rid of poor performers in the civil service. The high profile of PS 21 is explained by the emphasis in official documentation that it is an initiative that involves the entire public service in efforts to increase efficiency and provide better services. Moreover, the government seemed anxious that PS 21 did not appear to be driven from the top down within the bureaucracy. Consequently, the Prime Minister states 'for it to succeed, it must go beyond the public officers. We, Singaporeans, must be part of the PS21 movement as users of the Public Service' (Tan C., 1997). However, PS 21 was internally generated by the public service, despite acknowledgements that there should be shared responsibility for administrative reform beyond the domain of the political leadership.

The objectives of PS 21 are:

- to nurture an attitude of service excellence in meeting the needs of the public with high standards of quality and courtesy; and,
- to foster an environment which induces and welcomes continuous change for greater efficiency and cost-effectiveness by employing modern management tools and techniques while paying attention to the morale and welfare of public servants (PS21 Office 1995: 3).

The two objectives are not mutually exclusive, although the first objective was to make PS 21 'tangible'. The second objective seeks to create a 'different organizational culture and norms' (Lim 1998: 125). These objectives are to be achieved by focusing on four areas of the public service: staff well-being, 'ExCEL' (Excellence through Continuous Enterprise and Learning), organisational review, and quality service. ExCEL encompasses WITs, Quality Circles and the Staff Suggestion Scheme. However, the most important requirement for PS 21 is to make public servants receptive to continuous change.<sup>30</sup>

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<sup>30</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

For PS 21 to work, Tay argues that co-ordination is crucial.<sup>31</sup> A network of high-level committees run the PS 21 office which correspond to the four focus areas of public service above. A permanent secretary chairs each of these committees and these are under the general purview of a Central PS 21 committee, chaired by the head of the civil service. In addition, each ministry has a PS 21 committee, and below that, each department and statutory board. Although the function of the PS 21 office is not management audit, in order to monitor PS 21, targets are set for each focus area so that progress can be measured:

...each Functional Committee is constantly developing indicators to measure the progress of areas under its purview. There will be periodic surveys to determine how effective PS21 is in changing attitudes among public officers and the perception the public has of the public service (PS 21 Office, 1995).

The PS 21 Office also produces a monthly journal, *Challenge*, devoted to information about PS 21-related initiatives and activities. This journal reflects the stress on continuous learning that is at the core of the PS 21 philosophy. Training is also an important element: one aim of PS 21 is that by 2000, each officer should not spend less than 5% of his or her working time being trained.

### *Budgeting for Results*

By contrast, Budgeting for Results (BFR) appears to be more directed by the political leadership than PS 21. It can be regarded as a productivity drive that received *political* endorsement, similar to the SIU. PS 21 was a *public service* initiative aimed at changing attitudes and values rather than procedural or organisational change. The first batch of A.As under 'Budgeting for Results' was announced in March 1996 and implemented from April 1<sup>st</sup>, 1996. A new unit was also established in the Finance Ministry, called 'Budgeting for Results'. The main features of BFR are as follows:

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<sup>31</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

1. Each government agency specifies its outputs and sets performance targets. Performance evaluation is based on specified targets.
2. An agency's operating budget will depend on output levels. If not easily measured, operating budget will be allowed to grow roughly at the nominal GDP growth rate.
3. Ministries can carry forward part of their savings to the next financial year, to finance new programmes, purchase equipment or meet future contingencies.
4. Agencies will have maximum autonomy to achieve their goals. For example, Permanent Secretaries can hire more people within agreed budgets. (*Straits Times*, 1996).

According to a former deputy secretary in the Finance Ministry's Budget division, the main impetus behind BFR was a desire to 'make public organisations behave like the private sector'.<sup>32</sup> In addition, there was a perceived need to provide a better service to a more educated and demanding public, as well as to *re-engineer the public sector to sharpen the economy's competitiveness*.

The emphasis under BFR is on outputs for the AAs, with outcomes being the responsibility of ministers. In line with the agency model, ministers 'purchase' the right operational outputs from AAs to produce the right policy outcomes (Song 1997b). To prise operations from policy, the Permanent Secretary for Finance and Budget and Revenue remarked that the permanent secretaries running the AAs 'must be more managerial in running their ministries, they must also be a CEO rather than just a policy adviser' (Song 1997a). Key points of individual AA output plans are published in the Budget Book each year. In principle, the Ministry of Finance continues to protect the interests of tax-payers as the financier of the AAs.

AAs budgets are determined by a formula, the Macro Incremental Factor (MIF). The system is thus based on 'base-line budgeting'. The MIF is devised to ensure that total public sector expenditure will not grow faster than the economy as a whole. The formula is anticipated nominal GDP growth rate minus an 'efficiency dividend', which was set at half the anticipated national productivity growth rate (Hoong 1996). AAs that meet or exceed output targets

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<sup>32</sup> Reported by Song (1997b).

will be allowed to retain the full sum of their expenditure savings and half of their excess revenues, or up to 5 % of each unit's actual running costs. Only AAs that meet at least 85% of target levels for each type of output will qualify to retain their surpluses (Teo, 1996). Although the permanent secretaries do not have explicit contracts with ministers, they are still required to announce in advance what they want to achieve; thus the system is designed to encourage cost-efficiency.

From April 1997, 113 government departments were granted agency status. The 99 new AAs comprise 73 civil service departments and 26 government funded statutory boards. The exceptions include the Defence Ministry and the Internal Security Department for 'security reasons' (Song 1997a). AAs enjoy more flexibility in the way they buy equipment and hire workers (below Superscale level), and are more publicly accountable for their work. Each year they set performance targets in consultation with the Finance Ministry, which gives the AAs budgets based on the estimated costs of meeting those targets. For example, the Immigration Department is assessed on its efficiency in processing visa applications, while polyclinics are measured by the number of patients seen per year. The performance indicators cover financial performance, volume of output, quality of service, efficiency and effectiveness (Song 1997b). However, Yap (1997), notes that although the AAs set performance indicators, they are not well publicised. Nonetheless, Yap finds it is difficult to disagree conceptually with AAs as they are based on the principle of linking budgets to target-setting and results and with the notion of giving civil servants more room to innovate and be 'customer friendly'. Other new powers enjoyed by AAs include the ability to approve tenders; to carry forward their savings to spend the following year, if they meet all their targets; allowing AAs to charge for services such as Civil Service College courses; and paying market rentals for their premises (Song 1997a).

A parallel development to BFR was an extensive devolution of personnel functions introduced in 1995. This involved the transfer of recruitment and promotion functions from the Public Service Commission (PSC) and to a number of personnel boards. Together with the devolution of financial management under BFR, these two functions are no longer regarded as 'backroom operations' but as 'critical elements' in the operation of public organisations

(Lim 1998: 130). A user of BFR remarked that the initiatives had created more autonomy for officials.<sup>33</sup> He felt he had some genuine freedoms such as discretion over the use of his budget, more financial accountability, and incentives to be cost-efficient. He also has more flexibility over staffing without having to make use of the PSC.

## **6. APPLICATION OF THE NPM MODEL TO SINGAPORE**

Compared to Hong Kong and Malaysia, Singapore appears to be a relative latecomer to the NPM trend, but it is catching up fast. Reform appears to be driven by both the bureaucracy and the political leadership, which may reflect a self-consciousness about Singapore's unique status in the international community and its vulnerability. Recent administrative reforms are viewed as strategic responses to the economic challenges facing Singapore. One consequence of globalisation is a necessity to ensure that the civil service is 'aware of how policies are formulated and implemented in other countries, particularly those in which Singapore hopes to have a market presence' (Bhatta 1996). When allied to the policy learning imperative that has been institutionalised in policy formulation in Singapore, it is not surprising to note from Table 8.1 that Singapore has perhaps, gone further than Hong Kong and Singapore in its adoption of NPM.

As in the cases of Hong Kong and Malaysia, Table 8.1 shows that the major reforms in public administration in Singapore have clustered around financial management and 'quality' services rather than fundamental structural change. But there has been some structural change. The creation of AAs at arm's-length from ministries represents an adoption of the executive agency model. In terms of process, Singapore was learning from the private sector before the advent of NPM. Notions of strategic management and leadership appear to be ingrained in official documentation and interview responses. Changes to the budgetary process, human resource management and an emphasis on quality management all represent a shift towards NPM.

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<sup>33</sup>Ong Ye Kung, Director, Organisation and System Department, Public Service Division, Prime Minister's

Table 8.1: Application of the New Public Management 'Model' to Singapore.

<b>Reform</b>	<b>Application</b>
<b>STRUCTURE</b>	Organisational Decentralisation
1. Creation of single purpose agencies	AAs
2. New forms of organisation	No
3. Territorial/geographical decentralisation	No
4. Reduce number of ministries/agencies	No
<b>PROCESS</b>	Introduce private sector management techniques
5 Corporatisation/strong organisational leadership	Strong emphasis in PS 21. Civil Service College established, April 1993.
6 Strategic management	Strong emphasis in PS 21: Scenario-Based Planning
7 Decisions made close to at point of service delivery	Marginal in AAs.
<u>Budgetary Process</u>	
8 Performance measurement	Yes
9 Create Internal Markets	Nominal at least – under BFR, government becomes a 'buyer' of services on behalf of taxpayers.
10 Cost-centre creation	AAs as 'cost centres'
11 Use of cost rather than expenditure	Output-based funding under BFR
12 Ending annuality	'Excess revenues' retained under BFR.
13 Use of budgets for planning/control	Block Vote Budget Allocation System
14 Use of output measures and volume targets in budgets	Under BFR
15 Cost-saving incentives	'Enforced efficiency dividend' – under BFR
16 Trading funds	Statutory boards (not included in BFR)
17 Resource Accounting	Under BFR
18 Greater evaluation through audit	No
19 Bulk budgeting	Under BFR
20 Purchasing deregulation	Marginal
<u>Human Resource Management (Personnel)</u>	
21. Change Reward Structure	1994 White Paper
22. Performance related/merit pay	Introduced 1989 and extended July 1996 (for senior

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	staff), Counter Allowance Scheme (under PS 21) for front-line staff, introduced August 1996.
23. Performance contracts	No
24. Appraisal based on performance	Yes
25 Personnel deregulation	Yes
26. Weaken trade union power	No – ‘tripartism’ between government, trade unions and employers.
<u>Quality</u>	
27 Quality management	Strengthened by PS 21
28 Programme review	‘Organizational Review’ under PS 21
29 Consumerist mechanisms	SIU (1991)
30 PR and Marketing	PR officers in each ministry
31 Integrated service delivery	Facilitated by IT (OSCARS, 1995), formation of one-stop centres
32 Foster greater transparency	Under PS 21
<u>FUNCTIONS</u>	
	‘Marketization’
33 Privatisation	Marginal
34 Regulation	Public Utilities Board (1995)
35 Quasi-privatisation	None
36 Contracting out (market testing)	Management Accounting System to identify activities to be contracted out
37 Extend choice through various mechanisms:	
i. ‘consumer tagged finance’	No
ii ‘vouchers’	No
iii. ‘user control’	No
38 Deregulation	Marginal

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However, like Hong Kong, there is little in the way of ‘marketisation’. Even Malaysia’s privatisation initiatives did not go beyond ‘load shedding’. Inspection by semi-autonomous audit agencies was not introduced into Singapore as this was seen as the job of the Chief Executive Officers (Lim 1996). Efforts to minimise regulations when ‘high-handed’ bureaucracy became an electoral issue resulted in the creation of PR officers in each

ministry.<sup>34</sup> Singapore's reforms appear to have changed the internal management systems of the public service, but have not threatened the bureaucracy by exposing it to the market.

Singapore's efforts fall largely in the post-1988 time frame. The main initiatives, PS 21 (1995) and Budgeting for Results (1996) encompass the main NPM thrust in Singapore. It is PS 21 in particular that stresses the importance of public sector leadership and strategic management. Furthermore, as with executive agencies in the UK, AAs in Singapore have facilitated the managerialism associated with NPM. Hence, the implementation of a substantial reform, such as AAs, underpinned by the cultural change explicit in PS21, means that NPM appears to have made a stronger impact in Singapore when compared to Malaysia and Hong Kong.

## **7. POLICY TRANSFER**

Given Singapore's policy learning imperative, it is not surprising that many of these reforms, as well as others introduced before the advent of NPM, are examples of policy transfer. As in the case of Malaysia, Singapore inherited line-item budgeting and its financial management system from the British but began to experiment with PPBS in 1974. PPBS had been extended to the entire government by 1978 (Doh 1994: 126). This was a policy transfer from North America, but Doh (1994) records there were fewer implementation problems than those faced by Malaysia. Japan also influenced the new management techniques (Seah 1985: 111) such as WITs and Quality Control, but it is not clear how much was actually transferred from Japan. In Chapter Five, it was argued that some cultural congruence needs to exist for transfer to take place, so the Japanese management culture would appear more transferable to Singapore than those developed in the West. There are a number of examples of where Singapore has transferred from the private sector, including the Staff Suggestion Schemes.

Some ideas were transferred from Britain. The 'Core skills for effectiveness and change' (COSEC) programme, introduced in March 1987, was the result of a visit to the UK in 1985 to look at the Manpower Services Commissions identification of 'core skills' that are integral

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<sup>34</sup> Prof. Quah, Department of Political Science, National University of Singapore, Interview, 7 December



to all occupations (West Germany was also visited). The Civil Service Institute still offers the COSEC programme (Quah 1994: 166-8). As Quah (1994: 177) notes, the irony was that it 'should be viewed as a positive move as it can help to rectify the inadequate emphasis given to training in the civil service, which is one of the legacies of British colonial rule'.

Within the NPM time frame, the first apparent transfer was the establishment of the SIU in 1991, part of the quality management initiative. The SIU resembles a combination of both the UK Efficiency and Citizen's Charter Units yet Singapore has preferred a more 'organic' approach to service quality standards. Although Singapore looked at the UK Charter Mark initiative in particular, it was decided that it was better for the public sector to compete with the private sector for Quality Awards in the Business Excellence scheme. As in Malaysia, all public service departments are encouraged to apply for ISO 9000 certification.

The clearest case of policy transfer is the adoption of the executive agency model from New Zealand.<sup>35</sup> Undoubtedly, NPM has influenced the permanent secretaries who have been the architects of the new initiatives; although they steer clear of adapting models wholesale and are quite careful about using the language or rhetoric of NPM. However, administrative reform in New Zealand first came to the attention of the Finance Minister, Richard Hu, in 1992, following the visit of a New Zealand minister. A three-member Finance Ministry team then visited New Zealand to study the reforms first hand. The first appearance of the concept 'budgeting for results' appeared in a Finance Ministry seminar in July 1994 (Ming, 1994).

Although Singapore has looked to New Zealand as a model for public sector reforms since 1993, there were three omissions in the adoption of AAs:

- there was no accompanying enactment of laws over freedom of information for citizens;
- Singapore's chief executives are not employed on short-term contracts; and,

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1998.

<sup>35</sup> BFR was also based on some policy learning from Queensland, Australia and the UK (Ong Ye Kung, Director, Organisation and System Department, Public Service Division, Prime Minister's Office, Interview, 8 December 1998). It is also claimed that 'Budgeting for Results' is similar to reforms in Britain and the United

- there are no contracts between the permanent secretaries and ministers.

In addition, target-setting was not done in a top-down fashion, as in the UK. It was felt that Chief Executive Officers should do this for both their ministries and statutory boards rather than it being left to the minister and his or her team (Lim 1996).

In contrast to BFR, PS 21 is considered 'homegrown'. Although NPM appears to have influenced this reform, PS 21 was generated by the senior bureaucracy rather than at ministerial level. Conceptually, PS 21 relies on public servants being responsive to their clients whereas BFR is aimed at improving the efficiency of government by making it more accountable to the political leadership.<sup>36</sup> Hence as Table 8.2 below reveals, it is difficult to ascribe PS 21 to any particular overseas initiative. It appears that it was the general discourse surrounding NPM that was absorbed into the senior bureaucracy given Singapore's penchant for policy learning. Thus, it is unlikely that PS 21 is completely homegrown.

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States although no evidence is provided (*Straits Times*, 9.4.97).

<sup>36</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

Table 8.2: Policy Transfer and Public Management Change in Singapore

Why Transfer?	Who Transfers?	What is transferred?	Where from?	Degree of Transfer
Legitimate conclusions already reached (Voluntary)	Bureaucrats (Public Service Division)	1. NPM rhetoric in PS 21	NPM policy community	Emulation
	Elected Officials (Richard Hu)	2. BFR	New Zealand	Adaptation

The partial adoption of the NPM model in Singapore may be characterised as a process of voluntary policy transfer which helped to legitimate conclusions already reached by the elite about the need to modernise Singapore’s public service. Table 8.2 reveals the clearest case of policy transfer in this study, the adoption of BFR from New Zealand. New Zealand has proved to be an attractive exemplar for many countries in terms of NPM, and this will be discussed in the next chapter.

## CONCLUSION

As a small state, Singapore’s government formulates policies to maximise its potential within a competitive international environment. Public sector reform initiatives such as PS21, are largely consequences of Singapore’s economic development and the perceived economic challenges of the next century. Therefore, PS 21 should not be regarded simply as a ‘reform movement’ or a reaction to a crisis as it was built on the perception that the potential of the

public service could be further realised and was part of Singapore's maturation process.<sup>37</sup> As a result of this process, the public are increasingly demanding higher standards of service and the economy is increasingly outward-oriented (PS21 Office 1995: 1). Moreover, a better-educated public has provided a strong impetus to administrative change.<sup>38</sup> The globalisation of Singapore's international trade plus 'intense competition not only from low-cost developing countries...but also from advanced countries in a highly competitive global environment' (Budget Division 1996a: 1) provided another strong determinant of administrative change. Policy learning in Singapore is therefore one consequence of the expectation that civil servants should enhance their experience of the international environment (Bhatta 1996). In sum, the rationales offered in Singapore for its most recent and fundamental administrative reforms have much to do with the impact of economic globalisation and changes in the way society perceives public services.

Compared to Hong Kong and Malaysia, it appears that NPM has been more profound and has been taken much more seriously in the sense that the rhetoric has largely been matched by implementation. As a senior civil servant notes, PS 21 is about the devolution of responsibility and accountability; it is not just about official jargon.<sup>39</sup> Yet, in a similar way to the cases of Hong Kong and Malaysia, we must treat the reforms with a degree of caution. In Singapore one suspects that the difference between the changes being trumpeted by the political leadership and senior bureaucracy and those experienced at the street-level is a large one. Hoong (1998) argues that 'just as it takes years of effort to turn surly counter staff into smiling paragons of efficiency, so it will take another gargantuan PS21-style effort to change the 'Government-always-knows-best' and 'the-people-don't-know-any-better' culture in the bureaucracy'. Despite this cynical note, it appears Singapore has gone furthest down the NPM road, and has made no secret of its policy learning activities.

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<sup>37</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

<sup>38</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

<sup>39</sup> Lucy Tay, Co-ordinator PS 21 Office, Prime Minister's Office, Public Service Division, Interview, 8 December 1998.

Quah (1996a) ascribes the success of administrative change in Singapore to a number of factors including changing the culture of the public service, a clear statement of goals that are linked to national development, a pragmatic approach, its status as a small country, a low level of corruption, and the support and sponsorship of political leaders. In particular, the emphasis on the use of IT in Singapore makes it difficult to ascribe the improvement in some public services, such as the Passport Office, to administrative reform or the introduction of new technology.<sup>40</sup> Indeed, public services that are easily mechanised can be improved by IT alone.

Given the relative depth of NPM-type reforms in Singapore, and given the extent to which policy learning has been institutionalised, it is not surprising that Singapore has offered the clearest instance of policy transfer in the three countries being studied. However, it is difficult to isolate any particular issue network in Singapore concerned with public management reform in a clear empirical sense. Due to the 'closed' nature of policy-making in Singapore, government agencies usually act as the networks in these instances, with bureaucrats as the key agents of change. It is problematic to generalise from the example of the Finance Minister learning from New Zealand in order to develop 'Budgeting for Results', but it certainly underlines the rote response at ministerial level if a policy problem arises. Thus, in Singapore the question is always asked, how is it done elsewhere?<sup>41</sup>

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<sup>40</sup> Prof. Quah, Department of Political Science, National University of Singapore, Interview, 7 December 1998.

<sup>41</sup> Prof. Quah, Department of Political Science, National University of Singapore, Interview, 7 December 1998

# **9 Policy Transfer in Hong Kong, Malaysia and Singapore: Comparisons and Conclusions**

## **INTRODUCTION**

The primary aim of this thesis was to develop a 'method for analyzing the crucial attributes of social and economic systems that make them amenable to transplantation' (Peters 1996a: 25). The application of the multi-level framework was an attempt to achieve this aim but so far, this has only been applied to the case-study countries individually. Thus, this chapter is concerned with drawing conclusions about the analysis from a comparative perspective. The development of the determinants for administrative change model provides a method, when integrated with the Dolowitz and Marsh model of policy transfer, for analysing whether countries were amenable to policy transfer. Later in this chapter I will return to this method to draw some general conclusions about the nature of policy learning. The purpose of this

approach is to expose the weaknesses of existing globalisation studies that assume homogeneity in policy development across all countries.<sup>1</sup> By using policy transfer analysis, this weakness is exposed by the selectivity and the superficiality of many of the policy adoptions observed across the three countries. The determinants of administrative change prove, in many cases, to be highly resilient to the NPM (for example, post-colonial administrative systems) or are too weak to have sufficient explanatory power (for example, neo-liberal political ideologies). The NPM model will be applied later in this chapter to provide a comparative perspective of the three case-study countries. At the micro-level, the application of the NPM model will also be compared across the case-studies followed by a discussion of the variations in the policy transfer of NPM. More broadly, the influence of regional exemplars for administrative reform is considered before conclusions are reached concerning the transferability of NPM.

## **1. THE DETERMINANTS OF ADMINISTRATIVE CHANGE IN COMPARATIVE PERSPECTIVE**

NPM's acceptance is conditional on the benefits it can supply to both political and administrative elites. Despite enduring pressures to reform, states still have overwhelming discretion over whether or not they adopt NPM. Hence, when viewed from a comparative perspective, we can make some assessment of the varying importance of these determinants when accounting for administrative change. This is mapped out in Table 9.1 where a comparison of the determinants of administrative change is applied to the three countries. A 'yes' denotes that the determinant affected administrative reform and vice versa for a 'no'. 'Not articulated' (N/A) means that no strong evidence was found either way.

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<sup>1</sup> Such as Fukuyama 1992.

Table 9.1: Determinants of Administrative Reform

1 <sup>st</sup> Order Determinant	Hong Kong	Malaysia	Singapore
Globalisation	N/A	Yes	Yes
Level of development	N/A	Yes	Yes
Changing Societal Expectations	Yes	Yes	Yes
Legitimacy/symbolism	Yes	Yes	Yes
Ideology	No	No	No
Colonial Imprint	No	No	No
Indigenisation	No	No	No
2 <sup>nd</sup> . order determinant			
Tax Consciousness	No	No	No
Civil Service Capacity	Yes	Yes	Yes
Fiscal Crisis	Yes	Yes	Yes
Individualism	No	No	No
Managerialism	No	No	No
Egalitarian Social conditions	No	Yes	Yes
Western/Internationalisation	Yes	Yes	Yes
Economic change elsewhere	Yes	Yes	N/A
International Organisations	No	Yes (past)	Yes (past)

It is extremely difficult to quantify the impact of globalisation on public administration, but a range of initiatives identified in Malaysia and Singapore have been attributed to the demands of economic globalisation. However, for Hong Kong, the biggest challenge that faced the territory was reunification with China, and this factor alone usurped other considerations and effectively insulated the bureaucracy from 1990 onwards. Hong Kong also proved to be the exception in terms of economic development. This is explained by its purported support for limited government, although it could be argued that the expansion of social policy from the late 1960s was a response to addressing the problems brought about by economic expansion.



There is strong evidence that a changing society along with governments seeking to legitimate their role in a rapidly changing domestic environment explain the appearance of NPM. However, none of the governments justified reform on an explicit ideology. Furthermore, the persistence of the colonial imprint in the form of a strong bureaucracy coupled with the post-colonial moves towards indigenisation were formidable obstacles to NPM adoption.

Administrative reform was also used to bolster the legitimacy of government in the absence of genuinely pluralist democracies. Demands from a better-educated and more mobile and outwardly looking society prompted reform calls. However, the durability of post-colonial bureaucracies allied to indigenous management cultures were powerful forces for conservatism. One difficulty of evaluating the impact of globalisation is the differences between countries in terms of the speed of reform initiatives. While much of Hong Kong's administrative system was effectively frozen by the Basic Law and uncertainty over the transition, Malaysia responded to the economic influence of Japan in the 1980s and went through a reform cycle in the early 1990s, while Singapore waited until the mid-1990s.

Political globalisation appears to be irrelevant to the three countries. Substantial democratisation will not occur in the foreseeable future, nor is cultural homogenisation likely to occur. It is economic development that has served to enhance the colonial structures of public administration in all three countries, which still retain the features of the developmental state. The drive for economic development has energised the political systems of Malaysia and Singapore. Although this is important for the Hong Kong government, the fact that it has never been an 'independent' state and has practised limited intervention, means that the impact of economic development on its administrative system has been diminished. Moreover, more egalitarian social conditions, which supposedly parallel economic development, only had a marginal impact on public administration in Singapore and Malaysia as both countries had to manage inter-ethnic relationships.

All three countries stressed the need for a sound civil service system; as the level of corruption compared favourably with other international standards, then clearly NPM could be given priority. Furthermore, the perception of fiscal crisis in the mid-1980s helped to

sharpen thinking about public administration and this accounted for earlier NPM initiatives, particularly *Public Sector Reform* in Hong Kong. However, little evidence was found for several determinants of administrative change that are found in the West. There appears to be no relationship between political ideology, tax consciousness, rising individualism, or more managerialism, with administrative change in the range of countries. The scant importance that appears to be ascribed to individualism/consumerism appears to support Ridley's (1996: 18) view that, 'where society is not as "modern" (e.g. more deferential, clientelistic or rural), the marketisation of public administration and new public managers seem less evident...'. Although only Malaysia had a significant rural population, the cultural variables of deference and clientalism apply to this group of countries. Furthermore, although individualism is of strong cultural importance in the West while the East is more communitarian, Chen (1995) warns that we should be wary of making generalisations based on this dichotomy alone. However, the differences are such that many NPM-type reforms may be rendered unfeasible in the Asia-Pacific. Some exceptions were found such as the encouragement of wider feedback channels, seen as necessary in Singapore, where people are treated as 'customers' of the government. This certainly seems to reflect a middle-class sentiment that wants individualised rather than 'mass' treatment from government (Chen 1997). Based on this perspective, NPM should be confined to the urbanised West, with Singapore regarded as an exceptional case.

Furthermore, related to Western notions of individualism and consumerism, there was a lack of managerialism (at least in the Western sense) in these countries. This may be partly ascribed to the persistence of 'rule-governed hierarchies' which 'may, in fact, 'fit' much more readily with the cultural norms of Asian countries than do the principles of NPM' (Brewer 1998: 9). In addition, as Root (1996: 159) points out 'the effectiveness of modern management techniques...is deterred by the persistence of traditional notions of social status and paternalism'. A backlash against the dominance of the American model of business management theory appears to have begun in Asia with the establishment of the Asia Academy of Management by mainly Chinese scholars and researchers. Lau Ching-ming, the Chair of the Academy, argues that many aspects of US management theory did not apply to

Asia where there is less emphasis on individual performance and reward and where 'direct confrontation' did not work in the Asian context (Johnstone 1998).

To emphasise the poor fit between NPM and Asian public management, some insight is to be gained from Table 9.2 presented below. In public management terms, attribute 1 is similar in the East and West where the notion of 'strong hierarchy' is the product of the imposition or imitation of Weberian bureaucracies. However, the contrast between the rest of the attributes would appear to make NPM untenable in the East, in particular: professional vs. 'Social' managers, decentralisation vs. centralisation, diversity vs. unity, explicit control (performance indicators) vs. implicit control, and so on. The preservation of harmony and the stress on obedience is more important than innovative thinking, particularly in Chinese management.

The main paradox is that while the colonial imprint on the bureaucracy has been preserved and maintained, local organisational cultures have also been enhanced and strengthened. Hofstede's (1980) study showed, for instance, how Asian countries (including Hong Kong and Singapore) displayed more 'power distance' in hierarchical settings than in core NPM countries such as New Zealand and the UK.<sup>3</sup> The consequences for organisations are greater centralisation; tall organisation pyramids and so forth (Hofstede 1980: 135), which constitute the features of 'classic' colonial bureaucracies.

In sum, the first level determinants would suggest that these countries would have no interest in learning about NPM-type reforms, and if they did, they would face insurmountable obstacles to the transfer of NPM. So, the appearance of NPM can be attributed to just one determinant: the need for dominant elites to legitimise their activities through the symbolic uses of administrative 'reform'.

Table 9.2: Comparison of Western and East Asian management styles

Western	East Asian
1. Hierarchical, egalitarian command, segmented concern	Free-form command, roles loosely defined, holistic concern
2. Professional manager, position related to function	Social leaders often with high-sounding titles for low-ranking jobs
3. Particularism, specialized career path possibly with rapid evaluation and promotion, individually orientated	Non-specialized career paths, slow evaluation, regimented promotion, socially orientated
4. Decentralization of power	Centralization of power
5. Mobility	Stability
6. Diversity	Unity
7. Direct approach	Indirect approach
8. Systematic analysis, standardization, categorization, classification, conceptualization, precision.	Ambiguity, reaction, adaptation
9. Long-term set planning	Often lack of formal set planning, high flexibility in adjustment
10. Explicit control mechanisms	Implicit control mechanisms
11. Organizations and systems adapt to change	Leaders/managers adapt to change

Source: Waters (1991: 106) and cited in Chen (1995: 298)

At the second level, the capacity of the civil service was of crucial importance and the subject of much reform effort. The drive against corruption had largely been conducted before the NPM timeframe in all three countries. Fiscal crises, or at least a perception of crisis, certainly helped to trigger reforms in the 1980s, especially in Hong Kong and Malaysia. However, the reining in of big government, which prompted reform calls from the early 1970s onwards in the West, was simply not applicable in the Asia-Pacific region. Moreover, governments in the region were not sustaining large welfare states. Hood's (1995: 106) notion that 'small government states' provide less of a motive for politicians to engage in the type of cost cutting measures suggested by NPM certainly applies to Hong Kong and Singapore. Exposure and travel to the West and its ideas by the elites, particularly those who received an education in the West, was also of some significance. Economic changes elsewhere, especially within the region and Japan in particular, had some influence during the 1980s. The importance of changing societal expectations was unclear, although it was invoked in Hong Kong. The influence of international organisations had largely diminished within the NPM timeframe in both Malaysia and Singapore. At the second level, one would therefore expect NPM implementation in the three countries as this set of determinants rendered the domestic context as coming into line with developed Western countries.

Certainly, after examining official publications from all three countries, the rhetoric of NPM has been strongly embraced. Huque's (1990: 163) cynical view also underlines the appeal of NPM rhetoric in developing countries:

every institution that can ape its Western counterpart to the finest detail is looked upon as a positive sign of progress, and every administrator who thinks and acts like a Western bureaucrat is considered efficient.

When assessing the extent of scope and penetration of NPM in the three countries, it appears that imitating NPM, and being seen to imitate NPM, is more important than its implementation. The attraction of NPM is that it encompasses fashionable ideas and theories. As Peters (1997: 78) observes, 'even if there are no clear benefits from some of these reforms, they are still likely to be picked up by governments' who wish to enhance, or be seen

to enhance their performance. This notion was particularly evident in the Hong Kong 'Public Sector Reform' document and across the range of initiatives in Malaysia, where references were made freely to quality, paradigm shifts, re-engineering, re-inventing, changing mindsets, and so on. Metcalfe (1993: 177) hints at the problem of importing the rhetoric of administrative change, especially where it fails to differentiate between public and private management. He argues that:

...the same terms are used in diverse and inconsistent ways, providing no basis for cumulative theoretical progress. This leaves government dangerously vulnerable to ideological fads and business management fashions - and the public are badly served.

In sum, it appears that in order for governments to maintain their legitimacy, administrative reform is used for its symbolic purposes. This appears to offer a compelling explanation for the appearance of NPM in these three countries. Moreover, it is necessary for the civil service to have the capacity to absorb NPM, and many reforms have been genuinely implemented where they do not pose a threat to the existing structure of government. Although globalisation provides a partial rationale for administrative change, in the face of countervailing pressure in the form of resistant post-colonial bureaucracies allied to strong cultural determinants and pressures for indigenisation we should not overstate its influence. The political priorities of the Hong Kong government as it prepared for reunification with China shielded it from many of the pressures from globalisation, economic development, or any other determinant.

## **2. APPLYING THE NPM MODEL**

NPM clearly was used as a rhetorical tool in Hong Kong, Malaysia and Singapore. However, it did provide a framework for a number of administrative changes. Table 9.3 summarises the main initiatives in public management reform in the three countries.

Table 9.3: Major Administrative Reforms

Reform thrust	<i>Hong Kong</i>	<i>Malaysia</i>	<i>Singapore</i>
<i>Financial Management</i>	Public Sector Reform (1989)	Modified Budgeting System (1990)	Budgeting for Results (1996)
<i>Service Improvement</i>	Serving the Community (1992)	No overall scheme	PS 21 (1995)
	(Performance Pledges, 1992)	(Client's Charter, 1993)	(Service Improvement Unit, 1991)

Hong Kong's experimentation with NPM began earlier than the other two countries. It appears that while it was still a British colony, it was exposed to NPM more readily than the other two. PSR followed quickly after the UK Next Steps initiative of 1988 and Patten's appointment as Governor in 1992 meant that programmes that drew their inspiration from the post-1979 Conservative reforms were soon implemented. In terms of financial management, both Malaysia and Singapore were coping with PPBS and it appears Malaysia used NPM to help it make the transition to the MBS in 1990.

However, MBS appears a more pragmatic response to a review of a system that appeared increasingly outdated. Later piece-meal reforms in Malaysia also appeared to be resonant with NPM. Singapore appears to be the latest of the three countries in embracing NPM, and it is where NPM has been implemented to its fullest extent. However, Singapore is also the smallest country, in terms of population, of the three and reform is thus easier to co-ordinate and implement. Although the same could be said of Hong Kong, Singapore enjoyed political stability in contrast to the uncertainty surrounding Hong Kong prior to reunification with China in 1997. Furthermore, initiatives such as PS 21 reflect the confidence that the Singapore government has in the capacity of its public service.

Table 9.4: Comparing the NPM Model

NPM component	<i>Hong Kong</i>	<i>Malaysia</i>	<i>Singapore</i>
1. Agencies	Partial	None	Yes
2. New Orgs.	Partial	Partial	None
3. Decent'n.	Negligible	None	None
4. Reduction	None	Partial	None
5 Leadership	Yes	Negligible	Yes
6 Strategy	Yes	None	Yes
7 Delegation	Yes	Negligible	Partial
8 Performance	Yes	Yes	Yes
9 Internal Markets	None	None	Partial
10 Cost centres	Partial	Yes	Yes
11 Cost	Partial	Yes	Yes
12 End annuality	Partial	None	Yes
13. Planning	Yes	Yes	Yes
14 Outputs	Yes	Yes	Yes
15 Incentives	Negligible	Yes	Partial
16 Trading funds	Yes	None	None
17 Accruals	Partial	Partial	Yes
18 Audit	Partial	Partial	None
19 Bulk	Partial	Yes	Yes
20. Purchasing	Partial	None	None
21. Rewards	None	Yes	Yes
22. PRP	None	Partial	Yes
23. Contracts	None	None	None
24. Appraisal	Yes	Yes	Yes
25. Personnel	Negligible	None	Yes
26. Weaken TU	None	None	None
27. Quality	Partial	Yes	Yes
28. Review	Partial	Yes	Yes
29. Consumerist	Yes	Yes	Yes
30. PR	Negligible	None	Yes



31. Integration	Partial	Partial	Yes
32. Transparent	Partial	None	Yes
33. Privatisation	Negligible	Yes	Negligible
34. Regulation	Partial	None	Partial
35. Quasi-privn.	Partial	None	None
36. Contracts	Partial	None	Yes
37. Choice	None	None	None
38. Deregn.	Partial	Partial	Partial

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Hence, if we compare the application of the NPM model in Table 9.4 across the three countries, we find very little consistency in the results. Enthusiasm appears to be limited to performance measurement (8), using budgets for control and planning (13), performance based appraisal (24) and employing consumerist mechanisms (29). This hardly constitutes a uniform application of NPM in the three countries. Where the three countries share the greatest similarities is where they have chosen not to implement, or only to partially implement, certain NPM characteristics. In particular, new forms of organisations were largely avoided (2). There was no drive to streamline public administration (4) or to create internal markets (9). There was also little enthusiasm for cost-saving incentives (16) and only Hong Kong explicitly introduced trading funds (16). Purchasing deregulation for government agencies (20) was largely absent. Indeed, a key contradiction emerges in that all three countries used performance appraisal, which was not linked to the use of performance contracts (23) (although this is on the agenda in Hong Kong). The absence of New Right ideological motives for reform explains why there was no attempt to curb union power (26), although this was not an issue. This may also explain the lack of radical reforms to expand user choice (37) and substantial moves for deregulation (38). Singapore displays the largest number of NPM strategies, while it would be fair to say that Hong Kong has only partially implemented a number of strategies, but many of these are confined to the handful of trading funds established. Malaysia's reforms are largely accounted for by MBS, but as it was argued in Chapter Seven, MBS was largely a pragmatic response to PPBS that had outlived its usefulness.

### 3. COMPARING POLICY TRANSFER ACTIVITY IN HONG KONG, MALAYSIA AND SINGAPORE

Can the differences in the degree of NPM implementation be explained by different approaches to policy transfer across the three countries? If NPM can be considered to be a global trend, can other political trends be detected in the three countries? Malaysia and Singapore witnessed the transfer of democratic institutions from Britain. This was a relatively straightforward process as most local 'politicians demanded rapid transition to independence and supported popular democracy and human rights. None questioned whether democracy was congruent with "Asian values"...(Means 1996: 104). Hong Kong followed a quite different path, although some degree of democratisation accompanied decolonisation. The reunification with China provided a strong impetus to democracy 'because it was the only instrument that could provide real protection for human rights against an authoritarian government' as well as allowing people to have a say in the decision-making process (Ng M. 1997: 13). As we have seen, none of these countries have transferred western liberal democracy, only some of its institutions.

Opinion is divided over whether geographical proximity is a precondition for policy learning. However, there appears to be some policy learning between Hong Kong and Singapore. A former Governor, Sir Murray MacLehose, regarded Singapore as a model for Hong Kong in 1972. According to Ng (1998: 13), 'the idea was that Hong Kong should aim to achieve exactly Singapore's combination of elitism, autonomy, and economic success' while avoiding the destabilising and confrontational politics associated with the West. Although Ng is sceptical of the applicability of the Singaporean model, policy learning continues between the two countries today. There is increased traffic between the two countries in the form of exchanges between politicians and officials (Metcalf, 1998). The notion of lateral transfers of personnel across departments is identified as a trend among economies that are 'outward going' and 'globalised'. Bhatta (1996) argues that such mobility encourages the development of networks of professional groups that will give countries an advantage as they seek external markets.

There is talk of a co-operative partnership between the two countries at government level to facilitate policy learning. For example, Hong Kong is learning about Singapore's Electronic Road Pricing Scheme and intends to introduce a pilot scheme in the near future (Metcalf 1998). The Hong Kong Chief Secretary, Anson Chan, visited Singapore in August 1998 to deliver a lecture on Hong Kong's Civil Service, which followed a visit by the head of Hong Kong's Efficiency Unit in July. The net result of these exchanges was a proposed forum for Asia-Pacific nations to share public sector management techniques, with Hong Kong scheduled to host the first meeting late in 1998 (*Hong Kong Standard*, 1998). According to Cheung (1998a: 2), Tung, the Chief Executive, is an admirer of Lee Kuan Yew's leadership style and the Singapore model of development. Fernandez (1997) has also reported that the Singaporean PM, Goh Chok Tong, wanted to learn some lessons from Hong Kong following a visit there. In particular, he was impressed by 'the network between the political leadership, top civil servants and businessmen', whereas Singapore's civil servants were felt to be too insular. Perceptions of similarity appear to drive policy learning between Hong Kong and Singapore.

Is there any policy learning between the close neighbours Singapore and Malaysia? As Malaysia and Indonesia are Singapore's 'most critical neighbors' (Paul 1993: 301), this may act as a spur to policy learning between these three nations. However, there is a lack of evidence of policy learning between Malaysia and Singapore, which can be partly explained by their acrimonious history. Noor (1998) argues that Singapore 'seems to be singularly bent upon belittling and downplaying the importance' of the:

...shared common history between it and Malaysia since the days of partition in 1965. While Malaysia continues to regard Singapore as a neighbouring country that is not quite "foreign" to Malaysia, the Government of Singapore has gone off in the opposite tangent altogether.

Furthermore, Chiu *et al* (1997: 33) note that 'the Malaysian political elite...perceived the predominantly Chinese Singapore as a threat to Malay political leadership' during the period Singapore was briefly part of Malaysia. Geographical proximity is clearly not relevant to

policy learning between Malaysia and Singapore. As Sarji argues, Malaysia's demographics, natural resources and context is so different from that of Singapore there are no common bench-marks for comparison; even the banking sectors are very different.<sup>4</sup> In addition, there was no evidence to suggest policy learning by Hong Kong from Malaysia or vice versa.

However, it is interesting to note that the Public Administration Reforms Commission of Bangladesh toured all three countries in September 1998.<sup>5</sup> In particular, the Commission was interested in establishing an Efficiency Unit in the Bangladeshi government and visited MAMPU in the Malaysian government, the PS21 office in Singapore and the Efficiency Unit in Hong Kong. It appears that all three countries, from the point of view of the Bangladeshi Commission, may have useful lessons to impart.

Finally, on the evidence available, there remains what Peters (1997: 86) refers to as 'Galton's problem'. In other words, there is the problem of identifying to what extent administrative reform is the product of policy transfer or indigenous developments. It is difficult to quantify the degree of transfer in many of these cases. For example, no evidence was found for the transfer of Malaysia's 'Client's Charter', despite its similarity to the UK's Citizen's Charter. Another example is the claim that PS 21 is an indigenous development, despite sharing characteristics of the NPM model. Hence, the transfer of administrative policy as the dependent variable can only be proved in a limited number of cases. What is also difficult to quantify is the power of influences and ideas, especially those from 'exemplar' countries.

#### **4. THE INFLUENCE OF REGIONAL EXEMPLARS**

There is nothing new about policy learning from the West in the Asia Pacific region. According to Mosher, in the last century Japan copied Germany, and Thailand followed Britain and France (cited in Huque 1990: 8). However, two regional exemplars stand out in terms of policy learning activity in the three countries in this study: Japan in terms of economic policy and New Zealand in terms of administrative reform. McCargo (1998: 126) notes how the Japanese model, characterised as 'Japan Inc.', had a form of command economy that corresponded with the 'developmental state' (Johnson 1982). The first wave

of NIEs, including Hong Kong and Singapore, emulated the Japanese model, followed by a second wave of NIEs, that included Malaysia, who 'borrowed some features of the developmental state, but often in a more eclectic and less centralized fashion' (McCargo 1998: 126).

Enthusiasm, particularly in the 1980s, for learning from Japan was often driven by anti-Western sentiment. Berger (1997: 267) notes that:

...both the enthusiasm, as articulated most markedly by the Malaysian elite, and the concern, voiced by power-holders in countries such as China and South Korea...view the rise of the Japanese state and Japan-based companies as a process which will 'liberate' the people of Asia from Anglo-American dominance.

Moreover, citing Hung-chao Tai, Berger (1997: 268) adds that 'the 'cultural setting' of Japan and the East Asian NICs has given rise to...an 'Oriental' economic development model, which rests on 'human emotional bonds, group orientation and harmony'. This can be contrasted with the Western model of development, which is based on rationality, 'efficiency, individualism and dynamism'. Perceptions of cultural similarity with Japan appear to account for policy learning and the 'Oriental Model' thus appeared as a 'meaningful alternative' to those presented by the West. Malaysia's 'Look East' policy appeared to embrace this Asian approach to economic development.

In terms of public management, New Zealand's model appears to have wide appeal (Schick 1998: 123). Hong Kong's adoption of the 'Target-based Management Process' and Singapore's adoption of 'Budgeting for Results' is documented in previous chapters, but New Zealand's influence has been felt elsewhere in the Asia-Pacific region. Both Thailand (Poopat 1998) and Mongolia (Laking 1998) have looked to New Zealand as an administrative reform exemplar. The Thailand Development Research Institute, a think tank, was working on public sector reform and regarded New Zealand as a useful case study. Poopat argues that Thailand was prompted by the IMF and the World Bank following the recent economic crisis to look for models of government. Poopat quotes the New Zealand Ambassador to Thailand as

remarking that New Zealand was an 'obvious model' although the Thais did not treat it as a 'blueprint'. The economic crisis apparently added a fresh incentive for Thailand to learn and the New Zealand government arranged a visit for Thai senior officials to observe the New Zealand government first-hand. New Zealand 'reform experts' also plan to visit Thailand. Thailand is also looking at the UK and Australia.

New Zealand also acted as an exemplar to Mongolia. Laking (1998) records how the Prime Minister's office began to take an interest in New Zealand public management reforms, and several former New Zealand Treasury officials were engaged as advisers to the government. As a result, Mongolia followed the relevant New Zealand legislation including the State Owned Enterprises Act, the State Sector Act, the Public Finance Act and the Fiscal Responsibility Act (Laking 1998: 8). Laking warns of the difficulties of transfer between countries in distinctly different political, managerial and economic environments. The process was abruptly halted recently by the economic crisis in Mongolia.<sup>6</sup> Significantly, the importance of New Zealand as a regional exemplar lies in the '*stylized* understanding of the New Zealand model' (Schwartz 1997: 412), but no country has transferred wholesale the full New Zealand model (Schick 1998: 123).<sup>7</sup>

## 5. THE TRANSFERABILITY OF NPM

The appeal of the New Zealand 'model' raises some important questions about the transferability of NPM in particular, and public policy in general. Although Hong Kong and Singapore transferred parts of New Zealand's model, Scott *et al* (1997) argue that the United States can only draw lessons from the New Zealand experience, they do not advocate 'direct transfer'. The New Zealand model is 'exportable' insofar as its 'hortatory and heuristic functions' are concerned. In other words, it convinces policy-makers in other countries that 'change is possible, and it provides them with a set of useful slogans, principles, and ideas' (Schwartz 1997: 416). Therefore, the model is only assimilated 'heuristically'. For this reason, empirical research is blighted by problems of quantifying the influence of particular models. Nagel (1997: 353) points to some of the reasons for this type of heuristic

assimilation, including differences between political institutions. In this case, the United States has a federal government whereas New Zealand's is unitary. Therefore, Nagel (1997: 354) argues that New Zealand is comparable to a 'median U.S state' so the transferability of the New Zealand model is possible at the state level rather than at the federal level.

In Chapter One, it was noted that a precondition for policy transfer was compatibility. This is where transfer is dependent on 'perceptions of similarity' between prior and potential adopters. Therefore, we could predict that policy is transferred between most similar systems or where there is a perception that they are both similar. In his analysis of the transfer of the New Zealand model to Alberta, Canada, Schwartz (1997: 406) points out that 'Alberta is quite similar to New Zealand'. However, transfer from New Zealand was also dependent on political convenience to the ruling party. In Alberta, the Progressive Conservative Party wanted to use reinventing government to reward 'its corporate sponsors with permanently low taxes'. This contrasts with the New Zealand Labour government's desire 'to transform the welfare state in order to save it' and to improve the efficiency of the public sector (Schwartz 1997: 417).

Schick (1998: 129-131) outlines some important preconditions for countries considering transferring the New Zealand model. These preconditions have important implications for the transfer of public management policies and practices in general. Firstly, there must be parallel advances in the private sector. Singapore's public management changes only occurred once it had reached a certain stage of economic development. In post-colonial countries, the public sector may be more advanced, at least initially, when compared to the private sector once a competent civil service is established. Schick (1998: 129) argues that Singapore is an example of where 'economic development and modernization of public management have proceeded in tandem'. Secondly, politicians and officials must master the basic rules of public management, or they must be able to control inputs before being called upon to control outputs. Once these basics are acquired, then a government can 'reinvent'. For Schick, Singapore provides an illustration of this progression before it was ready to adopt the New

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<sup>7</sup> Here, I have emphasised the word 'stylized'.

Zealand model. For other countries, there is no 'short cut' to New Zealand. Therefore, Hong Kong only adopted a very small part of the New Zealand 'model'.

### *Applying Dolowitz and Marsh's Model*

What this research has shown is that NPM, whether in practice or in theory, has been transferred to the three countries to legitimate the political programmes of dominant elites. Table 9.5 applies Dolowitz and Marsh's policy transfer model across the three countries.

The 'heuristic functions' or the rhetoric of NPM provided a motive for the voluntary transfer of NPM. The only exception is Hong Kong, which for most of the NPM time-frame was still a British colony, so there has been an element of coercion in the transfer of NPM. Moreover, policy transfer activity was constrained pending the transition to SAR of China status after 1997. Hence, the independence of the Hong Kong government to engage in policy learning was circumscribed by its colonial status. This independence was further compromised by the Basic Law, which preserved the colonial system. Thus, Hong Kong presents a fairly unique case in the global context. On the other hand, Malaysia and Singapore's independence has allowed them to engage in policy transfer activity in response to demands to improve the performance of their public services.

Perceptions are important here, as one of the primary reasons for transfer is when decision-makers begin to worry that their country may lose out to competitors elsewhere (Dolowitz and Marsh 1998: 41). In the case of Malaysia and Singapore, the main motive appeared to be economic competition from within the Asia-Pacific region in particular and the demands of economic globalisation in general. The international consensus or epistemic community that has built up around NPM has served to intensify perceptions. With the exception of Patten imposing Performance Pledges on the Hong Kong government, none of the transfer activity falls into the category of 'coercion'.



Table 9.5: Applying the Policy Transfer Analysis Model

Process	Why?	Who?	What?	Where from?	Degrees of transfer
Hong Kong	Legitimacy Coercive (Colonial)	Colonial bureaucratic elite	Rhetoric, Programmes	U.K.	Emulation Adaptations
Malaysia	Legitimacy Perceptual	Bureaucratic elite	Rhetoric, Programmes	Canada, NPM epistemic community	Emulation Adaptations
Singapore	Legitimacy, Pragmatism Perceptual	Political elite	Rhetoric, programmes	New Zealand	Adaptations

Identifying the actors involved in the transfer policy process proved to be a difficult task, but it generally involved senior bureaucrats, supported by elected officials. Senior bureaucrats, such as Colin Sankey in Hong Kong, Ahmad Sarji in Malaysia, and Lim Siong Guan in Singapore, had access to the NPM epistemic community.<sup>8</sup> Thus, NPM rhetoric as well as ideas and best practices generated by networking by these senior bureaucrats allowed the circulation of NPM to all three countries. The availability of key texts such as ‘Reinventing Government’, reinforced this process. Thus, not only programmes from individual countries such as New Zealand came under scrutiny, but international organisations such as the OECD acted as ‘stores of information to be drawn upon’ (Dolowitz and Marsh 1998: 51). The bureaucratic nature of all three governments helped to facilitate the relatively rapid infusion of ideas from other countries and the international community into the policy formulation process.

## CONCLUSIONS

This thesis demonstrates that administrative change is not just about reforming management processes. It is also about political purposes and interactions directed at either changing or preserving the behaviour of public bureaucracies. In particular, the political purposes and interactions associated with NPM appear to be more important to elites than simply changing or 'banishing bureaucracy'. This is not to deny that the publication of *Public Sector Reform* in 1989 in Hong Kong, the range of initiatives introduced in Malaysia beginning with MBS in 1990, and 'Budgeting for Results' in Singapore in 1995 all marked serious attempts at changing the management processes in the civil services of the respective countries. However, it is necessary that these reforms should be understood within the context of wider pressures on the public sector and have the aim of convincing external audiences that the behaviour of the bureaucracy is commensurate with the expectations of society at large and the business community in particular. Therefore, over-arching initiatives such as *Vision 2020* in Malaysia in 1991, *Serving the Community* in Hong Kong and *PS 21* in Singapore, both announced in 1995, encompassed both change and rhetoric. *Vision 2020*, for instance, was supposed to herald a new 'paradigm' in the management of Malaysia's public services yet the old 'paradigm' of a centralised and hierarchical bureaucracy persists.

The first conclusion from this thesis is that the globalisation of NPM is perhaps too easy an assumption to make simply on the basis that the three countries have initiated top-down reforms in a similar fashion to those in the NPM 'core' countries. Moreover, because these countries are highly centralised politically, including federal Malaysia, there is more opportunity for policy-makers to adopt NPM from a single point. Although the administrative inertia that characterises these post-colonial systems means that administrative reform is inevitably top-down, senior politicians and bureaucrats can quickly proclaim the 'success' of particular initiatives both to domestic and international audiences. Thus, NPM appears to be a global movement that is easily observed. However, for the reforms to be sustained requires a sense of ownership by both public servants and users. Therefore, in Singapore, *PS 21* was regarded as an example of a successful administrative reform as it attempted to respond to citizens' demands and institutionalised the reform process within the

bureaucracy. Although the transfer of NPM rhetoric helped to justify decisions already reached by senior bureaucrats, the insistence by officials that PS 21 was an indigenous response rather than an imitation from abroad, gave the officials a sense of ownership over the reform. The appearance of NPM is easy to detect and thus suggests the appearance of a global phenomenon but only where the impact of NPM is tangible to both public servants and users across all nations, can NPM be regarded as a global phenomenon.

Secondly, despite the evidence to support the influence of policy learning and transfer on administrative change in the three countries, there was no pattern to policy learning. Although Japan appears to be a regional exemplar in terms of economic policy, Japan itself has thus far proved resistant to NPM. The influence of Britain remains strong in all three countries, but policy-makers have also looked to Australia (Hong Kong), New Zealand (Singapore) and Canada (Malaysia) to learn about policies and programmes. Although the transfer of NPM rhetoric appears to be taking place in the region, it is what is *not* transferred that undermines those who would claim that we are witnessing an international convergence in public management. For instance, there was an overall reluctance to implement performance contracts, which had the potential to undermine hierarchical chains of command. More generally, none of the countries observed were willing to implement radical structural changes to their administrative systems, nor were they willing to 'marketise' large areas of public sector activity. There is no simple convergence on the NPM model taking place in these three countries, although NPM has increased the range of options available to policy-makers considering administrative reform. Public management reform efforts in the Anglo-American countries continue to appear to be the most attractive exemplars to these three countries yet there is a growing recognition that Western-style management is unsuited to Asia, and this may lead to the development of an Asian-style public management in the near future.

Thirdly, the notion that policy transfer results in an increasing number of 'inappropriate' policy adoptions that are unsuited to local political, cultural, social, economic and administrative contexts, now appears false. If the values underpinning NPM: rationality, efficiency, individualism and dynamism can be considered to be mainly Western values, then

we might expect NPM to be inappropriate to the context of these countries. Yet the discourse of NPM has considerable rhetorical value which means it is not required to correspond with changes in bureaucratic practice. Therefore, no individual public sector organization will display all the characteristics of the full adoption of the NPM model. This is because individual systems of public administration are embedded within their particular political socioeconomic contexts. Therefore, what transfer activity that has taken place is in fact, policy *adaptation*, such as Performance Pledges in Hong Kong and 'Budgeting for Results' in Singapore. At a rhetorical level, the attractiveness of the NPM model is that it suggests what administrative reform can accomplish. The wholesale transfer of the NPM model did not occur although it was rational for individual countries to adopt the apparent strengths of NPM rather than to 'reinvent' existing systems from scratch. The point of policy transfer is to ultimately achieve change, but on the other hand, administrative systems will also change as they adapt to their environments.

Fourthly, the evidence points to the development of epistemic communities that are a consequence of globalisation. Policy learning is conducted through a wide range of mechanisms. In the case of administrative change, the rhetoric of NPM appears as an attractive supplement aided and abetted by the epistemic community. Members of an epistemic community will learn from one another in international forums and then pass lessons and advice on to organisations over which they have considerable influence. Sarji in Malaysia, Sankey in Hong Kong and Hu and Lim in Singapore would certainly fit into this category. The key difficulty of empirical verification in this study is that even when these key change agents were interviewed (Sankey and Sarji), it was difficult, if not impossible, to establish what who learnt from whom. Furthermore, the availability of publications, the activities of international organisations and 'change agents'; officials and politicians sent on visits, secondments, study placements and tours; and interaction with academics and conferences, are among the other transmission mechanisms of policy learning. At the meso-level at least, a key problem encountered by the research was assessing the impact of these various mechanisms; information obtained by publications and speeches and so forth becomes distilled into a number of maxims and aphoristic statements.

There are some strengths and weaknesses associated with the multi-level framework employed in this thesis. Firstly, in the model of administrative change, globalisation is not treated as a dependent variable, but as a determinant of both NPM and policy transfer. In other words, globalisation was identified as making individual countries more amenable to transplantation. However, by producing a model of administrative change inevitably invites debate about what other variables should be included. This problem was also encountered with the NPM model. However, the aim here was to ensure that the research was manageable. Secondly, the policy transfer model has proved to be of limited applicability due to the methodological challenges it presents. In particular, the 'recall' problem begs the question: can people in an interview situation remember exactly where or who from they absorbed a particular idea? Most people are conscious of influences but after a period of time it becomes difficult to ascribe ideas or concepts to particular publications, places or persons. As an integrated approach, it was possible to use the interviews to substantiate aspects of the model of administrative change and identify links between the different levels of analysis. For instance, it was clear from the interviews that economic development encouraged Singapore to engage in policy learning and then adopt models of administrative change from abroad.

In terms of future research, a paired comparison between a Western liberal democracy with a high level of NPM implementation as demonstrated by an application of the NPM model with a country with a very different political context might offer a fruitful explanation for the appeal of NPM. Alternatively, to examine policy development in public administration independently of NPM in a range of countries might also identify distinctive patterns of public management. In terms of broader theorisation about the policy process, although policy transfer analysis faces considerable methodological difficulties, it can be incorporated into more standard accounts of policy formulation. For this to be accepted, research needs to demonstrate the impact of policy learning on the policy process.

Finally, the thesis opens up a fresh avenue of debate in policy analysis. If we are witnessing the 'globalisation' of public policy, we should be concerned if policy-makers are convinced that access to information can substitute domestic policy innovation. In other words, policy borrowing becomes an 'easy option'. In the case of health care policy, Marmor (1997: 348),

calls policy learning 'The World Cup' fallacy due to:

...the notion that cross-national learning is like picking the best soccer team. The task is to find the best model (technique, system, payment policy) from around the world and transplant it elsewhere. This approach is, of course, foolish. No institution, policy, or program is transplantable in this simplistic way. Yet there continues to be a 'market' for one-size-fits-all reforms that continues to attract articles, speeches and, most of all, conferences on the state of medical care.

It is this global market for ideas that continues to flourish as governments go shopping to satisfy their sponsors back home. In Hong Kong, Malaysia and Singapore, although some of the products from this market have been bought, they have been adapted to suit local tastes and preferences. Much of this is the same as the global restaurant chains that have penetrated Hong Kong such as McDonalds and Pizza Hut, where one can find Chinese and Japanese style dishes side by side with Western fare. On the evidence presented here, there is no coherent global paradigm being systematically transplanted across the world. Bureaucracy itself has proved to be a highly resilient institution and it has emerged from the wave of NPM relatively unscathed in these post-colonial countries.

## Appendix: An Explanation of the Characteristics of the New Public Management

### Model

#### *Structure*

- 1. Creation of single purpose agencies:* Most frequently this characteristic refers to the breaking up of central ministries and departments into identifiable units of service delivery. This was established in the UK in 1988 with the announcement of Executive Agencies. A key rationale for this reform was that inefficiency resulted from large, multi-purpose organisations. By creating 'single purpose' agencies, clearer accountability would force efficiency on these new agencies. Moreover, these agencies are placed at 'arm's length' from government and are sometimes termed 'quasi-governmental'. Dunleavy (1994: 40) adds that quasi-governmental agencies are discrete agencies, 'akin to product-focused firms, separating out specific tasks from multi-issue central government departments (or regional governments in federal systems). At sub-national government level, 'micro-local agencies' appears as a corollary to the process at national government level.' Implicit in this form of horizontal decentralisation is the notion of separating operations from policy, thereby allowing politicians to concentrate on policy, while management specialists deliver government services.
- 2. New forms of organisation:* linked to 1 above. Based on a critique of bureaucratic organisation, governments have been encouraged to disengage from hierarchical models of organisation that constitute traditional public administration. The single-purpose organisations are created as a result of reform efforts to provide government with more flexible decision-making.

3. *Territorial/geographical decentralisation*: is largely self-explanatory. It involves vertical decentralisation aimed at moving government closer to the public. Government services become more attuned and sensitised to their users, but for such reforms to be meaningful, they must also involve devolution of power from the centre to sub-national units.
4. *Reduce number of ministries agencies*: an apparently contradictory effort to 1, 2 and 3 but associated with NPM is a crude review of the scope of government activity, akin to rationalisation efforts to streamline organisational structures. A variety of instruments might be used here, from outright abolition to privatisation. More popularly known as 'downsizing'. As Dunleavy (1994) argues, this is often a populist reaction to the historical antagonism to the size of public employment and expenditure.

#### *Process*

5. *Corporatisation/strong organisational leadership*. Corporatisation is the process of turning public organisations into businesses that are at arm's length of government. As Dunleavy (1994: 39-40) explains, as a consequence of the creation of these more tightly focused units of service delivery in the public sector, management skills are at a premium. Leadership is concentrated in chief executives who wield considerable discretionary power, and they are often recruited from the commercial sector.
6. *Strategic management*: linked to 5 above, business and corporate planning skills are now required which put public organisations at 'arms-length' from the arbitrariness and short-termism of the political environment. Public organisations are now expected to behave like their private sector counterparts in responding to changing market environments. Public managers are expected to develop strategies to achieve outcome goals.
7. *Decisions made close to at point of service delivery*: this refers to managerial decentralisation, which can accompany 1 above or occur within any government agency.



The managerial discretion implicit in 5 and 6 above is often required for this element to appear. The aim is to sensitise services to users (Common *et al*, 1992).

### Budgetary Process

8. *Performance measurement*: here, the managerial stress on outputs emphasises the importance of results being available to the public so choices can be made akin to those made in the market place. Dunleavy (1994: 41) calls this a 'generalized NPM strategy, reflecting a long-run development of output measurement, output budgeting, and attributing costs to outputs'.
9. *Create internal markets*: the creation of markets between public sector buyers and sellers is achieved by splitting these functions within a public service delivery area, for instance, health. Lane (1994: 147) views this as the most radical reform as 'it does away with the Weberian bureau model'. The new Labour government in the UK has announced its intention to reverse this particular reform in the UK health care and social services sector.
10. *Cost-centre creation*: by devolving budgets to identifiable units of business. This was the thrust of the Financial Management Initiative in the UK (1982-88) and was followed by Australia's Financial Management Improvement Program in 1984. This approach is linked to performance measurement and clearer accountability for public spending.
11. *Use of cost rather than expenditure*: involves a shift away from volume budgeting (emphasising outputs) to the mix of financial inputs that are required to produce a particular good or a service.
12. *Ending annuality*: rather than return underspends to the treasury, managers are free to retain savings. When writing about the Canadian Policy and Expenditure Management Systems (PEMS), Savoie (1990: 67) commented that 'the intent was to place responsibility for saving squarely on the shoulders of those who spent'.

13. *Use of budgets for planning/control*: governments may try and assume top-down control over budgets that were deemed out of control. For example, the aim of PEMS in Canada 'was to link policies, programs, and resources through a collective top down decision-making process' (Caiden N., 1994: 143).
14. *Use of output measures and volume targets in budgets*: linked to the managerialist emphases on efficiency, performance and decentralized management whereby managers have a greater latitude in achieving set financial targets.
15. *Cost-saving incentives*: can only be achieved in tandem with 13 above. Managers are rewarded for the efficient use of resources.
16. *Trading funds*: (linked to 17 below) 'Trading fund departments are government departments established on a quasi-commercial basis with revenue accruing to the fund' (Cheung 1992: 129). Trading funds are a method of giving greater financial independence to public organisations already at arm's length of government but falls short of outright privatisation.
17. *Resource accounting*: or the move from *cash* to *accrual* accounting or 'valuing and managing the public sector equity' (Dunleavy 1994: 42). Government spending has traditionally been monitored on a cash-accounting basis. However, 'cash accounts do not differentiate between spending on expenses and spending on investment' which has led to 'wasteful spending' (Rutterford 1998). Following the 1989 Public Finance Act in New Zealand, 'departments were to move from a cash- to an accrual-based accounting system, analogous to that of a private company. They would depreciate capital, pay a rate of return or capital charge on departmental assets, and be charged or paid interest on cash balances', (Caiden N. 1994: 145). Resource accounting goes a step further by requiring an analysis of spending by objectives, financial and non financial. In the UK, resource accounting is to be introduced for all government departments by 1999-2000 (Rutterford 1998). In short, accrual accounting makes the government's losses and liabilities more visible than under cash-based accounting systems.

18. *Greater evaluation through audit*: establishment of independent auditing bodies. For example, the establishment of the Audit Commission in 1983 and the expansion of General Audit Office's role in UK not only strengthened the auditing and evaluation role of the government, but such organisations take a strong interest in the micro-management of individual public organisations.

19. *Bulk budgeting*: or changing budgeting rules to permit agencies to make more decisions about how to spend money (Peters 1997: 74). N. Caiden (1994: 144) summarised the introduction of this element in the Australian government:

...in the departments, the tight overall control was matched with flexibility. Managers had increased freedom to determine staffing levels and composition and greater flexibility in procurement. They might carry forward unspent balances up to a limit and also borrow against a limit. They could save proceeds from sales of minor assets and negotiate with the Department of Finance for a percentage of retention of proceeds from major asset sales. But they required to return a 1.25 percent efficiency dividend each year.

20. *Purchasing deregulation*: or allowing organisations to make decisions about procurement, rather than using centralised purchasing organisations (Peters 1997: 74).

#### Human Resource Management (Personnel)

21. *Change reward structure*: here, pay scales are freed from civil service and public service grades to reflect 'market' conditions, and as part of the managerialist agenda, to recruit the 'right staff'.

22. *Performance related/merit pay*: the idea that pay should reflect performance is one of the most common NPM elements. In its pure form, pay-for-performance should replace

standardised civil service pay scales. As Ingraham (1996: 260) notes, in New Zealand and Australia:

...pay-for-performance schemes are “capstone” reforms; that is basic system reforms have preceded the introduction of more discretionary and flexible pay systems. In other cases, such as the United States, the United Kingdom, and Ireland, pay for performance has simply been grafted onto existing civil service structures and pay systems.

23. *Performance contracts*: linked to 8 above, where tenure is determined by performance and is also linked to performance measurement (30). This particular change moves public organisations away from hierarchical management (Peters 1997: 74). For example, Chief Executives of the Executive Agencies in the UK are employed on performance contracts.

24. *Appraisal based on performance*: linked to 7 above. Performance appraisal may involve linking financial incentives to objective measures of performance. According to Ingraham (1996: 260) it was found that in the United States, a very formal and standardized performance appraisal system produced

...high levels of dissatisfaction. In the Netherlands, on the other hand, an informal and decentralized system has apparently produced higher levels of employee satisfaction; but some dissatisfaction with levels of funding and other components of the system remain (OECD 1990). Almost all nations report, however, that ratings are inflated; that is, nearly everyone gets a high rating.

25. *Personnel deregulation*: which covers the elimination of a range of civil service controls over recruitment, dismissal, promotion and so forth (Peters 1997: 74). It is clearly an attempt to mimic private sector discretion in the public sector in the name of managerial flexibility. As Ingraham (1996: 259) remarks,

there is an increasing trend toward more flexibility in recruiting personnel, in methods and levels of compensation, in classification, and in training and development of existing and future managers. Simplification has been a key objective in many of these efforts. Its primary thrust has been the elimination of unnecessary paperwork, of superfluous rules and regulations, and of unnecessarily long time periods of activities such as hiring (Peters, 1988). Attention is just beginning to focus on rigid and outdated classification systems

in the US. However, personnel deregulation may simply reflect a need to adapt to a changing labour market in the West.

26. *Weaken trade union power*: linked to 11 above, but rarely made explicit. NPM is concerned with the de-collectivisation of public service, and strong trade unions are seen as exerting a drag on managerial discretion. Other managerial components, such as organisational decentralisation, will have the same effect.

### Quality

27. *Quality Management*: this refers to range of techniques imported from the private sector including Total Quality Management (TQM) and Continuous Quality Improvement (CQI). Dunleavy (1994: 41) locates 'a push towards limited deprofessionalization' under disaggregation components of NPM, which reflects the close organisational relationship between TQM and decentralisation. However, a rationale for the introduction of TQM has much to do with increasing consumerism, which scrutinises evaluations made by professionals and judges success. In addition, innovations such as Business Process Reengineering (BPR) are regarded as post-TQM developments (White and Wolf 1995: 207).

28. *Programme review*: involves a systematic analysis of costs and benefits of individual programmes (Peters 1997: 74). This helps leaders to 'clear the decks' or getting rid of functions that no longer contribute to core goals (Osborne and Plastrik 1997: 91).

29. *Consumerist mechanisms*: Since the 1990s, whole ranges of techniques for citizen and client consultation have been introduced in an attempt to bring more openness and transparency into the system. As more people become aware of the performance of specific agencies or officials and are offered channels to exert both individual and collective pressure then agencies are supposed to perform better. These mechanisms should also guard against the scope public agencies may have for arbitrary action. The Citizen's Charter initiative in the UK is an example of a consumerist mechanism.

30. *PR and marketing*: linked to the notion of competition, public organisations employ a battery of techniques aimed at establishing their own market identities. A range of public organisations increasingly employs Public Relations techniques and communication specialists.

31. *Integrated service delivery*: this may mean the establishment of 'one-stop shops' to shared service delivery ("case management") (Aucoin 1997: 297). Governments may wish to co-ordinate programmes to eliminate duplication while citizens 'expect public servants to provide them with integrated, or seamless, service' (Aucoin 1997: 296).

32. *Foster greater transparency*: the idea that the public should be given wider scope for monitoring public services; not just in terms of publishing league tables but also in terms of monitoring procedures and expenditure.

### *Functions*

33. *Privatisation*: the sale of publicly owned enterprises. Seeking potential candidates for privatisation is part of NPM. Furthermore, many NPM 'elements' become evident when an organisation is being prepared for privatisation.

34. *Regulation*: following privatisation, governments choose a system of independent regulation that is separate from both clients and providers. According to Dunleavy (1994: 41):

‘light touch’ regulation combines an effort to compel efficiency improvements on privatized industries (by specifying price increases less than inflation) with an effort to make regulators independent institutions. ‘Regulatory capture’ is supposed to be fended off by keeping an arms-length relationship between regulator and industry.

35. *Quasi-privatisation*: this refers to the establishment of a mixed economy in provision, which serves to blur the public/private divide. For example, the UK Community Care initiative in 1990 explicitly aimed at producing a mixed economy of welfare (Clark *et al* 1991).

36. *Contracting out*: public management is concerned with letting and managing contractual relationships with a range of providers. Referred to as ‘market testing’ in the UK civil service, it involves identifying core businesses that can be delivered by an alternative provider organisation, irrespective of whether or not the organisation is public or private.

37. *Extend choice through various mechanisms*:

- ‘*consumer tagged financing*’: Dunleavy (1994: 38) describes this as a way of ‘linking funding with clients or consumers. This step opens up the possibility of consumers making choices for themselves between competing provider organizations, by ‘exiting’ from those with declining quality of services and switching to more successful outlets’. For example, the Local Management of Schools in the UK calculates school budgets on a formula according to how many pupils are enrolled.
- ‘*vouchers*’: here, clients are provided ‘with a cash-equivalent which they can exchange for services in a wider range of outlets, which might be public sector bodies, quasi-governmental agencies or regulated private sector organizations’ (Dunleavy 1994: 39).

- *'user control'*: means greater participation by the public in decisions about service delivery. For example, some local authorities in the UK encourage users to sit on the management boards of contracting organisation and to have an active input in the contracting process.

38. *Deregulation*: this involves a complete liberalisation of an area of activity. As a NPM element, it is included here as managerial freedom and discretion increases in a deregulated environment. Deregulation is usually aimed at promoting market conditions in an area of government activity.



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