

*Full Length Research Paper*

# Global recession: Does NPM work in Macedonia?

**Branko Dimeski**

Department of Public Administration, Faculty of Administration and Management Information Systems, St. Kliment Ohridski University, Bitola, Macedonia. E-mail: [branko\\_dim@yahoo.com](mailto:branko_dim@yahoo.com) Tel: +(389) 77 694 273 or +(389) 47 259 921.

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The paper went on to examine the argument that NPM is inappropriate to Macedonia on account of problems such as corruption, low administrative capacity and political decentralization. In making the points, the critical literature review of the developing countries experience with new public management (NPM) was used, as well as the comparative approach with the main characteristics and results of NPM in Macedonia during the economic recovery. The findings suggested that the outcome of individual NPM initiatives depends on localized contingency factors rather than any general national characteristics. In practice NPM was not universal receipt in the conditions of global economic recession. Reformers needed to be guided by the needs of the situation. In Macedonia, the local contingency factors have been largely ignored and therefore the NPM did not work. One of the indicators was the condition of public services after the economic downturn. There were no better public services after the crash.

**Key words:** Global economic crisis, new public management (NPM), developing countries, Macedonia.

## INTRODUCTION

New public management (NPM) as a reform package is a global paradigm that occurred during the last two decades at the end of the last century. Its proponents across the globe strongly believed in its tools, as it provided more efficient, effective and productive public sector. Finally, that was the main reason why NPM was established under circumstances of public sector economic crisis that emerged in most developed countries in the world, such as Great Britain, United States and New Zealand during 80s. Accordingly, there is a large body of literature that points out the successful stories of NPM and public management movement in these countries and in many other developed countries over the globe.

Our purpose in this paper is not to glorify the NPM movement that occurred as a response to public sector crisis. In addition, we are not putting the effectiveness of NPM tools and policies under question. We acknowledge that NPM is a very powerful package for public sector response to any economic downturn that can occur, global or national.

What we are concerned is the NPM application in developing countries? Does NPM works in developing and transitional countries in the wake of the current

global economic crisis? How public sector responds to the crisis in these countries?

Finally, the applicability of NPM in general will be depicted in the case of Macedonia, a small developing and transitional country of 2.1 million populations located on Balkan Peninsula.

## NPM IN DEVELOPING COUNTRIES DURING ECONOMIC RECESSION: CRITICAL LITERATURE REVIEW?

There has been a long-drawn-out, ideologically charged debate about the merits and demerits of the new public management, or NPM as it is commonly known. The debate tends to focus on the desirability or otherwise of NPM reforms in principle. Advocates and critics alike often accept the assumption that the new public management is universal, notwithstanding that this is disputed by a growing body of work. The universality assumption is encouraged by the undoubted fact that NPM catch-phrases feature prominently in the vocabulary of civil service reform all around the world (Thomas, 1996). Now as always, the generals of administrative

reform prefer to march into action behind a protective advance guard of rhetoric. Now as always, that rhetoric draws on whatever ideas are internationally fashionable. But has the 'new paradigm' gone beyond rhetoric?

This paper looks at precisely this question in relation to developing countries and accordingly, Macedonia. To what extent can the new public management (NPM) genuinely be called a dominant paradigm of public service reform in the developing world during economic crisis?

We shall deal with each of these questions in turn. Our conclusion is that while many developing countries have taken up elements of the NPM agenda in order to cope with the crash, they have not adopted anything close to the entire package; and they are simultaneously undertaking reforms that are unrelated or even contrary to that agenda during times of economic downturn. The new public management (NPM) is only one among a number of contending strands of reform in the developing world.

The evidence gathered in this paper also sheds light on the vexed issue of the appropriateness of NPM reforms in developing countries during economic recovery. This represents a question which we shall take up towards the end of the paper. Can the NPM work in the developing world including Macedonia as a transitional and developing country during economic recession? So to be more certain of reaching a balanced conclusion, before answering the previous question, we must ask three questions and provide evidence that will support our thesis.

First, are such reforms in Macedonia being undertaken as part of the worldwide quest towards greater efficiency and cost savings which is said to be the driving force of the new public management (Minogue, 1998), or for reasons specific to the country concerned? This question might lead to our qualifying the universality assumption even where ostensibly NPM-style reforms are being undertaken.

Secondly, are the reforms in Macedonia actually being implemented, or are we being misled by the rhetoric of political leaders (and senior bureaucrats)? As we have already mentioned, the rhetoric of reform tends to outpace the reality in any country. Statements of intent can be misleading, especially those pronounced at international conferences.

Thirdly, are reforms in Macedonia simultaneously being undertaken that are unrelated to the new public management or indeed run counter to its principles? This question helps us put any evidence of Macedonian NPM-style initiatives in its proper perspective.

It is hard to arrive at a blanket conclusion either for or against the transferability of NPM to Macedonia. As we will see, localized contingency factors—ones that vary from sector to sector and situation to situation within the same country, as is the case of Macedonia, play a predominant role in determining the outcome of individual reform

initiatives. Different situations can call for radically different responses to the economic recession.

Before making any conclusions, subsequently, the paper will open an argument discussion about the failure of NPM approach in developing and transitional world, concentrating on Macedonia NPM approach during the recent global economic crisis.

## **DIVERSE MOTIVES FOR NPM-STYLE REFORM**

Thus far we have assumed that corporatization, wherever it happens, is evidence of NPM-style reform. This is not necessarily the case. We need to distinguish between two varieties of corporatization, and this brings us to the first of our three questions—the diversity of motives behind ostensibly new public management initiatives.

Corporatization can take place as a means to achieve greater efficiency, cost savings or service quality improvements, in which case it is accompanied by the setting of performance targets along the lines of executive agencies in the UK or state-owned enterprises in New Zealand. This is the kind we have just reviewed. But it can also take place simply for convenience, a way of freeing a particular public function from the constraints of civil service red tape. The first is a clear example of the new public management in action, the second, much less so. There is no data to indicate with any certainty which of these two varieties of corporatization is predominant. There is no doubt, however, that the second variety is very important in its own right in many developing countries. All kinds of bodies are being converted from civil service departments to authorities, institutes, corporations, companies and other kinds of free-standing public bodies, even in countries which have no systematic programme of corporatization along British or New Zealand lines.

There are two reasons behind this trend. First, most developing countries have been corporatizing government functions for decades: there is little new about this, accepted that the trend may have accelerated in recent years. And secondly, the management constraints which newly corporatized bodies are being set up to escape can be very severe. In many African and Latin American countries, such constraints go beyond the procedural red tape which those familiar with government in industrialized countries would expect to find. They can extend to, among other things, public-private pay gaps that are so wide after years of restraint coupled with galloping inflation that it becomes impossible to recruit and retain qualified staff (Cohen, 1995; Colclough, 1997a; Klitgaard, 1997b).

Even where corporatization is accompanied by performance targets is NPM, the driving motive may go beyond straightforward efficiency gains. Controlling corruption is a case in point. Transparency International, a non-government organization concerned with this

issue, has suggested that governments should concentrate their anti-corruption efforts on priority areas such as revenue collection or law enforcement. Such functions would be set up as 'enclaves'-autonomously managed bodies which would be turned into islands of integrity within government. The aim would be to gradually expand the islands into archipelagos (Pope, 1995).

The establishment of revenue authorities in Africa is partly a reflection of this strategy. In Ghana, the creation of the National Revenue Service was an opportunity to weed out staff from the old customs and internal revenue services that were thought to be corrupt. One of the reasons why remaining staff had their pay increased was to reduce the temptation to take bribes. Other anti-corruption mechanisms were also put into place, including a public complaints facility (Chand and Moene, 1999; de Merode and Thomas, 1994). Likewise in Tanzania, customs and tax officials who appeared to be living beyond their legitimate means were not taken on by the new revenue authority.

Macedonian government tried to introduce many anti-corruption measures by instituting a separate non-governmental body called "Anti-Corruption Agency". However, the results of that body are minor because of different interpretation of Laws and huge political pressures by the party that holds the power by installing its members in the composition of that body. Thus, the corruption is still on high level and in a situation of high-level corruption there is not a good base for any type of corporatization, as the current Macedonian situation is.

This is not to say that corruption is a concern only in developing countries (though we will neither pretend that the problem is equally severe everywhere). What we are saying is that controlling corruption is not normally put forward as a reason why the pioneers of the new public management embarked on their reforms. On the contrary, NPM reforms are at times blamed for "facilitating" ethical misconduct and corruption in industrialized countries such as the UK (Greenaway, 1995; Doig, 1997). Yet in some developing countries similar initiatives have been introduced in response to precisely this problem.

## **THE RHETORIC AND REALITY OF REFORM**

The second question concerns the extent to which the rhetoric of reform can outpace the reality of global economic crisis. This problem appears to particularly afflict another major strand of NPM reform: the introduction of performance-based accountability. Many countries have experimented with performance management initiatives. Perhaps the most common is the introduction of modern performance-oriented staff appraisal systems. The introduction of such systems is a fairly straightforward (though labor- and resource- intensive)

exercise. The difficulty comes afterwards, in linking appraisals to career rewards and sanctions. Individual performance bonuses are often put forward as a means to achieve this, but governments have shown a marked reluctance to go down this road. Malaysia is one of the few countries that have implemented such a scheme service-wide (Kaul, 1996).

Nunberg (1995) is skeptical of the value of performance-pay schemes, saying it is much more important to link "promotions" to performance. But in many African, Asian and Latin American countries, promotions continue to be tied to seniority or examinations. Having brought in new staff appraisal systems, usually with a lot of fanfare, and having instructed managers to appraise their staff carefully and impartially, governments then balk at relying on the judgment of those managers in promoting and rewarding people. In Zimbabwe, for instance, it is feared that the delegation of staffing powers to senior officials could 'easily be abused to create "personal empires", "regional cliques", and even "ethnic enclaves" which could be used as effective weapons for the self-preservation of the senior public servants' (Makumbe, 1997).

Uganda is a good illustration of the inconsistencies in this field. One of the most progressive public service reformers in Africa, Uganda has laid a lot of emphasis on what it calls results-oriented management (ROM) since the early 1990s. ROM was announced as a major plank of reform, yet when an action plan for the implementation of reform was drawn up in 1992. ROM seemed to all but disappear from the agenda (Langseth, 1995). It appears to have yielded little beyond customer surveys and the old fallback of staff training.

It may seem strange that reforms intended to introduce results-oriented management themselves turn out to be long on rhetoric and short on results. But this component of the new public management is perhaps the hardest to implement, involving as it does radical changes to structures of accountability and, ultimately, to the very culture of government, especially if you have a global economic crisis as a big challenge.

Since the beginning of the global economic crisis, the Macedonian politicians are consistently arguing the public at large that the actions, either good or bad, that the government must undertake are for the common good of the Macedonians and they are absolutely necessary in order to alleviate the bad economic results of the global recession. The problem is that they are just "speaking" and not implementing. Even if they are implementing something is not as much close to successful compared with that in the developed countries. Very often, those projects that are implemented serve as a "good public reason for spending additional public money" and "good reason" to finance some projects where there is a good space for corruptive governmental ways to abuse public money and entering the country in a much more difficult situation.

## NON-NPM REFORMS

An essential concomitant to the development of results-based accountability is the removal or at least relaxation of procedural controls over line management. The idea is, in NPM-speak, to move from accountability for inputs (obeying the rules on spending and staffing) to accountability for outputs (performance). As we have already seen, however, governments have been reluctant to give line managers greater discretion over staff promotions and pay. Some countries have gone further than this: they have tightened up existing central controls within the civil service and introduced new ones.

This has often happened in response to the need to bring staff numbers down. Notwithstanding its proclaimed goal of introducing results-oriented management, Uganda actually recentralized the recruitment of temporary and non-pensionable staff because this 'had been open to wide abuse' when it was in the hands of departments themselves (Schacter, 1995). Until then the government simply had no idea how many people were employed in the civil service. The same is true for Macedonia. In an effort to control recruitment, other countries have required departmental heads to gain central clearance not only to create new positions, but also to fill vacancies in the already approved complement.

More generally speaking, a major thrust of public sector reform throughout Africa, Latin America and even Central and South-East European countries has been to strengthen and rationalize functions such as budgeting, financial control, staff classification and complement control. Proper execution of these functions is taken for granted in most industrialized countries, which are devolving some of them to line agencies. But these functions remain weak in many developing countries. The World Bank regularly encounters problems such as poor expenditure control and inadequate accounting systems in its client countries (Beschel, 1995). In addition, Holmes (1992) notes that many middle-income countries see standardization in the wage and salary area as a prerequisite to improving performance.

Strengthening such functions invariably means centralization. Zambia and Jamaica are among the many countries trying to get a grip on public spending by building up the capacity of the central budgetary institutions of government (Beschel, 1995; Harrigan, 1998). Honduras, Panama and the Philippines are among those countries which have sought to put public service recruitment on a more professional footing by setting up strong central personnel bodies and warding off political intervention (Klingner, 1996; Varela, 1992). This 'professionalization' of staffing, particularly at senior management levels, is given plenty of emphasis throughout Latin America (Reid and Scott, 1994). We are thus left with the paradox of governments retaining a high degree of centralization in the civil service while simultaneously corporatizing many functions to escape

the constraints of that centralization. Moreover, there are other major strands of public service reform in developing countries, including Macedonia, which are entirely unrelated to the new public management. These include capacity-building, controlling corruption, and political decentralization or devolution. We have already touched on the first two in passing. We deal with them more directly subsequently.

## Capacity-building

'Capacity-building' is a term very commonly heard in relation to governments in the developing world. In a sense all administrative reforms the world over are concerned with capacity-building. But the term is given particular emphasis in developing countries because many of them suffer from severe capacity limitations. We have already come across some of the symptoms: 'ghosts' in the payroll, the inability to establish clear control over spending and staffing, and the drive for centrally-imposed standardization in these areas; and, in the case of countries such as Ghana, the failure of new structures to have a tangible impact on operations.

If we have seen evidence of the symptoms of low capacity, we have also come across a major cause: low pay levels. It is worth saying a little more about this. Under the crushing pressure of economic crisis, real public sector pay levels fell by 30% on average in Latin America during the 1990s. The fall was even higher in Africa (Klitgaard, 1997b). Many countries have suffered a steady drain of talent from the public sector-especially the core civil service-to foreign corporations, non-government organizations, and even those very aid agencies that are supposed to be helping governments rebuild their capacity (Wuyts, 1996). It can be very difficult to close the public-private pay gap, even when economic conditions become more favorable, because of the expense involved. Uganda has yet to achieve its proclaimed objective of a minimum living wage- that is, paying civil servants enough to survive on-after nearly a decade of reform and this in spite of reducing civil service employment by more than half. Low pay is not the only factor limiting administrative capacity. Administrative structures are weakly institutionalized, making the public sector prone to 'penetration' by party politics and leading to politicization at all levels in the organizational hierarchy. This applies even to countries in the Westminster tradition of civil service neutrality, though there are exceptions such as Botswana and Mauritius (Goldsmith, 1999). Writing in the context of Kenya, Cohen and Wheeler (1997) include politicization as one of a number of 'push factors' which demoralize public servants and impair their effectiveness, eventually leading many to leave. Cohen (1995) sets out a framework for capacity-building in developing countries which seeks to address the various constraints in a

holistic way. The result is a huge and hugely impractical agenda ranging from the improvement of salaries to the upgrading of training institutions. But the very breadth of Cohen's agenda illustrates the scale of the problems which many developing countries face.

In practice, as Cohen notes, most capacity-building interventions are limited to training. Many development practitioners take the two terms as synonymous. Cohen's own framework does have the merit of showing what inadequate response training is on its own given the scale of the problems. Yet training is convenient to both developing-country governments and the aid donors who finance much of it. To governments, it is politically painless; to donors, it is a conflict-free measure which is easy to deliver (Schacter, 1995). Given this, the emphasis on training should come as no surprise. The aforementioned arguments are not so far of the explanation about the administrative capacity of Macedonian public institutions. The low pay, politicization of administrative processes and infrequent and inappropriate training are the key determinants of weak institutional capacity.

### **Controlling corruption**

Low pay contributes to another manifestation of low administrative capacity: poor organizational discipline and an inability to enforce rules. Always a problem in many developing countries, this grew to crisis proportions in those that were hit by sharp economic downturns. Colclough (1997a) shows how a dramatic decline in real pay levels in Zambia during the 1980s recession led public employees to adopt all kinds of survival strategies to make ends meet: 'daylighting' (doing a second job "during" office hours), private trading at work, effectively turning offices into marketplaces and, of course, corruption. Organizational discipline and cohesion went out of the window in the process. In many countries all kinds of public transactions, major or minor, are subject to the payment of bribes. Some areas-policing, public works, customs administration-are generally more lucrative to staff than others. Once a problem that used to be pushed under the carpet by scholars and practitioners alike, corruption has become a major item on the agenda of public sector reform in developing countries (Klitgaard, 1997b).

We have already looked at one approach to dealing with the problem: that of concentrating anti-corruption efforts on autonomous enclaves. Another very common measure, one completely unrelated to the new public management agenda, is that of setting up an anti-corruption commission empowered to receive and investigate public complaints or allegations about corruption.

Even where commissions have the necessary powers (and political backing), they must still rely on the normal

judicial machinery of the state when bringing cases to trial. The effectiveness of an anti-corruption commission ultimately depends on the integrity and efficiency of the prosecutor's office and the courts. Weaknesses in these areas can eventually destroy the commission's public credibility, even though they are beyond its control (Polidano and Hulme, 1997).

Accordingly, Macedonian judicial system is criticized at large by the domestic and foreign public, about its politicization and non-professionalism. The institutional capacity and authority of the institutions that fight against corruption is much undermined. Many research surveys on public opinion show that citizens less and less believe in the judiciary's ability to fight against corruption.

### **Decentralization**

The third major strand of public sector reform that falls outside the new public management is decentralization. The reader may find this puzzling: is not decentralization a major component of NPM reform? But the term means different things to different people.

Political decentralization is a major field of study in its own right, and there is no need to go into any great detail here. All that needs to be said is that it is currently of major importance in public sector reform efforts, particularly in Africa and Latin America. But for all that, the results have been limited. Local governments suffer from the same or worse capacity constraints as the central government. In general, capacity-building efforts have not been any more successful at the local level than at the national level (Crook and Manor, 1998; Smith, 1998).

Political decentralization tends to be considered separately from public management reform in industrialized countries. In Britain, for example, the conservative government of 1979 to 1997 curtailed the powers of local authorities at the same time as it pushed through a programme of NPM-style reforms that is extended to local as well as central government (Weir and Beetham, 1999). But the distinction is rarely present in the developing world. Political decentralization is often seen as an integral part of central government reform because it entails the transfer of large numbers of civil servants to local authorities and the radical restructuring of central departments of health and education among others. Inquiries about NPM-style decentralization in developing countries risk being shunted onto the wrong set of rails unless the different meanings of the term are appreciated.

It is evident that for all the assumptions of universality, the new public management is only part of the story of current public sector reform in developing countries during the economic crisis. There is substantial take-up of NPM reforms, but it is invariably selective. The failure rate of such reforms in the implementation stage is high.

The very same countries which have sampled items from the NPM agenda have also taken other measures which run directly counter to NPM tenets. Moreover, there are entire areas of reform which are simply unrelated to the new public management. Whether or not the NPM can be justly described as a dominant paradigm in industrialized countries, it certainly does not deserve the label in the developing world, including Macedonia in times of global economic crisis.

## **IS THE NEW PUBLIC MANAGEMENT APPROPRIATE FOR DEVELOPING COUNTRIES?**

Having reviewed the evidence concerning the take-up of the new public management in developing countries, we can now turn our attention to the question of its appropriateness. At first sight the failure rate of NPM reforms might seem enough to lead us to a negative conclusion. But it would be a mistake to look at the new public management in isolation. Our brief survey of non-NPM reforms shows that these have done no better. Administrative reform has always had a high failure rate, in both developed and developing countries (Caiden, 1991; Kiggundu, 1998). So if one is to argue that NPM reforms are inappropriate for developing countries on the basis of their poor record of implementation, one may as well say the same for any kind of administrative reform.

The real test of the appropriateness of NPM is not at the "output" stage of reform (implementation, where most reforms currently fail), but at that of "outcomes" (end results of successfully implemented changes). In other words, even if some means were found to overcome the implementation hurdle, even if it were possible to ensure that changes are not blocked or kept cosmetic, would NPM-style initiatives yield their expected benefits in a developing-country environment? Or would they not, perhaps even generating perverse outcomes? Broadly speaking, we can identify three interrelated arguments along such lines. Let us look at them in sequence.

The first argument may be labeled the 'stages of development' thesis, variant one. The lack of expertise and the unreliability of information systems in developing countries, so this argument goes, means that it is not viable to develop complex structures such as internal markets or sophisticated performance monitoring systems.

Such mechanisms would be unreliable at best, unworkable at worst. On the contrary, developing countries should concentrate on establishing more effective mechanisms of central control over functions such as staffing or finance, because this is the precursor of any eventual delegation (Holmes, 1992; Nunberg, 1995).

This argument draws on the historical record of developed countries. In the UK, for instance, there was no less than a hundred-year gap between the

Northcote-Trevelyan reforms, which led to the gradual creation of a unified, centralized civil service from the mid-19th century, and the contemporary 'Next Steps' agency movement which has effectively dismantled that legacy. The implicit assumption is that most developing countries are still at the Northcote-Trevelyan stage of development.

Our example of attempted corporatization in Ghana's Ministry of Health is partly a case of implementation failure, but also (in so far as the inability to set targets and monitor performance is concerned) partly a practical instance of the kind of outcome predicted by this argument. There is also Latin America's widespread preoccupation with the professionalization of staffing, for much the same reasons as those which led to the Northcote-Trevelyan reforms in Britain over a century ago.

Variant two of the stages of development thesis relates to the deregulation of line management. The management of government in developing countries, runs this argument, is already afflicted by corruption and nepotism. Central controls and procedures are the only safeguard against further proliferation of such practices. If the controls were removed, the floodgates would be opened to even greater abuse of power.

This argument finds plenty of adherents among developing-country officials themselves, as McCourt (1998c) discovers in the case of Nepal and Tanzania. It also echoes the concerns raised by author such as Greenaway (1995) about the weakening of ethical standards in the UK following NPM reforms.

Schick (1998) takes up this view, supporting it with a third argument relating to the introduction of performance-based mechanisms of accountability. He points to the existence of a sharp dichotomy between formal and informal rules of the game in developing countries, and the predominance of the informal realm. The rules of behavior that people actually follow can be very different from those that are written down. Contractual mechanisms of accountability would have little practical impact because they would remain trapped within the formal realm. They would simply be disregarded.

As with the other two arguments, this one is to some extent founded in reality. Ghana again provides us with an example: its attempt to improve the performance of state owned enterprises through contracts which proved ineffectual owing to, among other things, the political connections of managers. These arguments sound compelling. But there are a number of vital qualifications to be made. First of all, the stages of development thesis are somewhat misleading. The problem in many developing countries is not an "absence" of centralized rules and procedures. Rules and procedures are plenty, with all the disadvantages that adherents of the new public management would point to—delays, duplication, bottlenecks, and so on. Selection procedures lasting a

year or more are not uncommon.

The problem is, rather, that those who want to get around the rules for the wrong reasons are able to do so somehow, while well-intentioned managers can find themselves bound hand and foot by centralized red tape. Developing countries incur all the disadvantages of central controls, while seemingly gaining few of the advantages (Polidano et al., 1998). This leaves plenty of room for argument over what to do about the shortcomings of central controls. One can argue that they should be strengthened, as do Nunberg and others, or one can argue that they may as well be lifted because they serve little useful purpose. Interestingly enough, a document put out by the Latin American Centre for Development Administration (CLAD), a body representing Latin American governments, directly addresses the stages of development thesis and rejects it. The document endorses the drive towards professionalization of staffing, but does not see this as incompatible with a programme of NPM-style reform. It gives three reasons for this: first, there is no single historical path towards a professionalized bureaucracy; secondly, the traditional Weberian model of bureaucracy has no mechanisms to increase efficiency, a pressing concern to Latin American governments, thirdly, it is too rigid and inward-looking to respond to citizen demands for more participation and better governance (CLAD, 1998). Moreover, though many continue to believe in central controls as a check on abuse of power by government officials, we need to recall that NPM-style reforms have been used not only to make efficiency gains or to escape management constraints, but also precisely to combat corruption—as with the corporatization of the Ghanaian and Tanzanian revenue services. Pope (1995) argues that it is too simple to equate management decentralization with corruption. Quite apart from the ease with which central controls can be circumvented in many countries, he says that centralization could generate its own pressures for corruption as people seek to get round delays and bottlenecks.

Ultimately, all these are a “p priori” arguments on the basis of what are considered to be, no doubt with plenty of over-generalization, key characteristics of developing-country governments. The issue of the applicability of the new public management to developing countries should be settled on the basis of the “outcomes” of such reforms.

Evidence on NPM reform outcomes is limited as yet: we have reviewed much of it in this paper. What does it tell us? The concluding part of this paper reflects on this question, also drawing in some important additional material which we have yet to consider in our analysis of Macedonian circumstances.

## **RESPONSE TO THE GLOBAL ECONOMIC CRISES IN MACEDONIA: IS NPM EFFECTIVE AT ALL?**

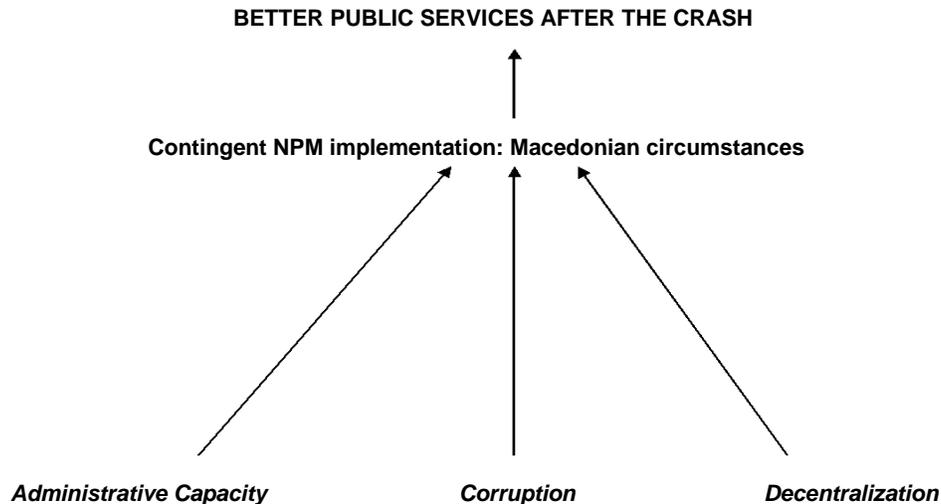
During the economic crises Macedonia suffered a huge

economic crisis in terms of unemployment, exports and private sector development. The Government issued many so-called pro-reforms laws, programs and decisions in order to fight the increased negative implications of the world economic crises on the national economic parameters. Among them, were the Deregulation Law under the national project named “Regulatory Impact”, the new Civil Service Law, the Law on Judicial Administration, the newly formed Ministry of Information Society and Administration etc.

The Government actions as a response to the world economic crises in order to protect the national economy were in some concordance with the actions undertaken by the neighboring countries. However, most of the legal actions were taken in order to reorganize public sector in managerial, organizational and performance sense. In implementing those legal actions in practice, there was a huge revolt by the public sector employees, but the government even without entering in a further public discussion with the public sector representatives, argued the public at large that the actions are needed to be taken for the common good of the country’s economic situation. Finally, when the public started to believe in government’s policy of a common good, the reforms were started to be implemented. Most of the reforms were NPM-like experience from developed countries and they did not differ too much from the rest of the developing world’s response to the crisis. The reforms included:

- 1) Downsizing the public sector organizations on national and local level by offering unemployment benefit packages to those public sector employees that have 55+ years of age.
- 2) Delivering massive public programs for training and development of the current public employees, most of them under the umbrella of so-called “capacity building”.
- 3) Cutting many public programs in education, health and social issues services.
- 4) “Facilitating” the tax burden of the private sector enterprises or even “forgiving” their public debt.
- 5) Promoting public-private partnerships and privatization of some of the public enterprises and services.
- 6) Stimulating the public-private dialogue on national and local level.
- 7) Using functional reviews and audits for public organizations.
- 8) Promoting and introducing a policy on a consistent regulatory reform as a permanent struggle with the “red tape” bureaucracy.
- 9) Many other direct or indirect government activities.

Our intention was not describing the aforementioned specific activities in deep, but just to assert that most of the aforementioned measures by the Macedonian authorities were expected considering the fact that most of them were standard types of measures that the



**Figure 1.** Macedonian NPM in relation to the global economic crisis: The global crisis as a motivation for better public services.

governments around the globe were undertaking against the public sector in situations of economic downturn. Accordingly, we must agree that most of these activities in Macedonia were nothing else, except NPM experimental tools. We know that the Reinventing Government movement and NPM emerged as a response to increased public spending, red tape, decreased accountability of the public sector employees and in times of threatening national or international economic crisis. In general, there is nothing wrong with NPM when the governments are using those reforms to deal with the recession. However, there is a problem when NPM tools and strategies are used in developing countries including Macedonia as a transitional and developing country that obtained its independence in 1991 following the break up of former Yugoslavia. We must agree that many, not to say all, developing and transitioning countries in the world just copied the NPM activities that were undertaken from developed countries where NPM emerged and was accepted at large. Let's say there was no problem when we wanted to speak about learning from the positive and negative experience in implementing NPM reforms from developed countries. The critical issue arose when those activities were tried to be implemented in developing countries and in Macedonia. The question is why was that a problem?

As was mentioned previously, the three pre-conditions in order the NPM reforms to be successfully implemented in any country in the world, including Macedonia were the issues of corruption, administrative capacity and decentralization. If there was a high level of corruptive behaviors, low-level of administrative professionalism in public institutions and where the political decentralization overrides the managerial decentralization, we could not speak about real, appropriate and successful NPM reforms.

In Macedonia there were no low-level of corruption, high level of administrative professionalism and most important: the process of decentralization within and outside public organizations was largely politicized by the party or parties that hold the political power. Even NPM was used as an "excellent political reason" to more public spending without real outputs that the public expects from the politicians at large. None of the aforementioned reform packages worked out in Macedonia. The reason was the following conclusion: there was no real NPM in Macedonia and NPM was even victimized for political points of the current government authorities (Figure 1). The organizational, managerial and professional approach in delivering public services has been eroding. In Macedonia, there were no better public services after the global crash. There were even worse cases compared with the situation before the global crisis.

The whole world was witnessing the huge efforts of the governments to curtail economic failure. Even the developed countries could not struggle in most effective and efficient way. Not to mention the developing countries as Macedonia. Those countries did not have an idea other than "NPM". But, not forget! NPM was initiated, planned and implemented in developed world. The developing countries could not rely on that concept because they were far away from developed world in societal, economic, political, historical and cultural way. What the only alternative remain for Macedonia was to somehow "accommodate" the NPM practice in accordance with its current situation considering its contingency variables that were specific for any developing country. Even they were specific for each developed country, there had to be done an extensive field research.

Before applying NPM to fight global financial crisis, Macedonia needed to eliminate the problems with the low

administrative capacity, high-level corruption and highly-politicized decentralization process. On the other hand, the global financial crisis could serve as an excellent “teacher” for better public services.

## CONCLUSIONS

### Local circumstances override the universality of NPM during the economic downturn

The evidence is perplexingly equivocal. For all that, there is a crucial difference between the Macedonian case and those we have reviewed earlier. Our success stories enjoyed a considerable measure of management autonomy, and this undoubtedly helped them perform well. These points very clearly towards the mediating influence of contingent factors. What sort of factors might have made the difference?

Answering this question comprehensively would require new field research. And there is the added complication that different countries are involved. But one factor stands out from the evidence we have reviewed: the character of the various public bodies involved in each reform initiative. Which organizations are dynamically reformist, and which are passive and moribund? In particular, what is the respective orientation of centre and line?

A further contingency factor emerging from the evidence is that of political backing for reform. Direct political support can be vital in ensuring that an initiative is successfully implemented.

We have lost sight of this in the great debate over whether the new public management is ‘good’ or ‘bad’. In a sense we are coming full circle. It is also important to note that contingency factors are both as capable of variation “within the same country” (sectorally and over time) as they are across different countries. Yet those preoccupied with the transferability of NPM to developing countries tend to focus on what they often present as immutable national characteristics. Factors such as corruption or poor administrative capacity obviously do affect the performance of government, but localized contingencies are much more important as determinants of the success or failure of individual reform initiatives. The tendency to draw generalized, once-and-for-all conclusions about the workability of NPM reforms in Macedonia on the basis of nationwide traits is simply misplaced. There is no room for dogmatism, either for or against the new public management. We have seen how different situations can call forth responses that are diametrically opposed to one another. Reformers in the new public management mould make much of the ‘three Es’ (economy, efficiency and effectiveness). Two more are needed: experimentation and eclecticism. The search for solutions to the problems of government in Macedonia requires open-mindedness and adaptiveness above all else.

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