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PUBLIC MANAGEMENT, PUBLIC ADMINISTRATION AND PUBLIC SECTOR

Summary: *Focus on the wrong sides of the state monopoly combined with bureaucratic pressures marked the beginning of the transition from public administration to public management. “Unlike public administration, this new paradigm primarily refers to the economy than on public policy of providing services, more highlighting the failure of the state than the failure of the market and it is sceptical when it comes to bureaucracy capacity to efficiently and effectively provide services.”*

The belief that management is management and that the practice of the private sector is superior to the public sector is not entirely new. From scientific management to total quality management, many improvements in performance and similar reforms have had a source in the private sectors. However, new public management and movement of “redefining” have made another step forward considering that the governments should not only adopt the techniques of business management, but also the value system of the business. Brought to its logical conclusion, public choice theory has tried to block the concept of “public service”. The implications are far-reaching since they led to the major reforms in New Zealand, Great Britain, and USA. It was believed that these reforms will separate the role of the development of the public policy from the role of implementation of public policy. It re-launched the old question of the dichotomy of the public administration. Funda-

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mentally, these measures were not only a sign of the definition of frames, but also the change of the purpose of the profession of a civil servant. It may be correct to ask whether the concept of “clerical profession” makes sense for agents and followers of the theory of public choice. “Efficient”, “managerial” state, which advocated and even applied to the efficiency with the belief that the procedural and structural reforms would contribute to management working better and the state costing less. This approach assumes the state as a subject of “redefining” which means re-engineering the structures of public administration. Today, the prevailing opinion is that it cannot be the basic principle of the state activity and it must always be harmonized with the public interest. Efficiency must be considered a way to improve state activities.

Key words: *new public management, public sector, redefining the government, public administration, public budget*

JEL Classification: *H, H2, H6*

INTRODUCTION

Reforms aimed at the new public management has strongly influenced the rethinking and redefining the ethical dimensions of the profession of civil servants. National Service found itself in a situation where it was losing its previous cohesiveness, and even personal identity. The reform programme marked a change in the nature of public officialdom. “People first” and a radical transformation of the style of public administration. These programs were based on the following:

- The development of public policy: we will develop in advance policies for achieving the important results, and not just react to short-term pressures,
- Public service based on needs: we will provide public services that meet the needs of citizens, and not those which officials believe to be necessary,
- High-quality public service: we will provide efficient, high quality public services and will not tolerate mediocrity,

- Government in the Information Age: we will use the new technologies to meet the needs of citizens and businesses, not lagging behind the technological developments,
- Public service: we will appreciate public service, and not discredit it.

1. GOALS OF MANAGERIALISM: DEREGULATION, PRIVATIZATION AND MARKET LIBERALIZATION

Four common goals of managerialism were: privatization and deregulation, market mechanisms, decentralization and de-bureaucratisation.

A. According to the scheme, which has been copied in many countries, social and other benefits are significantly lowered, steps have been taken in privatization of some public services such as education and health, and experiments with the private courts and prisons and private police forces. In New Zealand and other countries, the narrowing of social programs was only a part of a much broader activities on limiting the state through decentralization, transfer of authorities and jurisdictions. Privatization and various forms of “external supply” were conducted in an attempt to reduce employment in the public sector, as well as the fiscal burden. Privatization included both industry previously considered “strategic”, such as the steel industry, coal or airlines, and public goods where previously there was a natural monopoly, such as gas, electric energy and phone companies. In Great Britain, the privatization of the water supply companies and railways received high marks.

The purpose of the reform proposals marked as “laws and the economy”, obviously with the long-term character was to promote efficiency and maximize wealth creation accompanied by the elimination of laws that restrict the activities and the reduction of fines corporations pay for inadequate behaviour. The aim of these proposals was to circle the role of the state, to limit government spending, to replace progressive with a unique tax rate and also to stop or reverse, in other ways, the trend which, according to the neo-liberal economists, comes from the Great Depression, the New Deal and theories that occurred after the two world wars.

B. So where public functions (those regarding social policy) are not privatized, a number of market mechanisms was introduced in order to mimic the effects of the market. This included periodic market testing of services in relation to the potential offers of external suppliers. In addition, an attempt was made with the establishment of the internal market mechanisms within the health care system of social protection, education, and even within the organization of the University. The application of the so-called market mechanisms in the public sector attracted considerable attention. But that does not mean uniformity, since this concept includes: all arrangements with at least one important feature of the market present (competitiveness, pricing, shared decision making, monetary incentives, etc.) It becomes clear that this definition excludes the two extremes - traditional public supply and complete privatization.

C. One of the most important objectives of the reform of the state was decentralization whose implementation is supported by the development of democracy in former dictatorships and totalitarian regimes, for which the centralization and a firm control was a condition of survival, but also a key element of ideological standpoints. In these countries, the quest for more democracy is accompanied by attempts to leave a highly centralized, tightly controlled, often paternalistic and authoritarian bureaucratic system in favour of a system that provides the values of personal initiative and participation of citizens in governmental businesses.

In an attempt to include and resolve the problems of distribution of functions and resources at several levels in the state, the European Union has developed a principle which is very simple and clear. Principle of subsidiarity says that every function should be located at the lowest level at which it can effectively be performed (Ristic 2012, 386). In practice, this means that any decision to allocate a function or responsibility to a higher level must be defended by the fact that it cannot be effectively exercised at the lower level.

D. “De-bureaucratisation” was often, through re-engineering and deregulation, the preferred strategy for ensuring efficiency. In order to promote “costs awareness”, efficiency and effectiveness of public administration, new public management was initiated so as to affirm the rights of private

persons as consumers and clients in relation to state authorities, who were in most often cases in a closed, old-fashioned and paternalistic way inconsiderate to the wishes of the public. In all states transparency, responsibility and integrity of public administration are back and in a big way. They are partly caused by pressure from the public to break the tradition of secrecy which has long been associated with the culture and practices of the bureaucracy. The emphasis on responsibilities was linked to an effort to make public policy and administration return to the source - the citizen to whom they belong, and responsibility for effective spending of public funds. In other words, there was an effort to bring the administration closer to citizens, to become more understandable, and more approachable, by narrowing its prerogatives, reducing the number of employees, “empowering” public and expanding the range of services. The right of public to be informed and involved in the design and practice of public policy was re-affirmed.

Similar was the aim of re-engineering whose essential method was defined in the following way: ask questions about everything; discard all the accepted assumptions and the official truth; constantly develop strategies of change; focus on consumers, radical change, “agile” organization and information technology. “Good Governance” is a term that appears in the dictionary of the World Bank. Principally, “good governance” is defined as “a way in which the government is exercised in managing the state economic and social resources for development” (Ristic 2013, 624).

For the World Bank, the nature of the political regime has no significance, because it only cares about the state of public policy able to make the market more efficient. In order to ensure and to organize a stable legal framework on which economic actors depend, states must develop participation that “enables public to influence the quality and scope of services through some of the ways of articulating preferences and demands.” A responsibility system under which the state officials are responsible for the activities and transparency of management decisions and policies. According to the neo-liberal economic theories that believe “in the market system and free exchange as the most effective and most egalitarian way of organizing human activities” the World Bank determines that states must limit their role

“to provide an environment for the private sector”, for the free economic exchange and for the protection of property rights.

2. PRINCIPLES OF THE NEW PUBLIC MANAGEMENT

Followers of the new public management put to the test public administration who ruled for more than a century. Their argument is quite simple: traditionally organized executive government is too cumbersome, too slow, too bureaucratic, too inefficient, too irresponsible, and too unproductive. It does not give the wanted results. Yet, nowadays, citizens expect from the government to produce results primarily. They do not tolerate inefficiency or ineffectiveness. This is why we need a new way of doing business and management - management in public administration. New public management is a direct response to the inadequacy of traditional public administration – especially to the inadequacy of the state bureaucracy (Ristic 2013, 625):

A. “Let the managers do the management” was the slogan of the movement: simple, direct and resonant. The needs for flexibility and freedom of movement, contained in these statements, makes sense in a world where changes and discontinuity are everyday reality, where the rigid structures are considered to be the past and where adaptability, creative problem solving and quick response to unforeseen events are considered to be the condition without which in cannot be survived and succeeded.

The search for cost efficiency, through new styles of management and organizational forms, also stressed the changed profile of good public managers. Profile is not new, but has suddenly gained in importance and popularity after publishing Osborne and Gebler’s highly circulated book “Reinventing government” in 1992. This and other books celebrated the “entrepreneurial manager” unlike the stereotypical and malignant conventional “bureaucrat”. This profile is in line with the development of a new prototype: coldly pragmatic and business, but also proactive, creative, task-focused, result-oriented, who is also a friend of the public. It is the opposite of an indifferent, too cautious and rule-dependant bureaucrat, whom advocates of a reform marked as a stereotype. However, it would not be correct to state that they represent more than a small percentage of today’s

public servants, especially in countries where this critic was indicated. The new style and language strongly influence the content of the message. Some of the main principles are (Ristic 2013, 625):

- Emphasis on results, performance measurement, monitoring and evaluation;
- Focus on cost reduction, and thus the “cutback management”, which reflected the fear from the period of recession;
- Insisting on the need to reduce the scope of work of the government (administration);
- Developing completely the privatization, out-sourcing and decentralization of services supplied by the state and other administrative functions that are not considered essential;
- Focus on core competencies and tasks of the highest priority;
- Transfer of decision-making authority to the final user as close as possible;
- Openness not only to practice and methods, but also to the language and values of the private sector, partly due to de-bureaucratisation of the state administration, but mainly due to the assumption that private sector can provide cheaper services and enhance competitiveness;
- Consistency with the theory of “customer orientation” and understanding citizens as “valuable customers”;
- Emphasis on “empowering” users and stakeholders and “participatory management” (Ristic 2013, 625).

B. There are four principles for public management based upon results:

Encourage system approach: Put the emphasis on assessing the progress in effectiveness and “value (obtained) for money” from the perspective of the entire system, not just its individual parts.

Change the direction: From the evaluating of what is spent to evaluating of what is produced and take great care about the manner in which the resources are managed. It should be known what is achieved by money

spending. The goals of the state authorities, as far as possible, are represented in terms of final results or service standards, and it is necessary to make efforts to develop measures that support this approach at all levels of government.

Intervene in the inverse dependence of success: The government should certainly take measures where standards are not met, but it is not advisable to keep local jobs from the centre by excessive intervention, especially where good results in the providing services are achieved, where everything functions well a greater scope for innovation should be made (Ristic 2013, 626).

Use the right information at the right level: Managers should use separate systems for evaluating the results in order to perform monitoring and improve business. They should not be burdened by information or bureaucratic requests for irrelevant information. It is necessary to use new technologies to achieve simpler access to information management in the public sector.

From this approach follows a new emphasis on measures and supervision of performances in the public service. Such examples, with some differences, could be found in the respective countries with the Westminster system. In Canada, for instance, this approach was based on the belief in the need for strong political capacity and “non-partisan” professionalism as obligatory prerequisites for quality performance and quality of service. On the contrary, in New Zealand, a more radical approach, based upon the rules of the new public management, separated the provision of services from the public policy, and managers are not guaranteed a permanent employment, but practices regarding performance contracts or, more clearly, the contracts on the basis of results were developed. However, over the past decade standard setting, benchmarking and an emphasis on measurement, monitoring and evaluation of performances are mostly developed in the United States. A brave step in this direction was taken by the Government Performance and Results Act in which the Congress has determined that through the consultation and planning objectives of agencies and programmes are identified and annual reporting on results is conducted. Joseph Voli described the intent and purpose of the new management system

based on the results as follows: The purpose of planning and measurement of results and possibilities to increase managerial flexibility, and in turn receives responsibilities for the results is the improvement of management, the programme effects, responsibilities, and to support the decision-making process on public policy and increase public confidence in government (Ristic 2013, 627).

C. Regarding the budget, the flexibility can be introduced at different levels of the budget cycle. The process of determining the budget depends a lot on the structure of the Budget Law and the level at which legislation controls expenditures. There are two major trends that lead to greater flexibility: first, the member states of the OECD are increasingly moving away from the classical approach of creating the budget “bottom-up” but to reverse the “top-down” approach, in which the government determines the upper limit of the total costs and determines the amount for each ministry. This newer approach allows greater government control overall costs and facilitates the reallocation of resources. Second, in several OECD countries parliament no longer considers individual budget allocations but one general direction and trends in government expenditure.

In this way, in the nineties, a major reform aimed at introducing budgeting based on results (performances) – concept that connects information about the performance/results with the budget was conducted. A key challenge relates to the continuous lack of important and useful information about the results/outcomes/effects, difficulties in achieving consensus among stakeholders on common goals and strategies, inconsistency of the programme structures and reports on costs, and finally, the limitations in information systems and responsibility mechanisms (Ristic 2013, 627).

Finally, the expectations of any initiative to create a budget according to the results lie in the potential that information on results and mutual comparisons are used in the budget preparation process. By that “focus is diverted from simple input information on costs to exit information on expected final results and effects in the process of preparing and adopting of the budget.”

D. Outsourcing implies that the public sector procures from the private sector goods and services that it have traditionally produced and provided.

International studies have shown that outsourcing can achieve sustainable 20 percent savings, while maintaining and improving service levels. The savings in costs after the introduction of the outsourcing are different in the USA and Great Britain 20%, Australia 15-20%, Sweden 9-25%, Denmark 5-30%, and in Iceland 20-25%. The practice of outsourcing differs among member states of the OECD. There is a general agreement that the support services, such as room cleaning, catering, printing and alike, are appropriate for outsourcing. Countries with a strong tradition in outsourcing especially Australia, New Zealand, Great Britain, United States of America and the Nordic countries have moved away from the outsourcing of support services in areas that were not so long ago considered classic state services. An example are the fire service in the USA, the prison services in Great Britain, unemployment offices in Australia, correctional institutions in Iceland, the functions of the national Audit Offices in New Zealand.

E. All the stronger is consensus that the centralized model of service provision is inappropriate to the needs and requirements of the public management. Therefore, the reform efforts are aimed at transferring authority within public agencies or between ministries/departments and agencies that spend budget funds and/ or between the central government and lower levels of government/market and the third sector. The process of transferring jurisdiction is led under the assumption that managerial flexibility is a prerequisite or at least an additional measure for long-term fiscal consolidation. This understanding is supported by three classical sets of economic arguments: first, for many services, devolution of power can result in a better response to citizens' demands; second, the benefits of IT increase administrative efficiency and third, innovation is supported at the local level. However, the transfer must be harmonized with the potential economies of scale in the provision of public services, the potential costs of spill over effects of various jurisdictions and effects of competition and migration within the public sector (Ristic 2013, 629).

By transferring jurisdictions and creating internal markets within the public sector, the classic concept of responsibility based on hierarchy and control of input of resources and processes themselves is inappropriate in most cases in the "state of contracts and agencies." One of the approaches

is based on an attempt to clarify and formulate relationships between individuals, public sector organizations and administrative levels through so-called contracts on the results. These type quasi contracts are actually agreements between the two sides of the public sector where one party (the principal or the supplier) determine the level of resources given to the other side (consumer or agent) and the type, quantity and quality of results to be achieved for a specific time. Contracts results do not determine in detail the use of resources and processes. The main role of these contracts is to provide more decentralized public sector with potentially different responsibility framework. Wherever there is a transfer of jurisdiction, there is a potential need for performance contracts: between competent and employee, department for support services and basic administrative departments, between many public sector organizations, between the executive and local governments, between the legislative and executive authorities, as well as between different hierarchical levels within the state administration.

All in all, performance contracts can be considered a useful tool for achieving the philosophy and style of management oriented to results and regular evaluations in the public sector. Performance contracts force all parties to state objectives, to revise them and, most importantly, to enter into mutual negotiations. In many countries, it is discussed whether “legally non-binding” performance contracts can and should become legally enforceable contracts.

F. Similarly to budgeting flexibility, devolution of power in the personnel system includes several options when it comes to the elements and the degree of greater flexibility. Much attention is paid to the determination of salaries, but flexibility of personnel management may involve many other elements such as (Ristic 2013, 629):

- job classification system
- mobility
- recruitment procedures
- conditions in the workplace.

With the exception of New Zealand and Great Britain, who have achieved a high level of decentralization, other OECD countries have implemented

more limited access to, let's say, the flexibility of the salaries system. However, in all member countries of the OECD, a significant role of the central departments/authorities for the human resources management remained.

Even in these countries who have adopted radical changes in the payment system of public administration (such as, for instance, New Zealand and Australia), there was a need for supervision and provision of common ethical standards designated in the public services that are still performed centrally.

The central bodies for the management of human resources report that there is increased efficiency and effectiveness and facilitated innovation. Empirical analyses confirm that the lower growth of salaries in the public sector is particularly contributed by the flexibility in defining the number of employees and bargaining and determination of individual salaries. However, in all the countries that have developed human resources management, the balance between control and flexibility has not yet been achieved. Many governments are still struggling to keep control of total public expenditure on salaries. There is, in fact, the idea that a centralized system of salaries determination in the public sector compared to the more decentralized one makes it easier to control the labour costs. There is also a concern about the balance between enabling administrative bodies to develop their practice of human resource management and to maintain a certain degree of unity and common value system in the public service. Attempts to return to common system of values are visible in the centralized agreements for appointing senior civil servants, and some countries in their central bodies develop capacities for strategic planning and development of a unique policy of human resource management.

3. DEMOCRATIC GOVERNMENT OF PUBLIC POLICY

Democratic government is a system of state government by participation of all stakeholders in decision-making processes on the way of spending public resources and the formation and implementation of public policy. The very existence of democratic government does not necessarily mean that the government operates efficiently and effectively and that citizens

are provided with quality public services. It is possible that government operates according to democratic principles, but that it does not give satisfactory results. On the other side, the existence of democratic governance is a necessary prerequisite for the development of any successful way of governing the state, including the concept as a new public management. Therefore, it is necessary to pay special attention to the new system of democratic responsibilities, duties and authorities which must be reviewed and approved in any initiative to reform the public administration (Ristic 2013, 631).

Citizens know exactly what the responsibilities, duties and competencies are and can define them precisely. But often they do not have, or at least do not use, the same definition, and it can happen that different people hold different organs and officials responsible for different things. Responsible environment is a constellation of forces – legal, political, socio-cultural and economic – any that make pressure on organizations and their employees. When we talk about the responsibilities of people in public administration, we usually think of the responsibility for finance, justice and equality or responsibility for results.

A. English terms “accountability”, “accountable”, “account” and “accounting” all have the same root. It is therefore not surprising that the most obvious forms of responsibility are focused on financial accounting: how books are kept and what is money spent on (Vašiček 2010, 163).

Responsibility for finance has established a unique framework for other systems of responsibility. First, it would be good to determine which values should possess individuals and organizations. Furthermore, it is necessary to specify what exactly does it mean to hold these values so that they will be codified in a very precise rules, procedures and standards. “Then it is necessary to develop many reporting mechanisms to present how these rules, procedures and standards apply. Finally, a separate organization should conduct an audit of the data so as to check whether the rules, procedures and standards are actually implemented. What is exactly achieved by these rules, procedures and standards? They clarify our expectations on how government officials use our money, because we have very precise expectations about how our government officials should perform financial

tasks.” All this sounds pretty clear. Managers and employees of any public organization are entrusted with the taxpayers’ money. They have a responsibility – an obligation – to use that money wisely.

B. Citizens do not want state bodies and officials to be responsible for the proper conduct of financing that government/public administration is responsible for a host of other well-known measures of democratic governance – particularly for justice to be fair to their employees and contractual parties, as well as to all clients of different programs. To make sure that the government and its officials pay attention to these ethical standards – to these democratic criteria, citizens create rules to codify exactly what they think, in practice, under justice and equality. These rules create processes and procedures which guarantee the government is impartial – it acts justly towards its citizens.

The process of creating responsibility for justice has many similarities with the process of creating responsibility for finances. It is necessary first to decide which values the government, administration should own, and then create rules, procedures and standards to determine what the organization should do. It is necessary to require the organization and its managers to keep records of what was done. Finally, as in the process of creating responsibility for finance, there follows an audit, and in case of violation of the rules, procedures and standards – also the punishment. To create the basis on which people are held responsible, expectations – very clear expectations should be developed. This is precisely the task of rules, procedures and standards. They codify expectations about how public officials should treat citizens, i.e. what exactly do we mean when we say “just”. Since we have very clear, very detailed expectations about how employees in public administration should treat citizens, many rules, procedures and standards are required.

C. The public administration is required not only to reasonably use the money and to treat everyone fairly – it is also expected to satisfy the public interest. Responsibility for finance and for fairness takes care HOW administration does what it does. But we are also interested in WHAT does it do. This includes third aspect of responsibility – responsibility for results (Ristic and Ristic 2014, 631). Are public policies, programmes and gov-

ernmental activities achieving the results for which they were established? How much have pupils in an elementary school learnt? How many children are healthier this year than they were last year? The answers to these questions give the basis for calling government for the responsibility. In order to consider a public organization responsible, we must establish expectations about its work and performances/results, i.e. their consequences and the impact they have. To specify a level of performance that we expect from a public authority bodies, we need some kind of guidelines, expected results and objectives – a clear standard for comparison of performances. We need an explicit way of determining whether the organization was working contrary to our expectations. Responsibility for results requires something qualitatively different. To determine expectations about what the public authority body should fulfil – the thing on the basis of which it could be held responsible for results – citizens need to specify the results expected from it. Responsibility for results involves much more than providing appropriate and necessary services to direct “customers”. Our expectations of the results of the public administration bodies include much more than just making customers happy. Responsibility for results must mean achievement of standards of performances which is higher than the exchange between a vendor – a customer (Ristic and Ristic 2014, 286).

State officials – regardless of whether they are elected or appointed – face higher ethical obligations than employees in similar positions in the private sector. “To accept the civil service means to accept not only greater benefits but also greater burdens than those in ordinary life,” says Dennis Thompson from Harvard University.

“Among such difficulties, there is a risk that public officials can be fined for acts which are, in fact, justified. Unbelievably: public officials agree to be punished for acts that are justified! Either way, Thompson argues that the threat of punishment has its positive sides: “Officials (in public service) know in advance that they could lose their jobs due to the activities to which they have little or no impact, yet they agree, without a word, to the risk of this kind of political “punishment”. Such a risk, further, may be useful in the creation of political institutions; it leads officials to try to apply all possible measures to avoid a mistake. “

D. Why do people care about the responsibility of the public sector? Because they fear that elected officials, appointed managers or civil servants would misuse their power. And many public officials have great power. They award contracts of millions or billions of dollars to one, but not to the others. They decide to award benefits to ones and not to others. They decide to prosecute ones, and not others. They decide to convict ones, and not others. They determine penalties and pay funds to some, but not others. Now the question of responsibility encounters an obstacle. To consider people responsible for results and, at the same day, hold them responsible for finance and justice, creates a dilemma. Rules of responsibility for finance and justice can disturb rules for achieving results. The Chairman of Walker and Winter Commission considered (Ristic and Ristic 2014, 634):

Restraint by rules, regulations and procedures precludes good results even for those employees in the state administration most oriented to the public. The most talented, most dedicated, well-rewarded, well-trained and well-led state officials cannot serve the public good if they are participants in the hard-line practice that punishes innovation, promotes mediocrity and does not allow flexibility. Detailed regulations for employees in the public service do not go along with productivity, innovation and high morale. This is the dilemma of responsibility, a trade-off between responsibility for finance/justice and responsibility for results. There is a conflict between the values dictated by the responsibility and those related to originality, experiments, inventiveness and risk-taking.

“Potential tensions between the traditional understanding of public administration (to do things “by the book”) and new forms of public management (reaching the results through innovation and risk management), are increasingly coming to the fore”, says the OECD. If you want to be a part of the business that is liable, it makes more sense to concentrate on the process than on the results. Since responsibility for finance and justice is much clearer than responsibility for the results. We precise our expectations for finance and justice through clear rules. But often we disagree about the results we want a public organization to achieve, which mean that we cannot be precise about our expectations in terms of its performance. What should be the standard for results? Even if we could create a

widely acceptable standard for the results, the question is why the public authority failed to implement it?

Public managers can create an administration based on the results if, among other things, they redirect responsibility for compliance with the rules and regulations to achieving results. “If you want better management,” claimed David Osborne, “untie managers’ hands and allow them to work. Hold them responsible for results and not for respecting meaningless rules”. Therefore, from the call for improvement of the results of the public sector derives a call for deregulation. If the public really wants better results of the public sector, many regulations that prevent any effort to improve results should be reduced. Citizens expect all three aspects of responsibility: for finance, for justice and for results. “I can choose to satisfy the rules for responsibility for finance and justice. Or I can focus on results. However, I cannot choose both.” So what do public managers do? What is their answer to the “dilemma of responsibility”? First, the majority wants to meet the test of responsibility for finance and justice. Most public managers try to fully ensure that the organization is “clean” before auditors so that no matter who carries out the audit finds not even the least breaking of the rules. Then, if there is still time, resources or organizational capacity left, they will try to improve results.

E. The new responsibility mechanisms assign civil servants with a direct responsibility for their work, not only constructive responsibility of a minister or the parliament. Nowadays, it is significant that responsibility covers the negligence, and authorizations, i.e. failures not to do wrong things. A whole scope of new mechanisms are applied to revise and correct decisions of public administration, thus breaking the practice of the excuse “because of the rules” or simply because it is necessary “to respect the orders”.

Can we allow entrepreneurially “empowered” public officials to make decisions, to use discretion and to be innovative, and still to retain democratic responsibility? Can we allow public managers the flexibility, yet ensure responsibility? Can we encourage public managers to be entrepreneurial in achieving results, and still to provide information necessary to determine responsibility? Can we delegate public functions to the private

sector organizations, still keeping the sense that public services are generally not individual transactions with individual customers but that these have a wider, public purpose? Proponents of traditional public administration, as claimed by the advocates of the new public management, are sometimes inclined to accept that the government can certainly benefit from the application of business management techniques. However, they insist that the nature of the state and its institutions, especially the nature of responsibility in government, is fundamentally different from the nature of responsibility in business (Ristic and Ristic 2014, 634).

Democratic responsibility is not an option. It is a basic feature of any approach to structuring the executive authority. The advocates of the traditional public administration believe that it makes no change that market forces, “thinner” and much flexible organization and managerial autonomy function well in private sector organizations. The government is different. The government must not be responsible only to the stakeholders concerned with their own interests, not only to those who pay taxes or clients who are a target group for research and analysis of public opinion. The government must be responsible to all citizens. If the system does not provide responsibility to citizens, then it is, by definition, unacceptable. What is the task of executive authorities, leaders and managers of these bodies, their direct executives and their associates outside the government? To improve results? Or to implement laws? This question separates the advocates of the new public management from the advocates of the traditional public administration.

The theories that advocate a market model and limiting the role of the state use, consciously or not, governments when they believe that the reform of the administration and manner of work is necessary for savings and attracting investments. So far, globalization meant that the states compete in the international market, and their ability to attract capital depends on the level of legal protection and freedom of economic action they offer to investors. According to this principle, public management, side instance of the private sector, must be cost-effective and strictly focused on “value for money”, efficiency and performances. It would be wrong to believe that the traditional distinction between public and private can be deleted only when it comes to management methods, since, in fact, the very con-

cept and the purpose of the public sector are questionable. Attainment of public interest which traditionally justified the role of the state and the special status of civil servants loses its importance. Today, the neo-liberal theorists believe that the market can provide the public interest better than the state does. In this respect, the role of the state is limited to providing equal opportunities for all individuals and organizations (Ristic and Ristic 2014, 636).

4. TRANSFER OF THE NEW PUBLIC MANAGEMENT

A. If the reform of the public sector of Great Britain as the real representative of the new public management is analysed, it follows that the basic elements of this model are copied and applied in other countries as well. In addition, New Zealand has conducted the reforms with more enthusiasm than Great Britain. Many states, members of the OECD, adopted elements of this model of reforms especially privatization, “contracting”, executive agencies and reforms for improving efficiency and quality. Meanwhile, the political and bureaucratic leaders of economies developing and in transition seek solutions to the problems of overburdened, expensive, inefficient and indifferent state, so their reaching for the initiatives already tested in developed economies is not surprising. Nevertheless, there are two basic problems. First of all, the transfer of public policy is a complex and complicated process, which takes much time until the first results can be noticed. National administrative cultures are unique and specific and in different ways resistant to the use of “the best model” or a copy. This also refers to developed countries. Rather interesting is the case of France. It has, as well as other OECD countries, under pressure of fiscal, economic and bureaucratic crisis, tried to conduct the reform and modernize the administration, mainly through privatization, decentralization and greater use of contracts (Ristic and Ristic 2014, 636).

An attempt of a general reform met the resistance of fixed interest and centralized state of the French political and administrative culture, so the intentions of politicians-reformers were largely prevented. Instead of solving bureaucratic issues, reform increased them creating a “two-speed” public service, modernized in some parts, whereas traditional in others.

A different problem of cultural transfer happened in China where the concept of bureaucracy is based on specific “Chinese characteristics”. Contradictory values are reflected in the contradictory and fluid relationships in government and administration. In the process of partial reforms, planned economy and market, the party-state and civil society in infancy coexist and compete. From these instances it is clear that without a flexible adaptation to local conditions reforms will not take root, but become empty, “façade” reforms, which would not be effective and would not do anything more but create new bureaucratic layers. Unfortunately, the reforms based on the experience of developed countries continue to be accepted despite reliable evidence that often they do not function.

Analysis of programme reforms in developed countries led to different estimates. In New Zealand the management is believed to be better today. However, while recognizing the radical and transformative nature of reforms (scope of public services decreased to 60 percent), there is also a lot of criticism. The practice and theory of management are transformed, but the eternal questions of public administration remain a challenge that cannot be overcome by the principle of separation of roles or transferring problems on the market.

Moreover, others estimate that New Zealand model seems to lose sight of the most factors that provide a serious strategic development of public policy. The differences between elite reformers and persons from the target groups are also present in the assessment of Canadian reforms. Citizens and employees in public institutions consider such multiple changes, at least, confusing. The failure of the Canadian government to adequately disclose financial, personnel and other costs of restructuring is criticized. However, the most disturbing criticism (based on a survey of the OECD) is that “despite differences between countries, there is an increasing agreement and concern that the fundamental values in the organization of public institutions are suppressed by the reforms.

B. New public management is relatively rarely seen in developing countries, and the assessment of its impact even more rarely. Summarizing the conclusions of the five-year review of “changes of the role of government in adapting the economy” in South Asia, Sub-Saharan Africa and South

America, Baitly finds that the impact of reforms directed towards the introduction of the new public management is different and they are, in the best case, led to improvements in efficiency. On the other side, he notes that the transaction costs of radical reforms independency of agencies for providing services are beyond the profit, and that the reforms that tend to separate consumers from suppliers sometimes reduce responsibility (Ristic and Ristic 2014, 637).

There are various explanations why the new public management in developing countries provided less than it should. The point is that the old administrative practice, including the culture of public service, continues to live in the era of new public management. Another explanation for the apparently poor results in developing countries is reduced to the fact that the impact of these reforms under any circumstances is marginal. Even in New Zealand, it is difficult to accurately show what has improved as a result of system changes. Equally unclear results were recorded in the Great Britain. Simply assessment of the effects, even if it was made was unable to provide clear evidence in favour of the new concept.

Existing comments about the reforms of public management in developing countries often do not provide any real evidence that there is an awareness of the problematic nature of the model of the new public management. It seems the critical literature on practice in developing economies is ignored, particularly regarding the need for close integration of the privatization with the general transformation strategies. A specialized study of the World Bank recognized the problematic nature of implementation (for instance the World Bank in 1995 On the political obstacles to privatization) (Ristic and Ristic 2014, 637). The failure of the literature on development management to produce a reasonable critique of the new public management is troublesome, as it leaves us without the support for the information for a reasoned debate required by the future importance of the reform of public management in developing countries and in transition economies. However, from the tensions that arise in this regard, the following recommendations can be drawn:

- If you leave clear standards of competence in favour of flexible relations under a contract, legal protection of citizens shall be provided

to the same extent as it was in the traditional organization of public administration;

- If control on the basis of effectiveness and efficiency replaces the democratic control, control instruments must be transparent;
- In the field of management when politically important decisions are adopted, policy must not be excluded;
- Broader discretion in the management field has to be balanced by guaranteeing equality of complaints on public services.

C. The implementation of economic management principles (and management principles of the private sector) in the public sector does not only change the organization of the public sector, but also the nature of the state as a whole. The new “state of contracts and agencies” causes various problems in relations within the state, but also in the relations of the state, the market and society. Often there is not enough awareness that different degrees of the reform process require different solutions, and many of the long-term implications of organizational and managerial reforms become visible only later (Šeparović 2002, 31). Yet, all countries that adopted the selected elements of the new public management are aware that there is no return to the old forms of government and public administration. By all accounts, development of the new public management is more demanding than suggested by a cursory glance to the introduction of management systems.

In the widest sense, a common problem of the new public management is clearly the relationship between the responsibility of public managers and employees, ministries and autonomous bodies or agencies, public administrations and citizens, legislative and executive authorities, and the public and private sectors. Responsibility is closely associated with the new public management since explicit responsibility was one of the main objectives of all reforms to the new public management.

There are two types of consequences which may arise from this: either the new public management will have to make a compromise between efficiency and other public sector values such as fairness, or the full implementation of this new public management will require far-reaching changes in the legal and institutional framework. Gap between managerial and

political responsibility remains particularly problematic. In Great Britain, for example, there is a debate about ministerial responsibility versus public responsibilities of officers. The reforms of public management, in many ways, also influenced the management of ethical behaviour. Critics of the new public management predict an increase in corruption in the new «state of contracts and agencies» that provides more freedom for public sector organizations and employees in the public sector. There is an objection that the new public management promotes the economic value on the expense of other values. But these arguments are not based on facts, because there are not so many empirical studies that compare ethical behaviour before and after the great reforms of public management. Reforms bring changes also in the status of public sector organizations through corporatisation and semi-privatization. This also imposes the question of the extent to which public corporations and similar organizations are subject to the rules of conduct and moral code, valid for a classic public sector. The reforms have also resulted in the development of new forms of public sector organizations such as semi-autonomous bodies. The new organization agencies often use their managerial freedom to define their ethical standards. This tendency is reflected in the increased employment of people from the private sector, often in management positions (Ristic and Ristic 2012, 640).

D. In the late eighties and early nineties, the new public management was presented as “a public management for all times” or as “the only best way”. Many management innovations are packed nicely, but this approach was different in that it was carrying a hint of the end of the history, anticipating that we are lucky we are in the public sector at the time when the truth was revealed. After a decade and a half of reforms in some states members of OECD, some guidelines of what to take and what to leave out from a new model of public management can be distinguished. The ideological debate that has been reached often observed the managership as extreme in itself that defines a desirable state of public administration in terms of structure, operation and results. Nevertheless, the development of this model shows that it must be understood and used as a “tool box” which, if properly applied, can contribute to solving some specific problems in certain parts of the public administration.

States should adopt a pragmatic approach to reforms of the public management rather than to follow the dogma and trends in public management. The implementation of the management system proved that in the very beginning national and local circumstances and organizational diversity must be taken into account. Certain reform concept can work in one sector, but not in the other due to differences in organizational structures and cultures (Ristic and Ristic 2012, 641). The process of reforms is necessary to include the human dimension. One of the classic reasons for the failure of many public management reforms was insufficient information of people about the rules of changes, and also the fact that they were not trained to contribute to this process. Before a decision to embark on reforms, it is necessary to assess whether there are sufficient prerequisites for successful implementation.

Within the public sector, there must be facilities for training and adaptation. Establishing training mechanisms such as a regular re-evaluation, reports of citizens and employees are not only success factors in the management of any reform process of public management, but also the impetus to political and administrative leaders to look beyond the current reforms and be prepared for future challenges. Undoubtedly, the new public management has left a mark. However, despite the fact that we strive to apply it throughout the world, it did not become the prevailing paradigm of public management in developing countries. Any criticism of the development of public management in any less developed country shows that hierarchical bureaucracies were essentially not replaced by a chain of interrelated contracts. Surely there had been very significant reforms, particularly in the health and water management. But most of the functions in the government continue to perform vertically integrated bureaucrats working as Weber predicted.

CONCLUSION

The basic assumption of management based on the results, a concept that is applied in more and more state administrations, is actually simple planning and concrete work. The organization is based more on input of means used then on the effects and results coming from the use of these funds.

Performance based management along with finance management are in the very essence of the financial management. More states create their public finances, i.e. budgets, precisely on the basis of expected results. Flexibility can be introduced at multiple levels of the budget cycle. True, the process of determining the budget depends largely on the structure of the Budget Law and the level at which legislation controls expenditures (Ristic and Ristic 2012, 643). There are two major trends leading to greater flexibility. For instance, the OECD member countries are increasingly moving away from the classical approach to the creation of the budget from the bottom up and are turning to the reverse top down in which the government determines the upper limit of the total costs and the amount for each ministry. This new approach allows for greater government control overall costs and facilitates the reallocation of resources. Going further to flexibility, in some OECD member states, parliament no longer considers individual budget allocations but only general course and trends in government expenditures. Over the years, in the nineties, a major reform aimed at introducing budgeting based on results (performances) – concept that connects information about the performance/results with the budget was conducted. Rather interesting is the example of Sweden, which has experienced a catastrophic deterioration, and then a recovery of budget balance. From sizable surpluses in late eighties, budget largely stepped into the deficit zone. In order to bring budget back balance in the short term and to break structure of tendencies to growth of costs, the limitation of the budget from top to bottom was implemented. The upper limit for central financing of spending is set for the next three fiscal years. During the debate on the budget proposal, a frame of total spending is adopted first, and only then the appropriation is determined. In addition, the proposal to increase certain costs must always be accompanied by a proposed sources of funding – the means to cover the increased cost, i.e. the proposal of the reduction of other appropriations in this area of consumption (Ristic and Ristic 2012, 643).

A key challenge while creating a budget based on expected results relates to the continuous lack of important and useful information about the outcomes of effects, difficulties in achieving consensus among stakeholders on common goals and strategies, inconsistency of the programme structures and reports on costs, and finally, the limitations in information systems and responsibility mechanisms.

Finally, the expectations of any initiative to create a budget according to the results lie in the potential that information on results and mutual comparisons are used in the budget preparation process. By that focus is diverted from simple input information on costs to exit information on expected final results and effects in the process of preparing and adopting of the budget. In recent years, public administration reform becomes a key element of system reform in post-communist countries of Central and Eastern Europe and the former Soviet Union. The growing interest in this area stems from the fact that the inefficient system of public administration is increasingly considered an obstacle to the economic development of a country.

Common to all countries in the region is the same goal set in the administration development strategies: development of an efficient and viable state based on the democratic principles. These principles include the easy availability of administration, transparency and professionalism. However, in these countries there is a problem of legacy from the previous period. Therefore, in the aim of modernizing public administration, functional analysis is approached, which actually means an analysis of the current situation and comparison with the desired one, which is the basis for the development of an administrative reform strategy. Civil service reform requires the transfer of authority from central to local level or on the private sector, the professionalization of civil servants, the introduction of information technologies and effective control mechanisms. If the government does not show enough interest in reform, it will not support the implementation of functional analysis as an integral part of the reform process.

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