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Evaluation of the applicability of NPM reforms to developing countries: A case from Nepal

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Abstract

Research was conducted to explore the usefulness of NPM to developing countries, in a survey in which a questionnaire was used to collect data from 238 government and non-government employees in Nepal. The study found that NPM components of cost cutting and downsizing, introducing market mechanisms, decentralization of management authority, and quality and customer responsiveness were most applicable; introducing agencies and new personnel systems were moderately applicable; and performance management and separation of policy from operations were found to be less applicable to Nepal.

The findings of this research helped to draw the important conclusion that NPM is applicable to developing countries, as Nepal is typical of other less developed countries sharing similar problems and challenges in public management. The results of this study could be a solid foundation for introducing future public management reforms in developing countries, including Nepal.

Evaluation of the applicability of NPM reforms to developing countries: A case from Nepal

Introduction

Since the 1970s, in an effort to find new ways for making governments more effective, both developed and developing countries have given significant attention to reform of public sector management. The concern for economic performance, the changing needs and demands of citizens and institutions, and a decline in confidence in government were reasons for reforming the government in the OECD member countries (OECD, 1998). Furthermore, the concept of a Welfare State, which was dominant in the 1960s and 70s, was questioned because many countries were not able to deal with the changing demands of society in a fast changing globalized economy

Nepal is typical of developing countries at the threshold of change and facing a dilemma in the search for an appropriate model of reform. Although the international donor agencies, such as the International Monetary Fund (IMF), the World Bank (WB), and the Asian Development Bank (ADB) have played an active role in the process of strengthening the operations of governments in developing countries, the results so far remain 'unsatisfactory' (World Bank, 1999). The World Bank (2000a, p.18) argued that "the central constraint on Nepal's development over the last few decades has not been the paucity of financial resources, but the lack of effective governance and well functioning institutions which can adequately perform the vital state functions which are essential for a coherent economic and social development process. There are many manifestations of this problem, including weak institutions and procedures, lack of ownership of development projects and programs, lack of accountability and mismanagement of resources, failure to provide effective delivery of public services, including law and order, and the absence of a well-functioning judicial system, all of which are reflected in increased corruption". Similar concerns were also raised by other authors (refer Atreya, 2001a; 2001b; Nepal, 1998; Gautum, 1998; Sharma, 1998; DFID, 1998) in relation to the slow development in Nepal.

A number of studies and reports in Nepal have put forward suggestions to make government more effective. Many of these studies, notably the reports of the Administrative Reform Commission (Nepal-ARC, 1992) and the Public Expenditure Reform Commission (Nepal- PERC, 2000), have been quite successful in identifying problems and laying down solutions benefiting the country. Many of the solutions put forward in these reports seem to be following the concepts of New Public Management (hereafter referred as NPM). A major question is: Can NPM, which originated in developed countries, work in Nepal?

NPM in this research was defined as a reform strategy incorporating the elements of cost cutting and downsizing, separation of purchaser and provider, introduction of agencies, introduction of market mechanisms in the public sector, introduction of performance management, changes in personnel systems and customer responsiveness and service quality improvements, as explained by Pollitt (1995). This research looked into the applicability of these reform elements in a developing country, Nepal.

The purpose of this paper is to present the findings of a study on the usefulness of NPM models to Nepal. This paper begins with a brief description of the socio-economic characteristics of Nepal where the research was conducted. It then briefly discusses the ideological debate about the applicability of NPM to developing countries, the methodology used and presents the results of the investigation.

Nepal: a brief introduction

Nepal is a land-locked country located in South East Asia, with neighbors China in the north and India in the south, east and west. Economically, Nepal is one of the poorest countries in the world with a per-capita income of only $210 per annum (World Bank, 2000a). According to UNDP's Human Development Report (UNDP, 1998), Nepal falls among the least 10 poor countries in the world and Human Development Index (HDI) shows Nepal at position 153 among the 174 countries. Its most recent Human Development Report ranked Nepal at 142 among the 173 countries (UNDP, 2002).

Geographical constraints, such as the mountainous terrain with considerable physical barriers combined with the dominance of a subsistence-oriented and feudal agrarian mode of production, historically led to the evolution of a localized culture in the country (NESAC, 1998). This culture has influenced the administrative culture as well. The cultural traits of Nepalese administration can be described as feudal in structure, with a patron-client relationship between administrators and citizens, and characterized by power-oriented, secrecy, buck passing, risk avoidance and corrupt behavior, and an absence of innovativeness (Dhungel & Ghimire, 2000) and responsibility.

Politically, Nepal regained a parliamentary democracy in 1990. The new Constitution of 1990 prescribed a parliamentary democracy with a constitutional monarchy, in which, along the lines of the Westminster model, the legislative, executive and judicial branches of the government provide services to the people. The administrative structure of the country follows a model of "deconcentration" in which responsibilities from central ministries are transferred to field offices while remaining part of the central government. Administratively, the country is divided into 5 (five) development regions, 14 (fourteen) zones, and 75 (seventy-five) districts. Municipalities and Village Development Committees are the lower administrative units in a district. The government has passed a Local Self-Governance Bill and enacted a Local Autonomy Act 2054 (HMG, 1999) that has established provisions for autonomy at sub-national levels. The benefits of this Act are yet to be assessed.

Public management in Nepal has emerged from a feudal history, and has roots embedded in the culture as in all societies. The year 1951 begins the evolution of public administration in Nepal, when the regime of feudal rule was over-thrown in that year. Nepal had a democratic regime until 1960 and thereafter a party-less Panchayat System ruled by the King until 1990. The Nepalese public service could be argued as conforming to the bureaucratic model espoused in Max Weber's principles: a career service of recruitment by merit, unified service, hierarchical structure, single salary scale, recruitment to a certain level of position from outside, employees protected by rules and regulations and disciplinary actions involve a long process, promotion by seniority and merit, and a pension plan.

In the process of strengthening public management, detailed reviews of the public administration were conducted by the "Buch Commission" in 1951, "Acharya Commission" in 1956, "Jha Commission" in 1968, "Thapa Commission" in 1976, and "Koirala Commission" in 1991. The government also constituted a high level Public Expenditure Review Commission in 2000 with the tasks of reviewing the operations of the government and controlling costs. The budget for the fiscal year 2001/2002 included some drastic measures to control the bloated bureaucracy, and proposed dissolving hundreds of regional and district offices, commissions, councils and other redundant bureaucratic structures. Many development projects were slashed to contain the trend of scattering 'too little' resources on 'too many' projects (Mahat, 2001). The government reduced the number of ministries from 26 to 21, approved a new structure of the government, which included elimination and amalgamation of some departments, eliminated about 1000 positions and also eliminated the vacant positions. The government also introduced a buy-out scheme for downsizing the public service, revised the civil service rules to accommodate more lateral entry at the higher level, and increased wages for the public service employees as per the recommendation of the Pay Commission constituted in 1998. In an effort to make services nearer to the citizens, the government issued directives to all agencies to inform the public about their plans, programs, and policies (MoF, 2001). The Koirala Commission Report 1992 (Nepal-ARC, 1992), the report of the JT Consultants, (JT Consultants, 2000), the report of the Public Expenditure Review Commission, (Nepal-PERC, 2000) and the reform programs envisaged under the support of Asian Development Bank have emphasized reform measures that are conforming to the philosophy of NPM.

While many developing countries, including Nepal are following the path of the NPM model in their administrative reform programs, sufficient literature has raised issues about the usefulness of NPM to developing countries to warrant further investigation. The following section sheds some light on the applicability of NPM to developing countries.

The issues of NPM applicability to developing countries

Cost cutting and downsizing has been an important aspect of reform in developing countries. Its main objective is to save costs and improve efficiency in the public service (Wescott, 1999). The first generation reform program, that started in 1980s under the aegis of the Structural Adjustment Program of the World Bank, tried to reduce the costs of the government through downsizing activities, reassessing the roles of the government, reviewing core and non-core functions, exploring alternative ways for delivering services and so on (Lienert & Modi, 1997). It was reported that the growth in civil service declined in one-third of the countries in sub-Saharan African countries in the last decade (Lienert and Modi, 1997), and countries such as Uganda (McCourt, 1998a), Tanzania (Therkildsen, 2000) and Jamaica (Tindigarukayo & Chadwick, 1999) had been successful in reducing the size of the public service. However, downsizing is also believed to have had negative implications in the organizations. Cascio (1993) argued that downsizing does not decrease costs as much as desired and that in some cases it increases actual expenses. It was also found that employees who remain in the organization after downsizing suffer negative effects. It was reported that morale, trust and productivity declined; and job dissatisfaction, high levels of stress, conflict, role ambiguity and burnout were other effects observed in employees after downsizing (Mirvis, 1997; Cascio, 1993; Appelbaum et al, 1999).

While many of the developed countries have tried to create a separate agency model structure, such as that of Next Steps Agencies in the United Kingdom, it is a new experiment to developing countries. Countries such as Ghana and Tanzania are experimenting with the UK-style executive agencies (Larbi, 1998). For example, the income tax and customs departments merged to form a corporatised national revenue authority in Ghana, Kenya, Uganda, Tanzania and Zambia (Polidano, 1999). The Uganda Revenue Authority has shown a substantial improvement in revenue collection (Polidano, 1999). Devas et al (2001) argued that the semi-independent revenue authorities in African countries could offer an appropriate institutional framework for reforming tax administration. At the same time, Larbi (1998) questioned the success of the agency model of structure in the Health Ministry in Ghana because of the weak institutional capacity. Similarly, authors (refer Schiavo-Campo and Sundaram, 2000; Manning and Matsuda, 2000) have questioned the appropriateness of an agency model to developing countries.

Decentralizing management authority to lower levels and providing flexibility to managers led by the concept 'let the manager manage' is regarded as a threat of loss of power by empire builders, and an opportunity for corruption and nepotism in the developing countries (Shah, 1999; Polidano, 1999; McCourt 1998b). In the case of Nepal, McCourt (1998b) argued that decentralization was found to be misused by bureaucrats resulting in the hiring of unskilled employees in public corporations. Since informality (Schick, 1998) plays an important role in the public administration and non-compliance to rules and regulations are common practices, and institutional capacity to monitor the sub-national offices is weak, Nunberg (1995) and Schick (1998) suggested that there is a need for a strong central government before decentralization could take place in developing countries. Nevertheless, decentralization has been an important part of reform programs in developing countries (refer Hawkins, 2000; Peterson, 1997; Wunsch, 2001; Tiep, 1998), although the degree of its success is subject to multiple interpretations.

Introducing market-based mechanisms (privatization, commercialization, contracting out public services, etc.), which has been an important part of reforms in developed countries (OECD, 1995; Hood, 1991), has also become a continuing thrust for developing countries. According to Rondineli (1997, p.1)

> over the past decade governments in more than 100 countries have privatized state-owned enterprises or shifted responsibilities for managing some of their public services or infrastructure to the private sector. Since 1990 privatization has been used extensively by governments in former socialist countries in Central and Eastern Europe, Asia and Africa to help transform their economies to market systems. Political leaders in developing countries as diverse as Bolivia, China, Colombia, Egypt,

> Ghana, Malawi Morocco, Peru, and Zambia who are attempting to accelerate economic growth seek to privatize state-owned enterprises (often at the urging of international financial assistance organizations) as one means of making their economies more efficient and productive.

This does not mean that privatization has been successful in all countries. There are examples of failures in transition countries (Shirley and Walsh, 2000). Divestiture as a short cut means to economic growth in sub-Saharan Africa has not proved successful (Nwankwo and Richards, 2001). And the general notion that the state owned enterprise does not perform efficiently compared to private sector, cannot be generalized because the Singapore Telecom, a state owned enterprise has provided world-class performance (Heracleous, 1999).

Examples of changes in the personnel systems, such as a performance based pay system in Jamaica (Bissessar, 2000) and contracting out of some personnel functions to private sectors in Nepal (MoF, 2001) show a gradual change in the human resource management system in developing countries. Some examples of performance management practices are also visible. For example, performance management systems have been introduced in the Government of Malta (OPM, 2001), Ghana (Dodoo, 1997), Uganda and Tanzania (Polidano, 1999) and to some extent in Nepal (MoF, 2001). Mongolia is another example, which is trying to move away from a highly centralized, planned economy and polity to an open, democratic, and market oriented society (UNDP, 1996). All these are meant to suggest that, though in a piece-meal fashion, NPM is being applied in developing countries and forms an important component of their reform programs.

There are also arguments that NPM may be not applicable to developing countries. There are four important points that guide this thought. First, the convergence theory suggests that "whatever their political economies, whatever their unique cultures and histories, the 'affluent' societies become more alike in both social structure and ideology "(Wilensky, 1975, p.xii, quoted in Common 1998). Although NPM measures were argued to be 'universal' (OECD, 1995; Osborne and Gaebler, 1992; Aucoin, 1990), there are others who believed that NPM measures are not universal and its applicability differs from one country to another (refer Cheung, 1997; Pollitt and Summa, 1997; Common, 1998, Hesse, 1998). These authors regard public management reform as a practice-driven subject (Ormond & Loffler, 1998) whose applicability should be determined taking into account the local situations and practices. Therefore, it cannot be imposed on all countries.

The second argument is based on the a priori assumption that the existing characteristics (social, political, economical, administrative, etc.) of developing countries are weak and therefore restrain the application of NPM reforms to developing countries (refer Nunberg, 1995; Polidano, 1999; Bale and Dale, 1998). It is assumed that prerequisites such as accountability, transparency, ethics, political neutrality, etc., required for its successful application of NPM are weak. Where lack of formal procedures govern the State and the rules of Law are at stake, NPM in developing countries is more likely to fail. Therefore, as Schick (1998, p.130), argued,

> politicians and officials (in developing countries) must concentrate on the basic process of public management. They must be able to control inputs before they are called upon to control outputs; they must be able to account for cash before they are asked to account for cost; they must abide by uniform rules before they are authorized to make their own rules; they must operate integrated, centralized departments before being authorized to go it alone in autonomous agencies.

The third issue is the stage of development. The stage of development that the developing countries are at now is comparable with the public service system that Britain started in 1854 (Polidano, et al, 1998). What this means is that developing countries are not yet ready to implement the NPM reforms.

The fourth point is the lessons learned from the last two decades of reform experience. The mixed results of reform in the last two decades lead us to believe that the developing countries are different from the developed ones and the solutions of developed countries cannot simply be a cure to the problems of developing countries. It is therefore argued (United Nations 2001a; 2001b) that developing countries have been the victims of advice on policy decisions, which had very little relevance to the needs and situations in these countries and confirmed that if reform is to be successful, it has to be home grown, and driven by the demand of the country.

These points for the non-applicability of NPM to developing countries are of equal importance and valid. There appears to be sufficient justification to suggest that the governance systems in developing countries are weak (World Bank, 1997); and the mixed results of reforms suggest that an imitation of western solutions no longer serves the people of developing countries. For many African, Asian and war torn countries, the consolidation of democracy and modern public administration are still a great challenge. After re-gaining democracy in 1991, nine different governments between 1994 and 2000 suggest that Nepal is still struggling for the stability promised by democracy.

The conclusion that can be drawn from the available literature was that the NPM reforms of the developed world have to be carefully reviewed before they are implemented in developing countries. How applicable are they, in fact, to developing countries is a subject of investigation, and may differ from country to country. To answer this question in Nepal, a survey was conducted, in which a cross-section of members of both the public and private sectors took part. A brief discussion about the methodology is presented in the following section.

Methodology

A questionnaire was designed and data was gathered from public servants, senior officials from banks, professors, officials from private sector organizations, and members of civil society. Two hundred and thirty eight (238) officials from 32 organizations participated in this research. The respondents were 65 percent civil servants (government) and 35 percent were professors, bank officials, politicians, and members from private sector organizations and civil society (stakeholders). A purposive sampling approach was adopted because NPM was a new concept for Nepal and to test a body of knowledge required the participation of groups of professionals who are familiar with the subject of the research.

The term 'applicability' was defined as describing the degree of usefulness of the NPM concepts to Nepal. The degree of usefulness was based on the perceptions, feelings, and beliefs of the stakeholders who are assumed to have an informed understanding about the socio-political and administrative systems of Nepal. The stakeholders are those who have an interest in the field of study and are affected by the actions of the government. They include senior government employees, politicians, and officials from non-governmental organizations. For the purpose of this study, the sample was divided into civil servants and other stakeholders.

Each component of NPM as described by Pollitt (1995) was explored. The data gathered were analyzed using descriptive statistics. Any significant difference in responses between the government employees and non-government employees was explored using an independent simple t-test analysis. Any significant difference based on demographic variables was also reviewed by using a chi-square test. The following section reports the main findings of this research.

Results

The results of this research on each component of NPM are summarized below.

Cost cutting and downsizing

About 87 percent of respondents agreed that the government in Nepal is overstaffed; 90 percent agreed that size of the government needs to be reduced; about 82 percent agreed the need for cutting down expenditure of the government; about 94 percent agreed that there exists duplication of functions among the ministries; about 83 percent of respondents agreed that the government is involved in functions that need not all be provided by the government; and about 90 percent agreed that the number of employees should be reduced.

Both government employees and stakeholders agreed to these results because the t-test analysis showed no significant difference on six out of seven items measuring the issues of cost cutting and downsizing. The t-test analysis showed a significant relationship on only one item, 'the government in Nepal is excessively overstaffed' .An inspection of mean values indicated that stakeholders rated more highly (M=1.67) that the government was overstaffed compared with civil servants (M=1.95). The chi-square tests showed that special class officers (senior executive level) recorded strong support for cost cutting and downsizing compared to other employees. One of the interesting findings was that PhD holders were less likely to support downsizing and cost cutting in the government compared to other employees. Analysis of the views of different age categories revealed that young respondents felt that the government should cut down its expenditure more than the respondents who were in other age brackets.

These findings were consistent with official reports (Mahat, 2001; Nepal-ARC, 1992; DFID, 1998) that have concluded that the public sector in Nepal was overstaffed and needs downsizing. This result was in congruence with other developed countries, such as United Kingdom, USA, Australia, New Zealand, who have downsized their governments by reducing the number of employees, ministries and departments (refer Atreya, 2000; Wilson, 1999; Gore, 1993; NPR, 1999; Kemp, 1998; Boston et al., 1996).

While there are many negative implications of implementing this policy measure, it has to be acknowledged that the situation in developing countries is often characterized by an overly bloated bureaucracy and that, as overstaffing has lowered the capacity of the government to provide public servants with adequate salaries and facilities, downsizing is important to improve the productivity and morale of employees. The bloated bureaucracy in Nepal was the result of the 'welfare state' conception that prevailed in the 1960s and 70s in developed and developing countries. With a view to providing services to citizens, government in Nepal, as in all other countries, intervened in all sectors of the economy. The State owned enterprises (SOEs) increased from seven in the First Five Year Plan (1956-1961) to fifty-nine by the end of Fifth Plan (1975-80), and these organizations became predominant actors in the industrial and commercial sectors

(Basyal, 2001). Government was thought to be the first job provider. The public sector also became a ground for rewarding political patronage in Nepal. All these contributed to expanding the size of the public sector, and the number of civil servants in Nepal expanded enormously and exceeded 100 thousand by 1991 (Nepal-ARC, 1992). It was the Eighth Plan (1992-97) that shifted the focus to sustained economic development through the adoption of a market-oriented liberal economic system, a realization that government roles need to be revisited and the belief that downsizing was important to make government effective and efficient.

Thereafter, cost cutting and downsizing was realized as an important tool for streamlining the public sector. For example, the report of Administrative Reform Commission in Nepal (Nepal-ARC, 1992) noted the need for reducing the civil servants by 25 percent. In the same way, the Public Expenditure Review Commission (Nepal-PERC, 2000) questioned the existence of many regional and district level offices including some central level ministries on the ground of duplication of functions between ministries and agencies and suggested abolition of many district and regional offices. Some results (reduction in the number of ministries, consolidation of departments, freeze on vacant positions, reduction in the number of employees through a buy-out scheme) and the realization among the policy planners to be cost conscious were some achievements, which seemed in conformity with the results of this research.

Introducing agencies

The study revealed that about 71 percent of respondents confirmed the appropriateness of the agency model structure, 11 percent was against it and about 18 percent recorded their unfamiliarity with this concept. The government employees showed stronger support for introducing one-stop shops compared to stakeholders. Differences among the position levels of employees showed that the special class officers (executive level), compared with other position levels, exhibited stronger support for the introduction of one-stop shops at the regional and district levels. The majority of the respondents questioned the value of having separate offices for central level departments at the regional and district levels. However, only 29 percent of PhD holders agreed to introduce an agency model structure in Nepal. The conclusion that was drawn from this study was that the concept of agency is an appropriate policy intervention and could be useful in Nepal. However, there is a need to create awareness among the people about the meaning of and the usefulness of the agency structure.

While much has been said about the reasons and benefits of an agency structure (refer Osborne & Gaebler, 1992; Kettl, 2000; White, 1985; Laffin, 1997) there are also weaknesses (Manning and Matsuda, 2000; Trosa, 1997) in this structure. The argument in support of an agency structure was that work in an organization could be viewed as the relationship between the employer (principal) who has work to be done, and the employees (agent) that agreed to perform the job in exchange for compensation (Kettl, 2000). Economic principles argue that both parties would be driven by their self-interests, and this could create problems of information asymmetry, as both would behave opportunistically to their benefits (White, 1985; Laffin, 1997). Therefore, one way to address this problem was to organize work in a contractual arrangement, in which performance was to be measured against desired output and quality of services defined in the terms of a contractual agreement. These were major concerns in developed countries, such as in UK, New Zealand, Australia and Scandinavian countries where there were many examples of government machinery structured in the form of an agency. In developing countries, it was argued that because of the weak capacity to measure results and control behavior of agencies, it might create problems of confusion and rivalry between departments and agencies, patronage in appointments, and distortion in incentives.

With the exception of a few isolated experiments, as discussed previously, no examples of the agency reforms of UK or New Zealand types were found in developing countries. Probably, the developing countries are weak in meeting some of the prerequisites (such as devolution of authority, introducing market mechanisms, and performance management), which are required for the success of an agency structure. This has limited the developing countries in using an agency structure. This has been true in the case of

Nepal. Although this study has shown some support for the agency model of government structure, which has also been reported in government reports (Nepal-ARC, 1992; Nepal-PERC, 2000), an experiment with such a structure has yet to be conducted.

Decentralization of management authority

The results of this study showed that seventy seven (77%) percent of the respondents agreed that decentralization of management authority to sub-national levels would improve efficiency and economy in operations; and about 88 percent agreed that flexibility and operational authority to carry out their responsibilities would improve the performance of employees. The combined mean value of 2.08 meant that both decentralization, and flexibility and operational authority should be appropriate for developing countries.

These findings were consistent with other studies that suggested that the decentralization of management authority would improve the performance of the government (OECD, 1995; Osborne & Gaebler, 1992; World Bank, 1997). Some other studies (Polidano, 1999; McCourt, 1998b) argued that decentralization of authority increases an opportunity for corruption and nepotism in developing countries. Other studies (Nunberg, 1995; Schick, 1998; Larbi, 1998) also argued that decentralization of authority might not work in developing countries because the central departments are not strong enough to monitor and control the sub-national offices.

While the arguments forwarded by these authors are valid in their cases and examples, the results of this study endorsed decentralization of management authority. Had this research posed a question linking decentralization with corruption and nepotism, probably the results would have confirmed those of the above authors because corruption and nepotism are still a great problem in developing countries, including Nepal. But situations in these countries are changing slowly. It is viewed that support for decentralization of management authority also represents a demand from a stronger civil society and a more assertive population. The new generation of the 21st century is more proactive than before because they have witnessed the social unrest in our society, the success of market economies, the failure of centrally planned socialist economies, the expansion of knowledge and information and the growth in people's awareness that led to gain the democratic regimes (such as in Nepal in 1990) in this world.

These environmental issues, directly or indirectly, have changed the behavior of a new generation, making them more aggressive, demanding, and proactive than before. The new generation prefers more autonomy than before and resists any suppression from higher authorities (Atreya, 2001c). Thus, the new generation has exerted pressures to 'devolve' the authority and resources from the central level. Donor agencies, that promoted the nationalization of government functions at one stage, are now favoring decentralization for national building. The lessons from Venezuela suggested that involving people in policy-making could curb corruption (World Bank, 2000b). Similarly, decentralization and economic policy reforms were suggested for curbing corruption in a country with a medium corruption level (Schacter & Shah, 2001). As an overall trend, it could be argued that decentralization is as unstoppable as globalization. On the other hand, it calls for centralization of some important functions, such as the policy making and stronger central supervision.

Split between purchaser and provider

Although there are some benefits (Drucker, 1969; Osborne and Gaebler, 1992; Armstrong, 1998) of a split between purchaser and provider, and the report of the Public Expenditure Review Commission (Nepal-PERC, 2000) and the report of ARC (Nepal-ARC, 1992) in Nepal have emphasized the need for separating policy and operation functions, this study failed to find support for the relevance of splitting purchaser and provider to Nepal. About 30 percent of respondents disagreed and 30 percent recorded their unfamiliarity with this concept. The study also did not reveal any significant differences between the government employees and stakeholders, which indicated that both groups of respondents viewed this result similarly.

Ewart and Boston (1993) argued that split of purchaser and provider may not work if the policy outcomes require coordination among planners and implementers; if policy outcomes are depended on operational details; if it is difficult to specify the outputs and outcomes in measurable terms; and if the culture of a country poses a conflict between the formulators and implementers. The de-concentration structure of the Nepalese government, poor information management, a greater degree of coordination required for policy outcomes; absence of policy outcomes and outputs in measurable terms; and the inherited administrative culture tended to 'look-up' are not supportive to splitting the purchaser and provider in Nepal.

Introducing market mechanisms in the public sector

The study supported the view that the role of government should be to encourage the private sector (M=1.60) to take an active role in the economy and that government should retain the core functions (M=1.62) and release those to the private sector that could be handled by them more efficiently (M=1.64).

The need for privatization was recognized since the results showed that public enterprises in Nepal performed less effectively than the private sector (M=2.16) and have failed to deliver the required services (M=1.80). The t-test analysis revealed a significant difference between government and stakeholders about the need for privatization, and an inspection of their mean values suggested that the stakeholders rated higher for the need for privatization compared to government employees. The educational levels of respondents showed a greater reservation about privatization among the PhD holders.

The majority of the respondents (73%) agreed that commercialization and other means of marketisation should be used in the public sector to make the service competitive and cost effective. The majority of respondents (68.8%) felt that service offered by the private sector was more efficient than that of the public sector and has the capacity (70.9 %) to take over the commercial functions of the government. However, the t-test analysis showed that government employees hold the opinion that the capacity and quality of the services provided by the private sector is poor compared to stakeholders. PhD holders more strongly held this view compared to other respondents. This result indicated that many of the government employees hold the opinion that government involvement is necessary in a country like Nepal where the private sector is not fully flourished or believed that the market, in itself, is not competent to provide the services.

Moreover, the study revealed that the conditions as suggested by the World Bank (1995) for successful privatization were not met in Nepal. The World Bank (1995) noted three political conditions required for successfully implementing public enterprise reforms. They were:(a) *political desirability* - political benefits must outweigh political costs; (b) *political feasibility* - must satisfy the opposition members and people who are affected by reforms; and (c) *political credibility* - an environment of trust and belief for pertinent stakeholders. More than half of the respondents (62%) felt that the government desired the privatization of the public enterprises, but indicated that political constraints and the credibility of the government had restrained the task of privatization in Nepal. More than 75 percent of respondents argued that government lacked credibility. So although government seems to be in favor of privatization, political feasibility and the credibility of the government were found to be problems for the successful public enterprise reforms in Nepal.

The study generally accepted the need for privatization, commercialization and using market mechanisms in the public sector to make services competitive and cost effective with some reservation from the government employees. This study endorsed the NPM philosophy that emphasized the need for introducing market-based mechanisms in the public sector with some reservations. Among the respondents, PhD holders showed some reservations about the role of the government, the need for privatization and the capacity of private sector compared to others. No doubt, the benefits of these elements are recognizable (United Nations, 1999; Pirie, 1992), but their success depends upon political factors, which were found to be poor in Nepal.

Introducing performance management

The study showed a mixed result on the issue of introducing performance management in Nepal. The t-test revealed no significant difference among the respondents, and that meant that stakeholders and the government employees held the same opinion on the applicability of performance management concepts in Nepal. The positive part was that about 66 percent of the respondents believed that the concepts of performance management could be introduced in the public sector in Nepal. But the existing situation was not favorable. About 52 percent (M=2.83) reported that the mission of each government organization was clear while the rest do not think so. Only 30 percent (M=3.36) believed that each agency has their mission, objectives, and output and outcome measures to guide their operations. About 42 percent (M=2.88) argued that the principles of performance management were not difficult to implement in the public sector. A majority of the respondents believed that introducing performance management in Nepal would be a difficult task.

The results of the study found that the government lacked a system for establishing a performance plan that defines the program outputs and indicators. The results also showed that an employee's activity is unlikely to be guided by an agreed performance plan. All these were indicative of the difficulties of implementing a performance management system in Nepal.

The results of this study agreed with Schick (1998) who argued that developing countries should first try to control inputs before outputs. The literature reviewed indicated that some efforts have been made in Nepal and in developing countries towards applying the concepts of performance management (MoF, 2001; OPM, 2001; Polidano, 1999). However, the required cultural shift and the problems inherited in specifying the measurable and quantifiable performance indicators (Minogue, 2000) might be the greatest challenge for developing countries in the task of applying performance management in the public sector. The institutional conditions, required for the introduction of performance management, are weak. Therefore a fully-fledged application of performance management, as practiced in the developed world, would be a challenge for the developing countries.

New personnel system

This study tried to explore the use of a senior executive service, performance-based pay system, hiring of officials on contracts and merit principles. About 63 percent of respondents agreed to establish a senior executive service in Nepal, but hiring those officials on contracts was approved by only 49 percent (M=2.97). The study (t-test) also revealed a significant difference between government and stakeholders as to establishing a senior executive service and hiring officials on contractual arrangements. Stakeholders were more supportive to establishing a senior executive service (M=2.33) and hiring officials on contracts (M=2.59) than the government officials (M=2.65; M=3.17) respectively. The analysis of the educational levels of respondents also showed a significant difference as to hiring of officials on contracts, in which MA holders disagreed more with hiring officials on a contractual agreement compared to BA holders.

Certainly, respondents agreed to the hiring of employees on merit principles (M=1.69) and rated fairly positively a performance based pay system (M=2.08). This is an encouraging indication that employees in Nepal would like to have more responsibility as well as more reward for such responsibility. The results supported the notion that performance should be the basis of a reward system.

Some previous studies questioned the applicability of a modern personnel system on the grounds that personnel management systems in developing countries are more influenced by 'patronage' and that these countries face different human resource management problems from those of developed countries (Klingner and Compos, 2001; Taylor, 1996). Bissessar (2000) noted the success of performance-linked pay in Jamaica and its failure in the public service of Trinidad and Tobago, and Guyana. Some other issues, such as devolution of authority of personnel management was found inappropriate in the case of Nepal (McCourt, 1998b) as Board members abused the power by hiring unqualified people. But in OECD member countries, the devolution of personnel management authority and flexibility to determine the number and wages of individuals was found to contribute to efficiency gains and lower growth rates of the government wages bill (OECD, 1995; OECD, 1997). The respondents in this study questioned the hiring of officials on contracts, but were positive towards linking pay to performance, the use of appointment on merit principles and to some extent the establishment of a senior executive service.

Quality and customer responsiveness

The results of this study were consistent with the general understanding in the academic field that developing countries are poor in the delivery of services. About 85 percent of the respondents agreed that the quality of services provided by the government was poor. About 73 percent argued that the Nepalese government does not have a plan to improve the quality of services. Respondents (81%) felt that customer service was not a subject of priority for public service employees. Another conclusion of the study was that stakeholders believed more that customer service was not an issue of priority for the public servants and that they (public servants) lacked the knowledge about the applicability of service standards in the public service.

The respondents believed that the application of service standards would improve the service of the government (M=1.72). They agreed that services responsive to citizens' needs (M=1.74) and the provision of client participation or consultation about decisions on the types and quality of services to be provided (M=1.71) make the government effective in providing services. This result clearly endorsed the theoretical proposition that the responsive service delivery systems practiced by many OECD countries (OECD, 1996; Blair, 1999; President of the Treasury Board of Canada, 1996; Kemp, 1997,1998) are relevant to developing countries.

Conclusion

In conclusion, the research showed that:

- Cost cutting and downsizing, introducing market mechanisms, quality and customer responsiveness, and decentralization of management authority are useful and applicable to Nepal. These four elements are defined as of a first order of importance to Nepal.
- Introducing agencies and the new personnel systems were found to a greater extent useful and applicable to Nepal. These two elements are concluded to be of a second order of importance as the results on these elements were mixed.
- The separation of purchaser and provider and performance management were found to be less applicable than applicable and placed in a third category of importance to Nepal (Table 1).

Table 1: Matrix of applicability of NPM to Nepal

1st order of Usefulness	2nd order of Usefulness	3rd order of Usefulness
Cost cutting and downsizing (M=1.90)	New personnel systems (2.32)	Introducing performance management systems (M=3.11)
Introducing market mechanisms (M=1.95)	Introducing agencies (2.44)	Separation of purchaser and provider (M=3.47)
Quality and customer responsiveness (M=1.72)		
Decentralization of management authority (M=2.08)		

Note: The lower the value of the mean the higher the support from respondents

What conclusions can be drawn from the above results? What is the significance of these results to developing countries, including Nepal?

Since most of the elements of NPM were found to be useful and applicable in Nepal, it is argued that NPM is applicable to developing countries, and governments should incorporate these elements in their current and future reform programs. Although support for NPM was visible in government reports and reform programs, this study confirmed, and has given a clear mandate for the government, that some elements of NPM are strongly applicable to Nepal. This has enriched the policy and indicated a future direction for the government of Nepal in the field of public management reforms.

Past reform experiences in developing countries have suggested that reforms that take into account a country's demands, needs, socio-economic and cultural conditions are more likely to be successful. The challenges created by globalization, pressures from citizens for responsive government, development in information technology, rising citizens expectations and demands, and competition from the private sector, among others, would continue to influence the public administration in the future. Public administration has to be proactive, adaptive to change and has to exploit new ways of working continuously. Therefore, there is a need for re-invigorating NPM principles to suit the local socio-economic environment so that these could be used successfully.

The future vision of public service created by Schick (2000) and Goodsell (2001) suggest that current reform practices that incorporate the elements of NPM would continue to be dominant in the future public service. Although developing countries, including Nepal are weak in many respects compared to developed countries, NPM reforms would help to build a strong State, which is necessary for NPM reforms to be successful. NPM reforms, therefore, should be a continuous learning experience for developing countries.

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