

THE PRESSURE FOR REFORM

Since the mid-1970s, governments have been increasingly concerned with adapting and developing the structures and values for the public service that will achieve greater efficiency, and more responsive and flexible services. This movement has been pushed largely by a combination of economic crises and geo-political changes which have led to reduced financial resources for governments. However, it has also been pulled by a sense of new possibilities: the development of a new set of managerial strategies which promise to lever greater results from fewer resources.

INCREASING DEBT AND ECONOMIC PRESSURES

Over the last two decades, changes in the role and responsibilities of government have been largely driven by economic pressures.

Most fundamentally, the balance of payments problems faced by many countries in the Commonwealth eroded exchange rates and government purchasing power. Terms of trade have been such that developing countries could not cover their needs for imports of manufactured products. As many of the imports were needed by government itself, this was a crisis of national capacity as much as a restriction on consumers.

Increasing recourse to borrowing as a source of revenue for government led to levels of external and internal debt which were greater than total GDP. In some countries, levels of annual debt servicing rose to 80 per cent of the total government budget. Noting this alarming trend somewhat belatedly, the lending institutions withdrew credit facilities and, during the 1980s, sources of borrowing dried up dramatically. This was in sharp contrast to the 1960s and 1970s when even private banks willingly and enthusiastically lent large amounts of money to governments.

Over the same period, multilateral agencies had invested large sums in developing countries needing to develop their infrastructure, and bilateral aid was often available, especially for countries on the political 'frontline' of the cold war. Subsequently, the multilateral and bilateral funding agencies adopted new loan policies with a clear focus on financial return. The outcome was that these agencies became more unwilling to provide funds for general budget purposes at the same time as the private sources were reducing.

The result was the infamous "Third World debt crisis" of the early 1980s, the scale of which ensured that private sector bankers have refrained from most further sovereign loans.

During the same period that the ‘debt crisis’ developed, exploded onto the world and has remained here, other economic changes have rapidly emerged. Regional trading blocs such as the EU, NAFTA, ASEAN, MERCOSUR, have replaced the traditional divisions between East and West. New technologies have fundamentally altered production systems and created new trading structures. All these pressures have implications for the public service in the areas of national policy formulation and of the uniformity of regulatory and other institutions.

HIGH EXPENDITURE – POOR PERFORMANCE

As levels of government expenditure, already high as a proportion of GDP, increased further with every year, far outstripping revenue, the cost of government became unsustainable. The need for reductions in government expenditure became urgent and inescapable.

Most crucially, however, the over-expensive machinery of government was under-performing. The persistently poor performance of the public sector was eroding confidence in the abilities of the government and the state-owned enterprises to provide the necessary goods and services for citizens. It was not only the case that the financial performance of government services and enterprises was economically inefficient, but that their operational performance was also functionally ineffective.

Within a few decades, government services had acquired a reputation worldwide, with a few notable exceptions, for poor products, services and attitudes.

As a result of the poor reputation of government services, demands for improvements in the quality of services by the recipients of public services have represented a distinct and powerful pressure for change. These demands have been felt in several ways. First, as informed taxpayers, citizens have indicated a clear limit to their willingness to purchase unattractive and inefficiently produced public services through their tax contributions. Second, electoral issues are increasingly shaped by dissatisfaction with public services. The machinery of government is no longer simply taken for granted and the nature and quality of public services is now open to question.

NEW IDEOLOGY – NEW IDEAS

The general collapse of the centrally planned economic systems of the Eastern bloc countries underscored the poor performance of government services worldwide. This collapse demonstrated that the solutions to the problems of poor public services not only required a managerial re-think in all government operations, but also dictated a reassessment of the fundamental responsibilities of government in

economic policy and public service. Post-war certainties concerning the activities that should be undertaken by the government, by the private sector, or by NGOs faded rapidly.

As these fundamental shifts in political ideology and economic policy challenged constraining orthodoxies, a new set of managerial ideas spread globally. As the upsurge in liberal market economic policies and in liberal democratic political philosophies led to a new and narrower definition of the role of government, the new institutional economics, combined with a wave of private business-style of management practice breaking across the public sector, ensured that what government services remained were structured and managed very differently.

Significant external pressure for the adoption of these new economic policies has been exerted by donors and lenders, but managerial pragmatism and political conviction have also played their part in motivating reform programmes. The new ideas and ideologies are rapidly distributed by the global media, which in turn form a pressure for change in their own right.

A CONTINUING PROCESS

The pace of change in the public service, driven by the changing role of governments seeking to respond to a rapidly shifting economic and social environment, will not slacken. Social expectations, led by increasingly global media, will continue to rise. Developments in information technology will enable further dramatic organisational restructuring. National competitiveness will increasingly depend on flexibility in highly skilled workforces, requiring fast responses from a government that it is increasingly enabling rather than providing the directions for change. Above all else, economic pressures will continue to mount. For many Commonwealth countries, growth depends on large flows of foreign private investment. Any recent accomplishments, and there have been many, are continually threatened by the growing volatility of capital markets and by exposure through indebtedness to rising interest rates.

This publication sets out some current strategies for achieving productive change within the public service. These strategies provide responses to pressures for reform, they do not remove them.