Machinery of government reforms: revisiting alternative service delivery

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Introduction

Restructuring was a prominent theme of the New Public Management (NPM) era. Traditional ministries and departments were challenged as the preferred organisational format to best meet public goals. Governments experimented with alternative designs because hierarchical, vertically integrated organisations proved too rigid and unresponsive in a public sector environment that was increasingly complex, turbulent and demanding.

Unbundling bureaucracy through alternative service delivery (ASD) was an innovative response to the pressures of scarce resources and the public’s insistence on improved service.

By the turn of the millennium, public sector reform was evolving from transformation to collaboration. Networked or ‘joined-up’ government succeeded NPM. The view emerged of many agencies but one government, of citizen engagement, and of networking beyond borders. The Commonwealth was challenged to find new ways to collaborate by thinking collectively and ‘outside the box’.

This meant leading what Bennis (1993: xxvii) calls post-bureaucratic organisations that are ‘...federations, networks, clusters, cross-functional teams, temporary systems, ad hoc task forces, lattices, modules, matrices, almost anything but pyramids.’

Governments innovated to improve citizen-focused service delivery customised to the respective country’s circumstances. More and more, reforms were connected with the Millennium Development Goals (MDGs). Countries were impatient to see quick results and had imperatives to improve services that helped the neediest in society. Poverty alleviation and sustainable development depended upon placing the people most affected at the centre of decision-making and service delivery.

The value system of progressive public organisations today is about service, not bureaucracy. A capable public sector is grounded in the principles of good governance. Governments need a professional and apolitical public service, guided by shared values and ethical standards. Leaders understand the ‘public sector service value chain’ and the connection between employee commitment, quality public services, client satisfaction and citizen confidence in government. They know instinctively that it is also good politics.

There is renewed interest in ASD, owing to the fiscal and budgetary effects of the global economic crisis. For example, the British and Canadian prime ministers exchanged ideas on programme review during the G8 Summit in Toronto in June 2010. Canada had managed its way to balanced budgets following the early-1990s’ recession with a range of review tools, including ASD. Commonwealth countries that formulated policy, built capacity, and applied these tools systematically were able to streamline and strengthen their public sector for sustainable development. These countries generated flexible institutional arrangements that were more adaptable to economic downturns. Many countries still have not been exposed to ASD as a means of building systemic capacity for ongoing self-examination and institutional innovation.

This article treats the re-emergence of ASD in four parts. First, it frames the concept and methodology of ASD. Second, it profiles three cases typifying Commonwealth experiences and innovations in ASD. Third, it summarises the lessons learned about good practice in ASD. And fourth, it draws conclusions on the prospects for ASD.

Conceptual framework for alternative service delivery

Ford and Zussman (1997: 6) define ASD as ‘…a creative and dynamic process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups and other government entities.’ It is part of public sector development and is classified within machinery of government reforms. Wilkins (2005) developed the indicative framework depicted in Figures 1 to 4.

The first question in ASD is to choose the right organisational form. The public sector counterparts to forms of business ownership are ministries, agencies, corporations and third parties. These four forms are a function of autonomy (legal, structural, financial and employment) and accountability (policy, process and performance) as depicted in Figure 1.

The second question is to design the most appropriate model. The 1990s witnessed the emergence of a bewildering array of new types of service delivery mechanisms, some of which straddle whatever boundaries remain between sectors. There is virtually no limit to the ingenuity of governments to invent new structural arrangements. And one size does not fit all. ASD ranges from basic reorganisation to outright privatisation. Experiments in delegation and collaboration can be found along a continuum of change. A typical array is depicted in Figure 2. Four clusters are discernible:

1. government ministries and departments
2. statutory and semi-autonomous agencies
3. partnerships and contracts with other organisations, and
4. private and civil sector entities.

Figure 3 suggests six questions as a threshold test for selecting the right ASD option. These questions are based upon the framework for Program Review deployed by the Government of Canada in the mid-1990s.

When applied in association with the decision tree portrayed in Figure 4, these questions bring strategic focus to the task of narrowing the range of acceptable alternatives and of integrating ASD initiatives in government business plans. The expected
Current issues in governance

Figure 1  Organisational form

Figure 2  Delivery options
outcome of matching a programme or service with the right delivery option is good governance.

The third question is to manage performance for best results. By design, management expectations need to be interpreted according to organisational form and function to serve the public interest. Each delivery model has its own legal, policy and organisational features. Standards of accountability remain the same across the models, but the means to ensure accountability vary according to degree of independence. As a rule, ministries are governed by central government oversight regimes. The greater the independence from government, the more accountability relies upon mechanisms that are internal to the organisation itself. The structure informs managers to use the ‘do the right things right’ strategy. This is more art than science.

**Figure 3** Framework test questions

<table>
<thead>
<tr>
<th>Strategic Focus</th>
<th>Question</th>
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<tbody>
<tr>
<td>Public Interest Test</td>
<td>Does the programme or service continue to serve a public interest?</td>
</tr>
<tr>
<td>Role of Government Test</td>
<td>Is there a legitimate and necessary role for government in this programme or service?</td>
</tr>
<tr>
<td>Jurisdictional Alignment Test</td>
<td>Is the lead responsibility for this programme or service assigned to the right government jurisdiction?</td>
</tr>
<tr>
<td>External Partnership Test</td>
<td>Could, or should, this programme or service be provided in whole or in part by the private or voluntary sector?</td>
</tr>
<tr>
<td>Business Principles Test</td>
<td>If the programme or service continues within the existing government context, how could its efficiency and effectiveness be improved?</td>
</tr>
<tr>
<td>Affordability Test</td>
<td>Is the programme or service affordable within fiscal realities?</td>
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**Figure 4** Decision framework

The **Abandon** pathway includes: Service shedding • Privatisation • Divestiture • Regulated • Employee takeover.

The **Realign** pathway includes: Public partnership • Devolution • Shared services.

The **Partner** pathway includes: Contracting out • Franchising • Licensing • Government owned / contractor operated • Private, not-for-profit agency • Self help • Volunteers • Public / private partnership.

The **Restructure** pathway includes: Crown corporation • Departmental Corporation • Special operating agency • Utility.

The **Improve** pathway includes: Line organisation.
Commonwealth experiences in alternative service delivery

ASD has been popularised under many names in many different forms in Commonwealth countries. Manning (2001) notes that ASD has influenced programme and functional review processes used to transform service delivery worldwide. Developing and transition countries offer some of the most interesting case studies. Benchmarking works best when countries and regions share similar socio-economic trends, governance traditions and public functions.

While this government reinvention strategy offers attractive models to replicate, it comes with inherent risks and mixed results. Thomas (2000: 70) warns that ‘...organizational design is a controversial, uncertain and risky process. The process has been likened to repairing a truck while it continues to travel at top speed down an interstate highway. The prospects for success are doubtful and the potential for disaster is real.’ ASD without regard for service characteristics and institutional underpinnings can make things worse and create a backlash against reforms. Poor financial discipline can damage the budget or entrench ‘islands of privilege’ within the public service. New delivery mechanisms need to be more than a quick fix.

The following country profiles illustrate how ASD has been adapted in different Commonwealth settings.

Canada

Osbaldeston (1992: 10) observes that ‘Governing is an untidy business, and the diversity of government structures reflects this reality.’ The ASD landscape in Canada mirrors the complexity and interdependence of federalism, the nation’s geographical and cultural diversity, and the increasing need to govern horizontally and globally. Delegation and collaboration are powerful tools for sharing governance and for producing a rich mosaic of ASD practice. The federal government, most provinces and territories, and a growing number of major cities and municipalities utilise ASD in various forms. Some have programmes with formal frameworks and processes, while others have single-option initiatives that are fit for purpose. Perhaps the greatest potential for replication is among sub-national governments, where programmes and services operate closer to citizens and where innovations resonate with countries seeking to decentralise and modernise the state.

ASD’s origins date back to the 1840s, when pre-confederation Canada forged partnerships to build railways and a country. Its
modern roots can be traced to the Nielsen Task Force’s recommendations on procurement and contracting out in the mid-1980s. Public Service 2000 turned the focus by 1990 to improving the performance and reducing the cost of in-house delivery through semi-autonomous special operating agencies (SOAs). Subsequent stocktaking resulted in SOAs being privatised, repatriated to departments or retained within tighter parameters. Program Review gave a new government a fresh start by evaluating programmes across the board. Its legacy was an ongoing process of departmental self-examination of programmes and services. The Treasury Board issued a Framework for Alternative Program Delivery in 1995.

The public service changed dramatically in the 1990s. The Canadian Government created more than 80 new ASD arrangements. Programme spending decreased to $8 billion, from 16 per cent to 12 per cent of GDP. At one time, there were 55,000 fewer public servants. Only 45 per cent of public servants were engaged in direct service to citizens, down from 75 per cent. By the end of the decade, 55 per cent of the public service operated outside traditional departments, making the ‘alternative’ the norm.

Figure 5 depicts the resulting ASD portfolio of 18 SOAs (passports, consulting and training); 3 legislated service agencies (revenue, food inspection and parks); 100 Crown corporations (financing, mail and broadcasting); 132 foundations and shared governance corporations (civil air navigation and airports); numerous partnerships (federal–provincial labour market agreements); widespread outsourcing (military base support and real property management); some employee takeovers (national capital region); and selective privatisation (printing).

The Treasury Board adopted an ASD policy in 2002 to guide departments in assessing appropriate strategies and options for service delivery. The policy advocated a pragmatic, case-by-case approach in which arrangements had to square with the public interest and contribute to good governance. The government’s renewed commitment to ASD encouraged innovation, strengthened Treasury Board oversight of significant initiatives, improved reporting to parliament on new governance arrangements, and ensured that the public service as an institution learned from experience. ASD became more results focused, citizen centred, transparent, accountable and values driven. The focus shifted from a drive to devolve and delegate to the challenge of achieving good governance. The Government of Canada has been considering a less regulatory and more collaborative approach to policy administration.

Tanzania

History and poor leadership oversimplify the reasons for lack of progress in African reforms. Balogun (2010) argues that African economies are particularly vulnerable to external shocks, like those experienced during the recent global economic crisis. This calls for renewed institution building rather than the dismantling of public institutions advocated by donors to achieve lean and mean government. The scope and focus of public sector reform in Commonwealth Africa are moving progressively away from cost containment towards improving service delivery.

By example, Tanzania adopted performance management systems as the fulcrum of its Public Service Reform Programme. The framework was intended to induce service delivery improvements by getting public institutions to focus on results. It deepened the mechanisms for making public service organisations and officials accountable to citizens, either directly through service charts or indirectly through reporting to parliament. Accountability and transparency in the way public resources are used was strengthened by involving stakeholders in the budget formulation process. Service delivery was improved through information and communication technologies (ICTs) and by having the private sector perform non-core public service functions.

Tanzania launched the Executive Agencies Project in 1997, with technical assistance from the United Kingdom. The policy fundamentals and process for assessing service delivery options were considered carefully before setting up any agencies. The stated aims were clarity of mandate, self-sufficiency, modern management practices, client satisfaction and continuous improvement. Abolition, privatisation, contractualisation and rationalisation were identified as alternatives to agency status. This examination helped ensure that only essential government functions were retained, and that executive agencies were differentiated from government-owned or funded parastatals. Three organisations (civil aviation, dams and drilling, and statistics) were made executive agencies by 1999. Another 35 organisations were reviewed and recommended as agency candidates.

The Tanzanian case demonstrates the role of preparation in creating agencies or other forms of ASD. Government cannot simply declare that an organisation has become an agency and expect it to take off. The institutional arrangements had to be tended to over a number of years. Even more important from the outset was grounding the rationale for the delivery option chosen in a clear policy framework and critical thinking. Government then adopted an ‘eyes on, hands off’ approach, where parent ministries watched what was going on at a strategic level without getting involved in day-to-day agency operations.

New Zealand

New Zealand underwent radical restructuring of its public sector when a monetary crisis hit in 1984. The New Zealand Government saw an urgent need to address the fiscal deficit and to open the economy to competitive forces, thereby accelerating the pace of change. It unbundled and transferred 2,700 state entities from the core public sector into commercially driven public corporations. These trading bodies received substantial managerial autonomy and incentives under performance agreements with ministers. Many were privatised. Policy advice was separated from service delivery functions for remaining departments. Chief executives were given time-limited, performance-based contracts. The government adopted accrual accounting and charging for capital invested in Crown organisations.

New Zealand’s initiatives were centrally directed and comprehensive and resulted in a 50 per cent downsizing of the public service. They relied upon a legislated approach, guided by public choice theory in the marketplace. The rigour of the process was tied to an unstinting commitment to the ideal of the Contract State. Despite extensive interest and marketing, only a few developed countries and no developing or transition countries have installed the New Zealand model. Some have adapted selected features or embraced a managerial ethic without subscribing to hard-edged contractualism.
Twenty years later, the sense is that the bulk of the benefits available from large-scale restructuring materialised during the first decade of the 21st century. Wilson (1999) observes that a new conformity crept into the first generation of reforms that needed rooting out. The public service was challenged to embrace some untidiness, complexity and risk in an effort to creatively tackle the ‘wicked issues’ in health, education and social services. The emphasis of the past decade was more on building organisational capability and investing in people.

Lessons learned about alternative service delivery (ASD)

Saul (1995: 99) maintains that ‘…governments continue to deliver services that are and have been historically better in the long run than those provided by the private sector. Our lives are filled with these services. They run so smoothly that we scarcely notice them.’ The discipline of planning, design, implementation and evaluation is critical to success. There is strong practitioner demand for access to knowledge about ASD policy and practice.

Wilkins (2003) summarised the lessons from Commonwealth and international experience. Foremost, ASD offers ‘different approaches for different realities’. It is important to know why existing arrangements do not work in a setting before launching into ASD. A shared vision starts with agreement on common goals. Strategic focus is riveted when hard budget constraints, core issues and expected results are articulated. It is all right to adopt a symmetrical vision, where different reforms are applied in different settings for different reasons, as long as the implications are understood.

Champions must emerge at all levels to sustain progress in ASD initiatives. Political champions are needed to assuage public concerns and to advance candidates, based upon government and ministerial priorities. The political-administrative interface needs to be managed continuously for ASD to thrive.

Central oversight bodies need to become clearing houses for connecting people interested in ASD with sources of ideas and expertise. ‘Virtual organisations’ answer the question of how to muster adequate resources to accomplish significant projects when the time and expense of acquiring and owning resources are not otherwise affordable. ASD communities of practice emerge as groups of people are bound together by shared expertise and commitment and engage in a process of collective learning.

There needs to be a threshold test to determine, on a case-by-case basis, which ASD options might be a useful way forward in a specific setting. To the extent possible, ASD should be built into mainstream government systems and management practices. ASD designs rely upon systems that inform the right balance between autonomy and accountability. The scorecard of measures used by government must capture a range of dimensions that balance multiple stakeholder interests.

Recognition is the most reliable motivator of ASD initiatives. Awards can be instrumental in motivating practitioners to nominate innovations. To minimise the risk of creating havoc elsewhere in the system, it is also important that the right preconditions for ASD are created and that the transition process is used as a source of learning and adjustment.

Conclusion

Good governance matters in the Commonwealth and around the world. Dror (2001: x) asserts that ‘…all prevailing forms of governance are increasingly becoming “dead ends”, unable to perform changing crucial functions. The view that markets, civil society, non-governmental organisations and other social structures can compensate for this inadequacy is a chimera. Radical redesign of governance is therefore required; otherwise, increasing social costs, even existence-threatening failures, are unavoidable.’ He advocates remodelling governance to create the capacity to govern, to build the future and to improve global governance.

Governance is at the heart of ASD. The challenge is to take ASD to the next level to serve greater interests and to respond to new challenges. This means a broader spectrum of options, improved alignment of expectations, better balancing of autonomy and accountability, closer connection to citizens, and wider dissemination of knowledge and reforms. Today’s public service must be flexible, consultative, outcome focused and proactive in encouraging creativity and in supporting innovation from the bottom up. As a new generation of public managers assumes the helm of organisations that are built of energy and ideas, there is renewed impetus for innovating ASD.

In the aftermath of the global economic crisis, Balogun (2010: 5) maintains that leadership, institutions and values will be key to future public sector reforms. The Commonwealth Secretariat is strategically positioned to contribute in this developing scene. It collaborates on public sector development with many capable stakeholders. As a trusted partner, its working relationship with member countries is professional, sensitive and responsive. The Secretariat’s comparative advantage, particularly through promotion of South-South co-operation, is instrumental in leveraging institutional capacity development.

The Governance and Institutional Development Division (GIDD) is known as the ‘visible face’ of the Secretariat in member countries. Its mission is to advance good governance by assisting governments to build public service capacity, strengthen public institutions and improve service delivery. Each year, GIDD delivers some 70 learning events, 200 advisory missions and 50 technical co-operation projects that enhance the performance of public institutions and leaders across the Commonwealth.

GIDD is experienced in review methodologies, including ASD, developed through research, practice and evaluation with Commonwealth and international organisations like the World Bank. GIDD is equipped to advise member countries as part of its ongoing work with training institutes and reform units. Mutahaba (2010) reports lingering questions about reform ownership, reform fatigue, service mindset, institutional memory, sequencing of reforms, project management and implementation.

When it comes to ASD, the Commonwealth’s diversity enables innovation, a track record of results, and international influence. At the same time, practitioners are challenged in scoping ASD, in sharing good practices, and in accessing support groups. There is an immediate need to build capacity to respond to demands emerging for international cooperation. Based upon the lessons learned, institutionalisation rather than restructuring represents a
more realistic strategy for capacity-building. ASD remains integral to ‘getting service delivery right’ within the realm of machinery of government reforms.

References


