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NEW PUBLIC MANAGEMENT AS A TERM AND ITS APPLICATION TO THE PUBLIC SERVICE SECTOR IN THE DEVELOPED WORLD AND KAZAKHSTAN AS A DEVELOPING ECONOMY

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Abstract

This article discusses issues related with implementation of the new public management approaches and tools in the sector of public services as compared between the developed world and the Republic of Kazakhstan as a developing economy, advises the measures for improving systems in the government and public sector, tools and techniques of new public management applied in Kazakhstan, its negative and positive implications.

Keywords: reforms in public sector, cost-efficiency in public administration, modernisation in public management.

Beginning in the late 1970s and flourishing in 1980s and 1990s, the change in the public sector known differently in different countries as ‘re-engineering, new public management and modernisation’ [1] or ‘re-inventing government’ [2] represented an efficiency-driven approach, a ‘new paradigm of public administration and management’, a set of principles which aimed to improve the government and the entire public sector. In spite of the NPM impact and efficiency being still strongly contested, now it has now become a part of the day-to-day activities of public managers. Moreover, this movement has essentially influenced public sector and led to considerable changes in

policies and policy-making procedures at a global level. The results of developed countries vary depending on many specific factors, but findings taken place in developing countries that moved from a “command” to a “market” economy can be hardly concluded. In this regard, the present article provides a notion of New Public Management as a term and its applicability in public service sector of the Republic of Kazakhstan by presenting relevant reasons and evidence.

The last quarter of the 20th century was characterized by criticism of the old hierarchic model of public administration which was viewed as outdated and restricted by many obsolete features of the Weberian state. If previously attention was paid to the study of the nature of State, forms of administration, and search of an ideal mechanism of government, later the political modernity was focused on a new issue – how to actually enforce a law using relevant approaches as soon as practically possible that would provide efficiency of public administration. This new issue or challenge of the day began to be actively studied. The reform of public administration that commenced in the 1980s was partially caused by this and also by a number of other factors reasoned by the deep changes in social relations and technological innovations. The transition towards a new model of relations between government and civil society became possible after formation of the infrastructure of information-oriented society. The functions of a state became an issue of the day. It is known that there were several concepts or paradigms of a state such as welfare state that provides a wide range of services directly to the society, low-cost state which suggests solving of the public issues by the private sector, and negotiating partner state that acts as an intermediate between business and society [3]. The attempt to synthesize the above mentioned approaches resulted in a formulation of an advanced paradigm of public administration known as New Public Management or NPM. In this model, cooperation was set between a state and society and responsibilities were clearly divided, a state initiated the processes of public problems solution, acted as an intermediate and established framework of citizenry liability. Hence, the main functions of a state were defined as initiation, activation and stimulation of innovative development [4].

According to the NPM model, reforms suggest delegation of a number of functions previously maintained by the state to the market structures and introduction of common market principles to the public sector such as result orientation. Cost effectiveness, steering in provision of services, custom orientation, ‘entrepreneurial management culture’, i.e. managerial style likewise in private sector [5]. The tools for this were privatization, adaptation to market economy (marketisation), competition, structural decentralisation, performance audits and measurement etc. In a theory, such a model presumes a state being a guarantor and/or producer of service delivery, an institution that determines the

framework of social activities, creates conditions to citizens for problem solving and supervises social and economic activities with minimal expenditures.

Analysis of NPM reforms undertaken in Europe and US revealed that public sector was reduced in size, the expenses for public sector maintenance were decreased, transparency and efficiency of administrative system were enhanced and the HR system was improved. Other countries such as Scandinavian states, “Tiger” economies of Far East, Australia where institutional factors presented or formed a favourable situational context, the transition from legal model of state bureaucracy to entrepreneurial model also resulted in positive outcomes.

Albeit NPM was all-encompassing phenomenon of last decades, it also had a differentiating effect. Thus, some countries faced a variety of contingencies. For instance, in UK and US there were contradictions in the process of re-organisation or transition of inherently non-market public services to a market basis, while Germany’s public sector challenged a growth of bureaucratization, staff and services reduction, weakening of legitimacy and ‘brain drain’ [6]. In other words, these unanticipated factors can entail the destruction of public service institution and ethics, loss of social parity and traditional principles of orientation to the interests of society.

Another side effects of NMP were revealed through the experience of world organisations, including Bretton Woods Institutions of World Bank (WB) and International Monetary Fund (IMF), which were also followed the wave of NPM and started its implementation in emerging economies using a “one-size-fits-all” method[7]. Such a simplified transfer of liberalisation policy, which considered no specific context made up by the economic, socio-political and ethic factors of a certain state, in particular in African and former Soviet Union countries, was inappropriate and even harmful, sometimes led to the regress of and worsening of already tense situations. NPM tools especially privatisation, were widely used and actively promoted by IMF and WB offering offered aid, loans and profitable contracts to nascent countries in exchange for implementation of NPM reforms. For example, in the Russian Federation and Belarus the process of privatisation, which was aimed to release profit incentives and restore unstable economies, went by a ‘wrong’ scenario due to the fact that establishment of mature civil societies in these countries was incomplete and social awareness was low. In addition, it was accompanied by the ‘breakdown in output levels. Results were that the largest enterprises were cheaply sold to the criminals, who then used their wealth to increase corruption in the government in order to obstruct reforms and regulations that could confine their activities. The fundamentals where NPM reforms were addressed and could succeed were simply missing in those two countries.

According to the law of philosophy ‘a negation of the negation’, human society evolves though the denial of the current stage of development and formation of a necessity to reach a new stage. This is also evidenced in the

public sector facing new changes and challenges which solution requires development of novel models of administration in order to comply with development and changes in the civil society. In this regard, New Public Management represents a level of public administration development that is now being followed by another innovated phenomenon namely governance which has taken some essential elements of NPM. As Peters stated 'the future of public administration will embrace these changes and challenges, but the route it takes in each country will reflect the choices made by the citizens and the political elite on their behalf' [8].

In the case of Kazakhstan, successful implementation of NPM in the Western countries coincided with its independency in 1991. During the first years of independence Kazakhstan had effectively used the institution of international advisers, and the attention was also paid to the training of young specialists whose minds were clean of communism bureaucracy habits and dogmata. This was possible due to the uniqueness of Kazakhstan's situation, novelty of forthcoming tasks and failure of public servants to solve new challenges. For instance, during Soviet times there was one budget centralised in Moscow, from where distribution of funds was carried out to the all republics of Soviet Union. Therefore it was required to involve well trained specialists in finance, budgetary reforms and public policy makers for the newly established Ministry of Finance and National Bank (Regulator of financial market). Moreover, within 1992 and 1994 other institutions of the state such as the Ministry of Defence, Ministry of Foreign Affairs had been established [9].

Furthermore, Kazakhstan could construct relatively stable legal and regulatory frameworks, adopted a liberal Civil Code that provided establishment of the framework for ownership and commercial transactions. In 1995 a new pragmatic Constitution was enacted via public referendum. A new Tax Code was also adopted (resulting in triple reduction of taxes, facilitation of tax procedures and decrease of the tax burden in the country), there was established a framework for a new system of government fiscal management with up to date systems of public external debt management and tax administration. The banking system having undergone reform as well, confidence in banks increased, and the Kazakhstan population started to actively deposit their funds in banks that enhanced creditability of economy. The reform of foreign economic regulation intended to further liberalisation of foreign trade and integration of Kazakhstan into the system of world economic relations were continued. In addition to the adoption of Constitution, in 1995 one hundred and forty decrees (which have the force of law in Kazakhstan) were enacted on banking system, securities and stock exchange, bankruptcy, land, taxation, public utilities management and many other important issues, which comprised a main legislative basis of Kazakhstan as a free market economy [10].

Due to a number of economic problems of that time, including unemployment and mortality rates, population decline, migration, rising disparity, poverty, great drop of output levels and hyperinflation, many events were so rapid that the government was actually dealing with after-effects rather than controlling processes taking place. In 1994 and 1995 the Parliament passed a number of memorandums and policies, which included internationally known measurements aimed to reform economy and establish a macroeconomic stability [11]. The first step was a decisive change of ownership relations. Active privatisation that was dictated by the life's necessity.

Privatization was conducted in 4 stages and started in the major sectors of economy, which included energy, industry and telecommunications. The 1st stage lasted from 1991 to 1992 and was of 'initiative' nature when transfer of an enterprise was performed after applying of its staff. During this stage 4,500 enterprises were privatised. The main features of the 2nd stage (1993-1995) were a waiving of 'initiative' denationalization principles and implementation of anti-monopoly measures. 6,000 enterprises were sold, and this enabled Kazakhstan to activate spheres of such as public service, trade and public catering. A number of large enterprises were protected from bankruptcy via the introduction of foreign investors, which allowed keeping many jobs. The examples were amongst organisations such as those working in light industry, ferrous, non-ferrous, mining industries, including Almaty Tobacco Plant, Shymkent Confectionary Plant, Karmetkombinat, ZhesgazganTsvetMet and other enterprises [12]. At that time the Kazakhstan population could not invest in such industrial giants and the state was hardly able to do that. The 3rd stage of privatisation conducted within 1996 and 1998 became a transition towards sector programmes which embraced electric power and petroleum industries. Commenced in 1999 and lasting to the present time, the 4th phase of privatisation is marked by new approaches to distribute powers between the levels of public administration in regulating and managing public property.

By such means in the Kazakhstan economy a private sector was formed which required clearly set rules and a modern market-based legal framework. Enactment of the legislation that complies with the world standards became a good ground for the development of private sector of economy, its capitalization and entrance to the internal and external markets. As one of the tools of NPM, the privatisation in Kazakhstan can be generally characterised as a positive and effective measure, it also resulted in solution of other socio-economic issues one of which was pension indebtedness. All funds raised by means of privatisation were addressed to the National Welfare Fund and kept for the usage in case of emergency situations.

Another element of New Public Management such as decentralisation of authority was implemented in 1998 after amendments to the Constitution and enactment of 2 decrees. This enabled Kazakhstan to undergo territorial reorganisation that merged some oblasts (i.e. provinces in Kazakhstan) and

restricting along the lines of the national government with sixteen territorial zones. Kazakhstan was divided into 14 oblasts and 2 major cities (such as the former capital Almaty and the capital Astana). In 2004 the resolution to reform administrative apparatus of provincial level was adopted. This resolution abolished additional administrative divisions at the provincial level and shifted their tasks to the local level. In practice, decentralisation in Kazakhstan implied provision of more managerial powers and liabilities to the immediate supervisors, i.e. managerial but not political decentralisation [13].

In 1997 the long-term Strategy of Kazakhstan's development stretching to 2030 was enacted and later was expanded to 2050. This national plan includes essential elements of New Public Management such as empowerment of population, accountability, transparency, responsiveness of government. In comparison with other CIS countries, Kazakhstan was the first chooser of a strategic planning oath as a tool for effective public management and regulation. Although the Strategy was initially criticized, now its planned outcomes are being evidenced and demonstrate feasibility, it proves that Kazakhstan is on the right way. The findings expressed in figures speak for themselves. Country's GDP per capita in money terms is growing annually since 2000 from USD 1,229 to USD 10,509 in 2015, while annual output of industrial products increased from USD 12.6 billion to USD 67.3 billion for the same period [14].

Development and implementation of policies by the government of Kazakhstan were successful at a national level in absolute and comparative terms. The results reveal that Kazakhstan became a sovereign national enabled to maintain its security, territorial integrity, political and socio-economic stability. National economic growth, application of liberal policies and rich mineral resources provide good prerequisites for further progress of Kazakhstan, though democratisation needs to be underpinned and developed. As a true democracy implies a government being responsive and accountable, this level of Kazakhstan development is yet to be achieved.

This assignment consisted of two parts, a notion of New Public Management as a term was presented in the first part covering issues of public administration concepts and NPM experiences of various countries. The second part provides a review of Kazakhstan in the light of undergone processes, reforms and revealed findings, with attention paid to the tools of NPM applied.

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