

Dragan Lončar
University of Belgrade
Faculty of Economics
Department for Business Management
and Marketing

PROSPECTS FOR THE APPLICATION OF NEW PUBLIC MANAGEMENT APPROACH TO THE SERBIAN PUBLIC ADMINISTRATION

Mogućnosti za primenu pristupa *New Public Management* u javnom sektoru u Srbiji

Abstract

The primary goal of this paper is to assess possibilities for the implementation of mechanisms characteristic of New Public Management into the Public Administration model in Serbia. Author firstly analyzed various approaches to Public Administration and compared experiences of different countries. After a brief overview of Public Administration legacy and tendencies in Serbia, author used findings from theoretical and comparative analysis to provide the proposal of new model.

Key words: *New Public Management, public administration reform, Serbia*

Sažetak

Osnovni cilj ovog rada je utvrđivanje mogućnosti primene mehanizama *New Public Management* pristupa u javnom sektoru (pretežno državna uprava) u slučaju Srbije. Autor je najpre izvršio analizu različitih pristupa u državnoj upravi i poređenje sa iskustvima drugih zemalja. Nakon kratkog pregleda razvoja i reforme javnog sektora u Srbiji, izložen je utisak o neophodnim promenama, kao i predlog novog modela javnog sektora u skladu sa nalazima teorijske i praktične analize.

Ključne reči: *New Public Management, reforma državne uprave, Srbija*

Introduction

Initial model of public administration (PA) implemented throughout the world in the 19th and 20th century was, both in terms of structure and processes, founded on bureaucratic organization as defined by Max Weber. The main characteristics of such a model were emphasis on accountability, procedures and top-down flow of initiatives. In the middle of the 1970s and the beginning of the 1980s a number of countries (predominantly members of OECD) began implementation of a new model in the light of economic turmoil. A set of goals to be achieved through the introduction of this model included above all: reorganizing structures and processes, focus on outcomes and results, improvements of personnel and financial management, and a strong emphasis on marketization of PA service provision. This approach was entitled the New Public Management (NPM).

Implementation of NPM was conducted differently in various countries depending on their PA legacy and socio-economic specifics, which led to the origination of several sub-models and a variety of partially exerted reforms.

The countries of Central and Eastern Europe (CEE) and South Eastern Europe (SEE) also implemented a certain number of NPM tools in the previous 20 years. This process

is still to be fully assessed in terms of effectiveness since it did not follow a continuous trend and had experienced substantial resistance in many occasions.

Serbia is characterized by many features inherent to the countries in mentioned regions. That is why it should also evaluate possibilities for the implementation of NPM. This should be, however, done with caution since not all tools of NPM are suitable for implementation in certain local settings. This is mostly the case with the introduction of market-oriented solutions. The goal of this paper is to assess the tools of NPM applicable in Serbia. Basis for this assessment are experiences of other countries combined with theoretical propositions and previous Serbian experiences.

In the first section several generic approaches to the public administration are presented. The focus is then put on the development and definition of NPM as well as on certain new models of PA. This is further elaborated in the second section which explains the main principles of NPM. The third section sums up several experiences regarding the implementation of certain NPM tools in different countries. Impressions gathered in this section are applied to the case of public administration in Serbia in the fourth section. A few recommendations as to the extent to which NPM should be implemented in Serbia are clearly stated. Conclusion summarizes the findings of the paper and gives potential trajectories for further research.

Short overview of public administration approaches

During the 1970s many developed Western countries encountered numerous problems regarding the efficiency, effectiveness and economical rationality of the existing concepts of public administration. This issue was closely connected to the features inherent to *Weberian bureaucracy* model that was predominant at the time.

The most vivid claim is the following "... the traditional bureaucratic structures that ushered in the industrialized economies of the 20th century may have been appropriate for that era but have reached a point of diminishing returns." [24]. In other words, fiscal burden incurred by massive and increasingly ineffective public

administration became too expensive to maintain. Moreover, the growing concern that the centralization of decision-making responsibilities tends to increase government's power and decrease its accountability to the population [12] was also a strong incentive for the significant change in this field.

Risks stemming from such a situation motivated authors in the field of public policy, administration and economics in general to assess the problems and offer an improved PA model as a solution. As a result, several theoretical models emerged. The ideas of Neo Taylorism, Public choice theory and Public entrepreneurship as well as key aspects of Principal-Agent theory and Transaction cost theory were used as the basis for the creation of various approaches that were jointly entitled New Public Management. Later on, Neo-Weberian and Public value approaches emerged from the need to deal with problems inherent to the application of New Public Management principles.

- *Neo Taylorism* (also referred to as Managerialism) stressed the need for changes in management of public administration as a system. The main fields of improvement should be the control of costs that arise in the process of public service provision, clear definition of personal responsibility for performances, and the incentivization system based on those practices [15].
- *Public choice theory* focuses on the political aspects of bureaucracy, perceiving its status as informationally monopolistic both towards politicians and the public. This theory implies that bureaucrats follow the rational goal of maximizing their utility in terms of increased power, status, patronage, etc., which leads to allocative inefficiency and oversupply of public services [23]. In order to avoid resource wastage it is suggested that more competition in the delivery of public services is introduced. Furthermore, privatization and contracting-out to private providers are outlined as a solution. In the end, information regarding the availability of alternatives to public services should be provided [15].
- *Public entrepreneurship* approach introduced the need for exceptional quality of public service,

empowerment of clients (citizens) and incentivization as the means for improvement of PA. Besides that, concepts of privatization and marketization are also outlined as solutions, which is quite similar to the ideas of Public choice theory. This approach insists on flexible (entrepreneurial) public management, i.e. the convergence of public and private managing practices [15].

- *Principal-Agent theory* emphasized the separation of provider and purchaser of public services. It was suggested that government should define standards and procedures according to which it should select private provider for certain public service. This approach emphasized higher efficiency of private entities in providing services [23].
- *Transaction cost economics* theory contributed to the debate with an idea that decision regarding which services are provided by PA itself and which are outsourced to private providers should be based on cost comparison [23].

The governments of the United States of America (Ronald Reagan's administration) and the United Kingdom (Margaret Thatcher's administration) pioneered the introduction of these concepts through the process of public administration reform.

Approach grounded in the aforementioned ideas and theories, further enhanced with concepts of modern economical and management theory is known as *New*

Public Management (NPM further on). The NPM is often regarded as “. . . the entire collection of tactics and strategies that seek to enhance the performance of the public sector. . .” [24].

The results of NPM, however, did not improve the performance of PA to the expected extent which is why concepts of Neo-Weberian State and Public value paradigm emerged as alternatives.

- *Neo-Weberian State* (NWS) approach builds on traditional bureaucratic model emphasizing the state-provided public service with focus on accountability. Only when sound PA system is built, flexibility and efficiency enhancements are introduced. In that sense, instead of implementing market-oriented solutions, the focus is on sophisticated control mechanisms. Flexibility should be exercised through consultation with external experts and as an additional measure rather than an alternate approach [26].
- *Public Value paradigm/Management* (PVM) encompasses three key components: services, outcomes and confidence in government. This reflects to PA in a way that the goal of public managers is to steer public services provision so that it results in outcomes beneficial to society as a whole thus improving the confidence in government [23]. Citizenry as a whole rather than individual citizen is a subject to services and outcomes of PA. Implementation of procedures that guarantee that collective preferences are adequately

Table 1: Differences between Weberian model, New Public Management, Neo-Weberian model and Public value management

Weberian characteristics	Characteristics of New Public Management	Neo-Weberian State characteristics	Public Value Management
Dominance of rule of law, focus on rules and policy systems	Inward focus on (private sector) management techniques	External orientation towards citizens needs	Relationships between key stakeholders
Central role for the bureaucracy in the policy making and implementation	Input and output control	Central role of professional managers	Multiple objectives are pursued including service outputs, satisfaction, outcomes, trust, and legitimacy
Unitary state	Fragmented state	Unitary state & collaboration	Collective preferences are expressed
Public service ethos	Competition and market	Public service ethos	Menu of alternatives selected pragmatically
Representative democracy as the legitimating element	Client empowerment through redress and market mechanisms	Supplementation of democracy with consultation and participation	Multiple accountability systems including citizens as overseers of government, customers as users and taxpayers as funders
Political administration split within public organizations	Political administration split within and between (agencification) organizations	Political-administration separation and emphasis on professionalization of the latter	Public managers use political approach and advocate for a value they create

Source: Adapted from [1] and [23]

met is the overarching goal. In order to achieve this, tools proposed by both NPM and NWS are used.

Differences between traditional Weberian, New Public Management, Neo-Weberian and Public Value Management approach are summarized in Table 1.

The key characteristics and principles of New Public Management

The overall goal of NPM is to create a PA system as small and efficient as possible. Such a system should follow strategic goals streamlined by corresponding action and project plans that would be subjected to performance control on a regular basis. Key performance indicators used with this regard should be effectively introduced to public managers/civil servants and aligned with the state budget. Competitive “mindset” would be established through the division of PA system to several subsystems (strategic business units) that would compete with each other in entrepreneurial way. Besides that, competition between public and private entities should be stimulated. System reformed in this way would perceive citizens both as highly dispersed stockholders (owners of the state) and customers (consumers of public services). Efficiency enhancement limited by the tradeoff between cost reduction and service quality should be taken into account for every assessment and action [19].

Having said that it is important to underline that NPM is a broad approach consisting of multiple concepts and theories rather than a single theory. Defining it with a set of principles comes more in handy than constructing a broad definition. It is often argued that there are as many sets of NPM principles as there are approaches to this model. However, there are some key elements that are common to the majority of approaches. Concise overview is given in Table 2.

Experiences of other countries

Different PA traditions

Depending on the PA systems introduced through their history, all countries have selected the most suitable approach of NPM. There are, however, certain groups of countries whose NPM approaches show substantial convergence to each other:

- United States, United Kingdom, Canada, New Zealand and Australia
- France, Spain, Italy and several other countries of (South)eastern Europe
- Germany, Switzerland and Austria
- Nordic countries (Sweden, Norway, Denmark, Finland) and Netherlands
- Countries of Central and (South) Eastern Europe (CEE/SEE, further on) including Serbia

Table 2: General principles of New Public Management

Category	Characteristics / objectives	Examples
Organizational restructuring	Delegation of responsibility Reduction of hierarchy Political and managerial Roles	City managers Holding structure
Management instruments	Output orientation Entrepreneurship Efficiency	Performance agreements Products Performance-related pay
Budgetary reforms	Closer to private sector financial instruments	Cost accounting Balance sheet Profit and loss statements
Participation	Involvement of the citizen	Neighborhood councils E-democracy
Customer orientation Quality management	Gain legitimacy in service delivery Re-engineering	One-stop shop Service level agreements E-government
Marketization Privatization	Reduction of public sector Efficiency gains through competition	Contracting out Public-private partnerships

Source: Adapted from [29]

The *first group* encompasses the countries traditionally regarded as prone to “market-type reforms” [6]. These countries have implemented the principles of NPM to the highest extent, especially in terms of marketization, privatization, and the perception of citizen as a customer [27].

The *second group* of countries is characterized by traditional Weberian bureaucracy model (imported from France) with particularly centralized provision of standardized services [21]. The NPM was not implemented to a high degree in those countries and the focus was primarily on (limited) marketization of service provision.

Countries of *German-speaking area* were the starting point for the Weberian model diffusion and certain principles and tools of NPM were implemented primarily as an incremental improvement of the traditional model with focus on: implementation of budgeting concept, decentralization of responsibility for resources [27] and enhancement of PA employee incentivization and flexibility [5].

PA in *Scandinavian countries* is characterized by intensive debate between public and private sector, extensive range of publicly funded and provided social services [6] and is also legalistic and accountability-driven in essence. NPM concepts regarding the verification of administrative performance and political decentralization [21] were in the focus of PA reform.

CEE/SEE countries (including Serbia) share the common history of centralized and highly specialized PA apparatus controlled by ruling political structures. However, it is important to point out that certain countries of this region maintained pre-communist, traditional bureaucratic PA system intact, which resulted in the persistence of important features such as accountability, considerable level of impartiality, and established procedures and processes.

Factors that affect the implementation of NPM principles

The analysis of PA reforms in mentioned countries led to important findings regarding the implementation of NPM concepts.

PA model legacy influences the introduction of tools in several ways. Firstly, the perception of PA in public and

inherited PA habits affect the (overall as much as internal) motivation for the introduction of changes. In countries that experienced historical periods of administrative apparatus being misused by dictatorships, the reputation of civil servants and the system as a whole is quite low. This was the case of Spain (Franco’s regime), Italy (Mussolini’s regime) and Greece. The same stands for systems that were historically characterized by high levels of corruption and low efficiency (Spain, Portugal). Systems with this burden are first expected to inherit democratic and meritocratic means of functioning before further changes are introduced [16]. Secondly, traditional PA mechanisms and values affect the cost-efficiency of implementing NPM tools. This is the case in France, where monitoring through key performance indicators was introduced with considerably low costs owing to the existence of so-called *policy tables* that were traditional feature of the system. [17].

The *difference between internally and externally-oriented NPM principles* in terms of results they provided is obvious. Internal reform measures encompassing the introduction of controlling, financial management and budgeting practices from private sector as well as the evaluation systems proved as generally successful in Germany, France [17], Netherlands [36] and even some countries that are characterized by dissatisfactory status quo in PA such as Italy. On the other hand, external reforms including privatization, outsourcing and quasi-competition-enhancing measures proved to achieve doubtful outcomes [16], [18]. Privatization of municipal utility companies proved to be particularly problematic. It is argued [17] that it substantially reduces the income of municipalities, therefore reducing their possibility to distribute it to the activities/projects of low financial viability but with high public value. Outsourcing also proved to be dubious in some cases because it included further subcontracting, thus complicating monitoring and diminishing service quality. Both initiatives often ended with remunicipalization.

Introduction of public agencies is effective only when precisely defined and monitored. The experience of the UK shows that inception of many agencies in a short time and with unclear performance indicators leads to several problems. Firstly, monitoring information is not aligned

and therefore hard to use for decision-making. Secondly, the possibility of underachievement and abolishment of agency is high [36]. Gradual introduction of these entities, as it was done in Netherlands [35], points to somewhat better outcomes. Firstly, it is possible to create a more concise (although still not effective enough) performance measurement system. Secondly, it is possible to track the common problems and therein enhance the implementation methodology. The experience of Netherlands shows that agencies on average provide satisfactory effects after 2-3 years upon establishment. Thirdly, a careful analysis that preceded implementation indicated that most suitable PA areas for agencification are inspectorates and implementation services.

Political setting is above all important in the sense of political support for reforms. Secondly, it is perceived that the type of concepts implemented highly depends on ruling ideology because it decisively defines the strategic orientation of reforms. In Greece [9] the scope and strategic direction of decentralization reforms were changed several times due to the changes of leftist and conservative parties in power. Another example is Denmark and Sweden where considerable convergence of introduced reforms was attributed to the similarity of ruling social-democratic parties. Differences in this case originated mainly from the differences in PA model legacy [6]. Thirdly, it is common that implementation of NPM reform principles heavily suffers from the government instability or atomized coalitions [16].

Implementation in pilot setting before introducing large-scale changes leads to establishment of logical connections between reform mechanisms. This is a trend specific to Scandinavian countries, Netherlands and countries of German-speaking area [6], [27], [36]. The example of Germany local municipalities shows that pilot initiative to decentralize responsibility for resources revealed the need for adjustments in budgeting. Responsibility for budget disposal was then combined with introduced possibility to use certain budget position as collateral for others. This further leads to the establishment of cost and performance accounting. In the end, the concept of financial controlling was implemented [27].

Suboptimally intensive decentralization of local self-government leads to the inception of local communities that are too small to commit all expected functions of PA. This problem was especially serious in Greece [9] where one reform wave ended with municipalities so small and power-deprived that their augmentation was the priority of next set of reforms.

Identifying the source of stakeholder motivation enables timely perception of implementation risks and ways to mitigate them. Thorough analysis of the process of new accounting policy implementation in municipalities of North-Rhein Westphalia in Germany [28] shows that different stakeholders show varying approaches to reforms. For civil servants in charge of implementing the change operationally, the greatest benefit is the know-how gained in the process. The perception that learned will be useful in further career development is key motivational factor for this layer of actors. Executives, on the other hand, are reluctant to introducing changes since they favor proven procedures and mechanisms to new solutions with uncertain effects. Their motivation is enhanced through communication of goals and inclusion in the process. Top management of PA body supposedly approves these efforts but in essence low level of related knowledge prevents them from showing concrete support. Communicating the strategic importance of reforms increases their motivation to take active part in process. If all three layers of actors are not equally motivated to participate changes would occur only on the operational level. The lack of involvement of executives and top management is perceived as crucial for straining from strategically aligned to purely technical inadequate implementation.

Problems regarding the NPM-oriented reforms in CEE/SEE countries have a lot in common. Areas that overlap most frequently are [9], [10], [13]: corruption, formation of legal state, preservation of human rights, low salaries in PA, anachronistic and irresponsive PA structure, doubtful recognition of PA stakeholder interests, notable resistance to reform. Transitional issues these countries encounter along with inherent institutional discontinuity make it difficult to precisely assess the effects of reforms. General impression is that these countries mostly implemented NPM concepts without overarching strategies and without

a firm existing PA structure. This resulted in a creation of rare “islands of success” in the majority of misaligned reforms [26].

Stated findings have several general implications for Serbia. *Firstly*, the introduction of NPM principles is highly country-dependent. *Secondly*, even so the most homogeneous region regarding the settings for implementation of NPM principles is the region of CEE/SEE mostly because of the common institutional discontinuity. *Thirdly*, too quick or too one-sided implementation of these principles leads to suboptimal results irrespective of how initially remedial they are perceived.

Besides these general impressions it could be argued that altogether these findings present a nice tool for assessing current state or potential introduction of reforms to the PA model in Serbia. If done so, they should be broadened by the assessment of solving the local-specific problems.

Empirical cases of NPM implementation

The most extensive evaluation of success in the PA reform process is present in the countries that pioneered this trend and subsequently went furthest both regarding scope and depth of changes. The following case studies present several possible outcomes.

1) *Outsourcing: National healthcare system (NHS) in the UK*

One of the most apparent examples of failures in the implementation of NPM principles is the *outsourcing of IT services* in the case of NHS in the UK. Initiative “Connecting for Health (CFH)”, which had a projected cost of GBP 12.5 billion was expected to deliver [18]:

- NHS care records service,
- Electronic booking,
- Electronic transmission of prescriptions,
- National network-IT infrastructure,
- Digital archive to replace film-based images, and
- Data collection and management system. However, there are numerous indications that CFH project was malfunctioned. Firstly, there is a reported disfunctionality of patient administration system (PAS). Moreover, elsewhere, twenty years of accurate immunization records were lost because of faulty software introduced in 2005. Consulting firms involved

in CFH (CSC (Computer Services Corporation), BT, Fujitsu, and Accenture) also happened to lack necessary experience in such a scalable project. After a series of failures and withdrawal of Accenture from the project, Fujitsu’s Head of Healthcare Consultancy stated: “What we are trying to do is run an enormous programme with the techniques that we are absolutely familiar with for running small projects, and it isn’t working. And it isn’t going to work” [18].

This example points to two important implications for Serbia. Firstly, projects of this scale should be outsourced to providers with renowned expertise and experience. Secondly, without the developed system for complex ex ante project assessment, large projects should not be undertaken. Thirdly, too sophisticated or revolutionary solutions can prove to be expensive failures, which is why pragmatic and rational alternatives should be chosen instead.

2) *Public-private partnerships: Mediation in Netherlands*

Although PPPs proved to have various effects, Sijtwende project in Netherlands had an atypical outcome. The starting point was over a sixty-year-long conflict between the municipality of Voorburg and the Ministry of Transport regarding the building of road track through Voorburg. However, a third party, the private consortium Sijtwende BV, showed itself to be a process manager by breaking through the barriers between mentioned public entities. It also turned out to be an exceptional project manager by developing a creative and innovative multifunctional land use plan. The private consortium Sijtwende BV proposed a ‘hollow levee’ solution, the Sijtwende Plan. This safeguarded the interests of the Ministry of Transport to build the road route and those of Voorburg that mainly were concerned about economic and environmental impact. In the end, plan resulted in a six meter high ‘hollow levee’ that is both soundproofed and landscaped. The concrete plan constituted of “... a two kilometer length of road most of which is in three lengths of hollow levee (measuring 1000 meters, 275 meters, and 375 meters respectively). Between the three covered sections there two junctions were planned. Covering the road in this way increases 22 hectares of land for housing and office building in the area to a functionally useable area of 27 hectares. This multiple

exploitation of the area provided financial compensation for the relatively expensive hollow levee version. About 700 new homes were planned to be built on either side. The plan also includes about 10 000 square meters of office space and the building of a recreational area, green space, and leisure facilities” [8].

Crucial conclusion that can be made for the case of Serbia is that besides regulated mechanisms or focus on planning and assessment, it is sometimes best to solve conflicts of interest simultaneously. Mediation should be taken over by the side with the highest interest in project success which therefore seeks the most adequate solution. However, sound legal framework must exist in order to prevent any “hidden agenda” that would destroy public value in the long term.

3) *Health system in France: Adverse effects*

Activity-based payment for medical services in France was implemented as a version of the US Diagnostic Related Groups (DRG). DRGs are predetermined reimbursement rates that reflect services that are actually delivered. Application of this mechanism replaced the former hospital financing model that depended on patient length of stay, local demographic factors such as population size, and the hospital bargaining power during fee negotiation with the central government. They incorporate some basic principles of NPM. Firstly, a split between financing, primarily from the government, and care provision by hospitals. Secondly, incentivization and competition for patients, as care providers’ income is directly related to patient volume [31].

Evaluation of French NPM reforms in the area of health services’ efficiency points to outcomes below expectations. It was argued that “... instead of improving or simplifying government execution, it appears that constant monitoring created additional risks and costs that remain largely unquantified. French hospitals hired ‘DRG coders’ instead of hiring physicians. The situation in medically underserved areas is even worse under NPM, as more public hospitals in close proximity to those areas do not support a sufficient patient pool. Furthermore, the closure of medical services that are too expensive to run such as cardiology, nephrology and emergency services in city centers occurs often. Discrepancies in hospital

payments, argued as the main reason for the adoption of DRG, have not disappeared, but were merely transferred from the central government to the patient who incurs a higher share of the cost. Despite a nationwide uniform DRG scale, daily fees, which are set by the hospital director, approved by the RHA, and paid for by the patient and his/her supplementary insurance, varies significantly. In a survey on medical cost in city based hospitals, procedure costs ranged from EUR 360 to EUR 2,230 for a similar medical condition with an average cost of EUR 817. Therefore, fees still do not reflect care intensity, but constitute an adjustment mechanism to balance the hospital budget. The public/private sector gap is rising. Private hospitals focus on the most profitable DRGs (including ambulatory care, elective surgery, and maternity care), leaving services with poor returns, for instance, organ transplantation or emergency services, which are more expensive to run, or welfare services (often, emergency rooms double up as shelters for the homeless), to the public sector. As for PPPs, particularly for the construction of hospitals, outcomes are clearly negative for the taxpayer. Early PPP evaluations point to inadequacies. In case of the largest hospital construction site in the city of Evry, a simulation for a 30 year public loan of EUR 344 million costs a total of EUR 757 million compared to the EUR 1.2 billion that were actually paid to the private operator. Unlike a private operator that contracts loans at higher rates or invests its own funds with an expected return on investment of 10% to 15%, public operators benefit from lower financing costs since they can borrow at preferential rates. These failures prompted the French government to adopt more stringent regulations to ensure that PPPs do not bankrupt municipalities” [31].

Three conclusions further applicable in the case of Serbia arise. Firstly, introducing marketization to healthcare turned out to be the cause of reduction in medical service offer and overall healthcare quality. Secondly, the shift of payment from central government to the patient proved to have increased the price discrepancy. Therefore, without sufficient legal and control capacities such radical changes should not be initiated. Thirdly, chosen PPP solutions in the area of hospital construction turned up to be more expensive but also more lucrative for private operators. This

also suggests that private operators may take advantage of PPP opportunity if contract or partnership relations are not carefully defined and properly legally reinforced.

Feasibility of application in Serbia

Previous sections of this paper introduced the idea of NPM, presented various conclusions on the basis of experience from other countries and gave an insight into three empirical cases. In order to apply these findings to the case of Serbia, the PA system legacy, reform experiences, and current PA model will be briefly presented.

Historical development of PA in Serbia

The first PA model established in Serbia at the beginning of 20th century contained elements of German, Austrian and French bureaucracy. In other words, it was a classical Weberian system based on legalistic principles, highly depersonalized, centralized and embodied in a strict vertical structure regarded as “the essential state institution” [4].

The majority of CEE/SEE countries have gone through the process of dismantling the existing institutions when (mostly communist) dictatorship regimes after the Second World War were established. Although communism was also the dominant ideology in Serbia/former Yugoslavia, existing PA structure was preserved. Enactment of legal texts (acts of parliament and governmental decrees) remained the primary role. Rigidity and low conformance also endured. These features are perhaps most adequately illustrated by the comment [4] that ruling structures found it more appropriate to change the constitution on the sign of political turmoil than to approach a PA reform. The role of service provider was introduced by the changes of legal framework in 1977. However, this was largely perceived as only formal solution with no evident application. Policy creation was not regarded as a task of PA. There were no notable changes to the system in the 1980s.

During and after the period of civil war in former Yugoslavia, administration suffered from problems that struck the society in general out of which emigration of qualified workforce was the most apparent. In addition to that a long lasting tradition of career advancement based on the seniority and professional reliability was substituted

by the criteria of political loyalty. Intensive centralization was also introduced as a reflection of regime’s political aspirations.

Brief overview of reform initiatives in the period 2000-2014

When political changes happened in 2000, government advocated thorough administration reform. Reform process by 2004, however, was characterized by the lack of overarching strategy. Because of that, although legislation was adopted at satisfactory pace, the reform implementation was omitted in most cases. Even when reform actions took place, they were misaligned and in most cases ended up as partly implemented initiatives. The overlap and lack of clarity in roles of the Ministry of State Administration and Local Self-Government, Agency for Public Administration Development and Civil Service Council were the main reasons for such result [34]. Suitable example of misaligned reform approach is the formation of large number of public agencies starting with 2000 even before they were regulated by corresponding law [34]. Functional reviews introduced in several ministries as a way to determine current status and define necessary changes did not receive wider political support. This initiative was labeled as donor-driven, highly politicized and further inhibited by poor communication of goals [20]. Chaotic reform initiatives in this period left Serbian PA as a centralized bureaucratic structure with insufficient flow and provision of information and poor capacity of conducting interorganizational initiatives. Government instability could be held responsible for much of the miscoordination [4].

The first Strategy of PA reform (Public Administration Reform, PAR) in Serbia was adopted in 2004. Key reform areas were organizational decentralization, fiscal decentralization, building a professional civil service, establishment of new organizational and management framework as a basis for rationalization, introduction of information technology (modernization), and introduction of public administration control mechanisms. Relation to the principles of NPM is obvious and comes from the orientation towards the EU-compatible reform course. The main disadvantage of this strategy was the lack of quantitative and financial

indicators [2]. This made it impossible to concisely assess the effects of introduced changes. In combination with the absence of implementation budgets it becomes apparent that measuring results of this strategy was provisory at best. Outcomes are in line with the following [2]:

- In the area of *rationalization*, several increases and decreases in the number of ministries happened, all related to the coalitional dynamics.
- *Public agencies* were legally defined but means for their supervision and basis for real independent functioning were not identified.
- *Capacity for policy creation and implementation* was not enhanced by the reforms and focus remained on the rule-obedient tasks.
- *Decentralization* efforts ended up with no clear effects. The main finding with this regard is that although central government is devolved to districts, public services are provided by parallel network of subordinated branches coordinated by each ministry.
- Although certain sources of income were assigned to local municipalities, *fiscal decentralization* was hindered by the fact that property mostly remained in state ownership. However, unlike some countries in the region such as Hungary and Greece it is argued that vast majority of municipalities have the capacity to exert given tasks.
- *Privatization* efforts did not take place in the sense of NPM. Only privatization of large public enterprises was a matter of discussion.
- In the field of *Civil Service* the reforms introduced evaluation system based on employee rating that was, however, vulnerable to biased assessment.
- Possibility for *external candidates* to be employed in executive places was also introduced.
- In the field of *PA's and general Government's openness* to citizens the institutions of Ombudsman and Commissioner for information of Public Importance were introduced.

Having in mind all those facts it is clear why it is argued that until 2008 the greatest progress was achieved in the field of legislation adoption [2]. The turbulences in coalition government once again proved to be one of the main reasons for such outcome.

In 2009 reforms focused on handling the effects of economic crisis through fiscal consolidation. Downsizing is chosen as a primary mechanism of reducing the fiscal burden. Instead of applying bottom-up approach based on the realistic resource requirements, the reorganization was defined in a top-down assessment that had cost reduction as a single goal. First step was the definition of austerity measure scope using required cost reduction as quantitative reference value. Determination of layoff scope was next on the agenda. Internal reorganization came as the last step in this process. It included the adjustment in number of employees in organizational units in accordance with provisory and unclear benchmarks [11]. In the end, the following could be concluded regarding this reform initiative of Serbian PA:

- Goals were short-term and exogenous in nature (reactive)
- Planning process was restricted to the achievement of a single goal
- Planning process was provisory and directive (top-down)
- Organizational restructuring was narrowed down to layoffs
- No formalized mechanism of monitoring was introduced

The initial Action plan for the implementation of PAR Strategy related to the timeframe 2004-2008. Since the effects of strategy were scarce in this period, a new action plan was adopted for the period 2009-2012, but suffered from the same set of problems. In the meanwhile, another change of government occurred leading to a short standstill in the application of strategic reform activities. It is, however, important to notice that further austerity measures including salary reduction in public sector were introduced during 2013 and 2014. The setting of those measures is quite similar to the one from 2009.

Findings from previous section are in line with the perceived [19] state of *strategic planning* in Serbian public administration. *Firstly*, there is no coherent framework that defines methods, principles and directions of strategic planning. Such practice of disintegrated strategy definition on the ministry level without adjustment efforts discards any intention to maintain strategic focus. *Secondly*, the

lack of resources to carry out a strategic planning process originates from insufficiently educated PA employees in the field of reference. The perception that it is just another working task with no additional incentive is also common. Furthermore, contracting foreign experts of questionable level of expertise as consultants often results in further strategic divergence. *Thirdly*, legal framework is also incomplete in the field of strategic planning. Deadlines and sanctions triggered by underperforming are not clearly defined nor are they a matter of serious assessment. This is also accompanied by the absence of useful action plans for strategy implementation. *In the end*, there is no alignment between planning and budgeting. Besides that, the fact that financial projections of public entities are submitted to the Ministry of Finance while their mid-term plans are submitted to the General Secretariat again indicates an illogical and divergent approach to planning and governance. It is obvious that strategic planning has no sense irrespective of its scale without systematic budgeting practice.

Current state of reforms, human resources, goal orientation and resulting PA model

The state of PA reform as reported in 2014 did not point to any radical improvements in comparison to earlier conclusions having that main problems remain [30]:

- The responsibility for policy making is still not clearly distributed among public entities
- Citizen-oriented approach is still absent except for several isolated cases
- Civil service status does not apply to all public employees including some that occupy key state functions
- Meritocracy is threatened by inadequate regulatory solutions that allow for discretion especially when senior positions and performance evaluation are in question
- Political responsibility for civil service, control of public expenditure incurred by PA and human resource management are situated in different public entities that are inadequately coordinated

Advancements in transparency, efficiency, and legislation harmonization in the field of public procurement

are regarded as the highest improvements in comparison to previous years.

Recent study of human resources in Serbian PA provided interesting outputs [32]:

- Although legalistic accountability remains dominant, the majority of employees have economic and management professional and/or educational background
- Average age of civil servants is lower than in Western and higher than in Eastern Europe, which could be attributed the outlined PA tradition that generally stands in between
- Employees indicate that reaching a career plateau after certain career level is common and frustrating
- Civil servants on the operational level show low levels of satisfaction due to lack of delegating
- The number of civil servants without experience in private sector is high

while the situation regarding strategic approach points to the following [32]:

- Management by objectives (MBO) is implemented to a limited extent
- Along with Hungarian, Serbian PA employees express the lowest familiarity with the implementation of strategic tools
- Centralization is high in the fields of budget allocation, policy design and policy implementation, and situated on the level of politically appointed management
- Technical skills of staff are not appreciated

A wide consensus exists among all levels of civil servants that there is a need for political support in order to resolve chronic problems of systemic centralization and far-reaching politicization.

The assessment of PA “evolution” and current state in Serbia indicates that the model of public administration has following features:

- In terms of *scope*, it is not entirely defined since current legislation accounts only for employees directly involved in administration irrespective of the fact that public healthcare, education, a number of public enterprises and utility enterprises constitute it.
- *Organizationally* it is a rigid, archaic model with many hierarchical levels that communicate through “legal

act exchange". Even so, it is vulnerable to discretionary behavior and often circumvented because of the high influence of politically appointed staff since the decay of professional values in previous 25 years.

- In terms of *policy making* it is the uncoordinated system with small capacity, specialized for totally different tasks of legislation enactment.
- In terms of *policy implementation* Serbian PA is a mosaic of isolated initiatives without the built-in ex ante assessment mechanisms.
- *Decision-making* is centralized and accompanied by scarce delegation of tasks and responsibilities. This stands both for devolution to branches of central government and local self-governments.
- *Tools for performance measurement* are mostly absent along with awareness of their strategic importance.
- In terms of the *NPM principles introduction* Serbian PA model is in the initial phase characterized by small-scale impulsive implementation of certain structures and mechanisms (e.g. public agencies).

In general it can be claimed that preferable Weberian characteristics of Serbian PA model faded over the past 25 years further blurred by the chaotic partial implementation of certain NPM concepts.

Proposed steps towards the implementation of NPM principles and changes in PA model

In the process of proposing the new model experiences of other countries presented in the third section have been used as a reference case along with the recommendation of Serbian civil servants.

Regarding the *legacy of PA*, Serbia could have been regarded as a country with reasonably good starting point 25 years ago. However, as presented above, this is not the case anymore. Knowing that, the attention must be directed towards the mitigation of systemic flaws such as discretionary behavior and politicization. Besides that, legal accountability for public resources should be reintroduced as the core value. Another important step would be the communication of improvements to citizens and active request for feedback in order to regain their trust.

The example of public agencies testifies about inability to systematically introduce monitoring when

NPM tools are implemented. That is the reason why it is recommended to avoid changes that include *externally-oriented mechanisms* until capacities are improved.

The lack of control mechanisms both in the operational and implementation tasks of PA is proposed to be solved through the deployment of mandatory budgeting, i.e. *internal-oriented mechanisms*. Budgets would be used as means for subsequent performance assessment. In parallel to that, delegation of responsibilities and authority to lower levels of civil servants should take place. The starting point for this initiative should be the pilot projects in most developed public entities, organizational units or municipalities.

Existing *public agencies* should undergo a thorough reassessment with regards to the questions of: existence purposes, goal overlapping with organizational units within ministries/other public entities and applied control mechanisms. Agencies whose purpose ceased to exist or was proven to be misaddressed should be reassembled. In case of high goal overlapping with existing organizational units, goal fulfillment should be readmitted to ministry/other public entity. Agencies in which control mechanisms are absent or inadequate should implement locally-adapted version of proven foreign solutions.

Organizational changes should be based on the bottom-up assessment of available human and technical resources. Further on, resources should be reconfigured to the areas with higher priority goals and/or resource deficit. Radical dismantling of the strict hierarchical organization is not advised due to the fact that achieving stability of existing elements has the highest priority.

Motivation of key stakeholders is especially important having in mind problems of human resource management in Serbian PA. Appreciation of staff technical skills should be increased firstly through the legislatively defined delegation of responsibilities and authority to the operational levels. Further on, setting the line of communication between employee levels aside from the formal context would increase the mutual understanding. Regular meetings with rotating representatives of subordinated level would be a means for achieving this. Expected result is increased involvement of senior civil servants in reform processes. Professionalization of

senior level employees is also a solution to this problem. Knowing that currently Serbian PA has considerably low percentage of employees with business experience the beneficial spillover effect should also be taken into account. Affecting motivation of politically appointed PA layer should be achieved through the advocacy by senior public servants in line with findings of Public Value theory. This would, however, require education in the field of mediation and sales skills which would further enhance the need for stronger human resource management service.

Strategic tools and logic should be at first implemented in the area of policy making and implementation, especially regarding further PA reforms. Sectorial strategies should be aligned with the goals set by overarching state strategy. Each strategic initiative should be based on a planning process that is standardized through legislation. Implementation of initiatives is accompanied by budget which is further segmented to activities in the action plan. Only when motivational efforts and strategic logic are firmly imprinted in the PA system, could the tools such as management by objectives be properly introduced.

In the end, *political support* comes as the most important prerequisite for PA modernization. Every reform “wave” in Serbia was to a high extent affected by political situation. Experience proved that controllability of this factor was pretty low. However, the idea that public managers should advocate reform set out by Public Value theory could lead to a possible increase in controllability following the same algorithm as for stakeholder motivation.

In terms of overview in Table 1 the model based on all those recommendations has characteristics of Neo-Weberian State (NWS) as well as some features of Public Value Management (PVM). NWS ideas are necessary in order to remove the consequences of chaotic development that are obvious in the case of Serbian PA model. When advantages of robust and stabile structure are unlocked, (internally oriented) NPM principles can be successfully introduced. Features of PVM are maybe even more important in Serbian case since it emphasizes political approach by public managers which is a crucial skill for securing the political support.

Conclusion

The main goal of this paper was to determine which tools of New Public Management approach to Public Administration are applicable in the case of Serbia. Representation of these tools in the context of current PA model was supposed to point to the necessary improvements.

In order to gain the insight into currently available PA models at the beginning of the paper characteristics of Weberian bureaucracy as an initial model are outlined in brief. Further on, main features of Neo-Taylorism, Public choice theory, Public Entrepreneurship theory, Principal-Agent theory, and Transaction cost economics theory are presented since they all constitute the New Public Management approach. In the end, New Weberian State approach and Public Value Management were shortly assessed.

The lessons of assessed NPM implementation experiences have proven that some key factors that influence the introduction of these principals are: the legacy of PA model, difference between internally and externally-oriented NPM principles, introduction of public agencies, political setting, implementations in pilot setting before introducing large-scale changes, suboptimal intensive decentralization of local self-government and identifying the source of stakeholder motivation. Common problems regarding the NPM-oriented reforms in CEE/SEE countries are also briefly expressed. Three case studies depicting the detailed NPM implementation were presented.

Historical development of PA model in Serbia was shortly described. Afterwards, the reform trends and current status were presented with the emphasis on introduced changes, positive, and negative aspects. Overall conclusion was that current PA model is chaotic, with traditional advantages being archaic and “blurred” while introduced improvements are regarded as incomplete.

The assessment of possible application of NPM principles in such setting proved that certain (internally oriented) are more preferable than others. With regard to conclusions about implementation in other countries suggestions are made in order to reform the PA system. Newly proposed model proved to be similar to both NWS and PVM according to majority of characteristics.

In the end it should be noticed that the primary goal of this paper could be further broadened to empirical analysis of successful public entities, organizational units and/or municipalities. This would allow for more precise determination of best administrative practice in Serbia. Besides that, the field research that will result in proposing concrete performance measures for public agencies and/or other public entities would be a valuable extension to this paper.

References

- Cepiku, D., & Mititelu, C. (2011). Public administration reforms in transition countries: Albania and Romania between the Weberian model and the New Public Management. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 299-322). Bucharest: Editura Economica.
- Džinić, J. (2011). Public administration reform in Serbia. *Croatian and comparative public administration*, 11(4), 1075-1105.
- Dunleavy, P., Margetts, H., Bastow, S., & Tinkler, J. (2005). *New Public Management is dead: Long live digital era governance* (EDS Innovation Research Programme Discussion Paper Series: Public Policy & Services No. 004). London: EDS & LSE.
- Eriksen, S. (2005, May). Unfinished transition: Public administration reform in Serbia 2001-2004. Paper presented at 13th NISPAcee Annual Conference Democratic Governance for the XXI Century: Challenges and Responses in CEE Countries. Moscow.
- Fábián, A. (2010). New Public Management and what comes after. *Issues of Business and Law*, 2, 37-45.
- Green-Pedersen, C. (2002). New Public Management reforms of the Danish and Swedish welfare states: The role of different social democratic responses. *Governance: An International Journal of Policy, Administration, and Institutions*, 15(2), 271-294.
- Groot, T., & Budding T. (2008). New Public Management's current issues and future prospects. *Financial Accountability & Management*, 24(1), 1-13.
- Hans Klijn, E., Edelenbos, J., & Hughes, M. (2007). Public-private partnership: A two-headed reform. A comparison of PPP in England and the Netherlands. In C. Pollitt, S. v. Thiel, & V. Homburg (Eds.), *New Public Management in Europe: Adaptation and alternative* (pp. 71-89). Basingstoke: Palgrave Macmillan.
- Hlepas, N. K. (2011). The impact of local government reforms in Greece: A critical overview. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 67-87). Bucharest: Editura Economica.
- Iancu, D. C. (2011). What's in a name? The case of the European administrative consolidation in Croatia in comparison to the Central and Eastern Europe. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 131-169). Bucharest: Editura Economica.
- Janićijević, N., & Bogićević Milikić, B. (2011). Public management in Serbia: From imitation to status quo. *Sociologija*, 53(4), 433-452.
- Kajimbwa, M. (2013). New Public Management: A tribute to Margaret Thatcher. *Public Policy and Administration Research*, 3(5), 64-69.
- Kandžija, V., Mance, D., & Godec, Ž. T. (2011). A review of the Croatian public administration reform. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 105-118). Bucharest: Editura Economica.
- Karkatsoulis, P. (2011). Local self-government reforms as an ambivalent means for peace and social inclusion: The case of Former Yugoslav Republic of Macedonia (FYROM). In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 51-66). Bucharest: Editura Economica.
- Keraudren, P., & Hans v, M. (1998). Theories of public management reform and their practical implications. In T. Verheijen & D. L. Coombes (Eds.), *Innovations in public management: Perspectives from East and West Europe* (pp. 39-56). Cheltenham: Edward Elgar Pub.
- Kickert, V. (2007). Public management reforms in countries with a Napoleonic state model: France, Italy and Spain. In C. Pollitt, S. v. Thiel, & V. Homburg (Eds.), *New Public Management in Europe: Adaptation and alternative* (pp. 26-52). Basingstoke: Palgrave Macmillan.
- Kuhlman, S., & Fedele, P. (2010). New Public Management in continental Europe: Local government modernization in Germany, France and Italy from a comparative perspective. In H. Wollmann & G. Marcou (Eds.), *The provision of public services in Europe: Between state, local government and market* (pp. 49-74). Cheltenham: Edward Elgar Publishing.
- Lapsley, I. (2009). New Public Management: The cruelest invention of the human spirit? *ABACUS*, 45(1), 1-21.
- Lončar, D. (2014). National strategic planning as basis for improving competitiveness of Serbia. *Ekonomika preduzeća*, 62(1-2), 83-97.
- Lukashenko, O., Vljaković, V., & Stojanović, J. (2009). *Towards effective public administration: Methodology for functional analysis*. Belgrade: UNDP Serbia.
- Marino, C. (2011). The introduction of New Public Management principles in the Italian public sector. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 119- 238). Bucharest: Editura Economica.
- Ocampo, R.B. (2000). Models of public administration reform: New Public Management (NPM). *Asian Review of Public Administration*, 12(1), 248-255.
- O'Flynn, J. (2007). From New Public Management to public value: Paradigmatic change and managerial implications. *The Australian Journal of Public Administration*, 66(3), 353-366.
- Pfiffner, J. P. (2004). Traditional public administration versus the New Public Management: Accountability versus efficiency. In A. Benz, H. Siedentopf, & K. P. Sommermann (Eds.), *Institutionenbildung in Regierung und Verwaltung: Festschrift für Klaus König* (pp. 443-454). Berlin: Duncker & Humblot.
- Popescu, L.G. (2011). New model of regulatory decision making and the public administration reforms: The Romanian context. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 119-130). Bucharest: Editura Economica.

26. Randma-Liiv, T. (2008). New Public Management versus Neo-Weberian State in Central and Eastern Europe. Paper presented at *Trans-European Dialogue: 1 Towards the Neo-Weberian State? Europe and Beyond*, Tallinn University of Technology, Tallinn, Estonia.
27. Reichard, C. (2001). New approaches to public management. In K. König & H. Siedentopf (Eds.), *Public administration in Germany* (pp. 541-556). Baden-Baden: Nomos.
28. Ridder, H. G., Bruns, H. J., & Spier, F. (2005). Analysis of public management change processes: The case of local government accounting reforms in Germany. *Public Administration*, 83(2), 443-471.
29. Rosta, M. (2011, April). *What makes a New Public Management reform successful? An institutional analysis*. Corvinus University of Budapest.
30. SIGMA Programme of European Union. (2014, April). *Public administration reform Assessment of Serbia*.
31. Simonet, D. (2014). Assessment of New Public Management in health care: The French case, *Health Research Policy and Systems*. Retrieved from <http://www.health-policy-systems.com/content/pdf/1478-4505-12-57.pdf>
32. Štimac, V., & Lazarević, M. (2013). *Public management work context and reforms in Serbia: Results from a large scale survey of senior public executives*. Retrieved from http://www.cocops.eu/wp-content/uploads/2013/11/Stimac-and-Lazarevic-2013_Public-Management-Work-Context-and-Reform_Serbia.pdf
33. Tsimaras, K. (2011). Regulatory reform: Regulatory impact assessment. In L. Matei & S. Flogaitis (Eds.), *Public administration in the Balkans: From Weberian bureaucracy to New Public Management* (pp. 299-322). Bucharest: Editura Economica.
34. World Bank. (2004). *Serbia and Montenegro - Public administration development: Creating the conditions for effective economic and social reform policy note* (Report No. 28553-YU). Washington: WB.
35. v. Oosterom R. (2002). *Distributed public governance: Agencies, authorities and other autonomous bodies in the Netherlands*. Paris: OECD.
36. v. Tiel, S., & Pollit, C. (2007). The management and control of executive agencies: An Anglo-Dutch comparison. In C. Pollitt, S. v. Thiel, & V. Homburg (Eds.), *New Public Management in Europe: Adaptation and alternative* (pp. 52-70). Basingstoke: Palgrave Macmillan.



Dragan Lončar

is Associate Professor at the Faculty of Economics in Belgrade in Project Management and Strategic Management and Associate Dean for Finance and Organisation at the same faculty. He graduated from the Faculty of Economics in 2001, completed Master course in Management Studies at the University of Cambridge (Judge Business School) in 2003, and acquired PhD title at the Faculty of Economics in 2007. He was awarded Fulbright scholarship (academic year 2008/2009) for postdoctoral research in financial management. The research was completed during 2009 at the University of Chicago (Booth Business School). He is the author of significant number of research papers and consulting projects. He possesses CFA certificate in the field of finance. He is a member of Fulbright and Cambridge Associations and an active member of Global Operations Research Project led by Bristol School of Business and Law. He is academic director of joint MBA program of Faculty of Economics Belgrade and Texas A&M University. He is a member of the Serbian Association of Economists and the Editorial Board of its journal "Ekonomika preduzeća". He is married and has two sons, Luka and Vuk.