

# THE NEW PUBLIC MANAGEMENT IS NOT THAT BAD AFTER ALL: EVIDENCE FROM ESTONIA, HUNGARY AND ROMANIA

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## Abstract

This article reviews the New Public Management (NPM) literature in Central and Eastern Europe, looking particularly at reforms in Estonia, Hungary and Romania. It finds that research that assessed changes in internal processes and activities within the public sector by far outnumber research that assessed changes in outputs and outcomes. Overall more studies have found positive than negative effects – especially in terms of processes and activities – though less so for outputs and outcomes. Significant challenges in assessing impacts make sweeping claims about whether NPM “works” difficult to support with solid evidence. The paper shows that NPM policy is still considered as an option for public sector modernization in Central and Eastern Europe and suggests that a number of components of NPM, if not the model as a whole, are likely to continue to exert influence on the public sector of the future.

**Keywords:** New Public Management, Estonia, Hungary, Romania, Central and Eastern Europe, future of NPM

## 1. Introduction

The adoption of New Public Management (NPM) ideas and techniques has arguably been one of the major developments in public administration and management in the past decades. There has been increasing need for evidence on the impact of these reforms, especially outputs and outcomes beyond the administrative system itself. The interest exists but the evidence is still weak, fragmented, and sometimes contradictory (for example Pollitt and Dan, 2011; Pollitt and Dan, 2013; Savoie, 1998). This is the case in countries which have experimented widely with this type of reforms, and even more so in Central and Eastern Europe (CEE) which began to make use of NPM later. Few NPM reform initiatives have been successfully applied in the CEE region (Bouckaert *et al.*, 2008, Dunn *et al.*, 2006; Nemec, 2008). Although implementation issues are not specific to former communist countries alone, Dunn *et al.* (2006) noticed a pattern of poor implementation across the region.

Past reviews of the impact of NPM in CEE have drawn mixed conclusions about its success (Bouckaert *et al.*, 2008; Bouckaert, Nakrošis and Nemec, 2011; Caddy and Vintar, 2002; Dunn *et al.*, 2006; Nemec, 2010; Nemec and de Vries, 2012, see also the special edition of the *Transylvanian Review of Administrative Sciences*, 2011 focused on agencification – one of the main reform strategies in NPM). Some academics in the region have dismissed NPM altogether (Drechsler, 2005; Drechsler, 2009; Drechsler and Kattel, 2008) while others have been more optimistic (Verheijen and Dobrolyubova, 2007). The former wish NPM were something of the past while the latter claim that NPM stands the chance of making it into the future. A recent study has surveyed the empirical NPM literature across Central and Eastern Europe in the past ten years and has argued that “NPM can work” if the right context and adequate administrative capacity are in place (Dan and Pollitt, 2014). It is clear that NPM has sparked a good deal of debate and controversy which have continued to this day and are likely to continue in the future.

This article reviews a dataset of NPM studies in Central and Eastern Europe, looking particularly at reforms in Estonia, Hungary and Romania. It distinguishes between effects on processes (or activities), outputs and outcomes and codes the effects using these three dimensions. Then it distinguishes between improvements, deteriorations and lack of change and codes the findings according to these categories. After this general picture, the paper discusses emerging patterns and provides examples of specific NPM instruments across the three countries.

The paper begins with a presentation of the context in Estonia, Hungary and Romania, followed by a short discussion of evaluating government reform. After this it describes the methods used in this study and goes on to present the results. It first reports the general picture of the impact

of NPM in the three countries followed by a presentation of emerging patterns. It then discusses specific cases of NPM instruments in each country along with salient contextual factors and explanatory mechanisms. Finally, the paper concludes and discusses the future of NPM policy and its likely influence in the future.

## **2. Setting the context: NPM in Estonia, Hungary and Romania**

NPM-type ideas have found relatively more adherence in the small, decentralized administrative system of Estonia than in other CEE countries. It is common for the public management literature to portray Estonia as the NPM enthusiast in the region (for example Bouckaert *et al.*, 2008, p. 352). A common theme of Estonian public sector modernization has been to increase the efficiency of public institutions and decrease the role of the state by promoting market-type mechanisms (Bouckaert *et al.*, 2008, p. 352). Unlike other former communist states, where social democratic ideas prevailed for much of the transition period (as in Romania), Estonia benefited (and still benefits) from a higher degree of market appreciation, even idealization (Tönnisson and Randma-Liiv, 2008, p. 95). Despite this, Estonian authorities failed to implement a comprehensive NPM program, although they formally promoted it especially starting with late 1990s and early 2000s. Estonia implemented specific NPM tools such as performance-related pay, but these NPM elements are just a part of larger public sector modernization efforts. They contained a mix of Weberian, NPM and post-NPM initiatives. This makes the evaluation of the effects of NPM difficult – NPM is just a part of a bigger whole. Distinguishing the reforms that managed to be implemented from those that did not is not readily straightforward. Table 1 below includes a list of the main NPM initiatives since the country's independence in 1991 along with the implementation status of each initiative. To assess implementation status, I relied on existing academic sources. For each specific reform I checked more than one academic source. If all sources indicated that a policy was implemented, I followed this conclusion. However, the tables distinguish between partial and complete implementation, in line with the existing evidence. In the tables that follow, partially implemented initiatives are referred to as “partial” while completely implemented reforms are denoted by the word “implemented”. If studies disagreed or were unclear, I drew the conclusion that the status was uncertain. This same approach was used for all three countries (reported in tables 1 to 3).

**Table 1: NPM in Estonia, 1991-2013**

Year	NPM initiative	Underlying idea and goal	Implementation status
1991-1996	Beginning of decentralization and creation of agencies	Restructure the soviet administrative system and establish it on decentralized grounds	Implemented
1996	Public Service Act establishing a merit-based civil service	Improve civil service professionalism and quality	Uncertain
1997-2004	Creation of agencies	Create capacity consistent with the EU accession requirements	Implemented
1999	1) Public Administration Development Concept 2) Privatization of telecommunications	Increase efficiency, customer orientation and quality	1) Partial 2) Implemented
2000	Citizen-oriented Public Administration Strategy	Increase quality through decentralization and improve coordination and integration	Uncertain
2001	1) Health Services Organization Act (first adopted in 1994) 2) Introduction of market mechanisms in emergency medical service (abolished in 2007)	1) Healthcare providers operate under private law but remain publicly owned; hospitals organized as autonomous foundations or joint-stock companies 2) Improve efficiency and effectiveness	1) Implemented 2) Implemented
2001-2002	1) Public Administration Reform Program (including privatization of Estonian Railways, renationalized in 2007) 2) Performance-related pay with general and individual performance targets 3) Common assessment framework self-assessment in the Ministry of Finance	1) De facto decentralization, increasing internal audit and control, transparency, coordination and cooperation, developing a results-based culture and increasing focus on quantitative indicators and merit-based pay 2) Improve results through greater efficiency and reward departments with outstanding results	1) Partial 2) Partial 3) Uncertain
2003	1) Estonian Public Service Quality Award Pilot Project (10 participating agencies)	1) Reward excellence in quality of public services to increase performance	1) Implemented

	2) Introduction of Financial Cost Saving Program	2) Reduce costs	2) Uncertain
2010	Strategic planning and budgeting reform in central government	Improve performance management, strategic planning and reporting	Uncertain

*Source: Adapted using Tõnnisson and Randma-Liiv (2008). Other sources consulted include Institut de Gestion Publique et du Développement Économique (2011), Nõmm and Randma-Liiv (2012), Sarapuu (2012) and State Audit Office (2002). Complemented by the author with NPM initiatives in healthcare*

Hungarian NPM shares many of the features common in Estonia and the CEE more generally. Issues such as political instability and lack of a unified vision, implementation problems and limited administrative capacity have characterized the public sector in Hungary (Hajnal, 2008; Hajnal and Jenei, 2008). One of the central goals of state reform during transition was to create and consolidate a functional *Rechtsstaat*, and address corruption. As in other CEE countries, NPM policies lacked the support of a fully functional bureaucratic system. A major difference between NPM policy in Hungary and Estonia lies in the timing of its adoption. In Estonia NPM has partially lost momentum since no major, comprehensive reform program has been adopted in recent years whereas Hungarian policy makers have increasingly appealed to NPM instruments especially since the change of government in 2006 (as shown in Table 2). Rather than going down, interest in NPM has grown. This may be explained by the new prevailing political ideas as well as by an earlier and more dynamic adoption of NPM in Estonia compared to Hungary.

**Table 2: NPM in Hungary, 1990-2013**

Year	NPM initiative	Underlying idea and goal	Implementation status
1990s; 2000s	Experimentation with performance management and quality techniques	Improve service quality	Partial
1992	Creation of a typology of agencies through Government Decision 2040/1992	Establish a legal basis for agency-type organizations	Partial
1995	Bokros reforms	Downsize and restructure the public sector to reduce inputs and	Uncertain

		improve efficiency	
2001	Modification of Civil Service Law by introducing performance appraisal and performance-related pay	Improve civil service professionalism and quality	Implemented
2006	Central government reform	Regulate, classify and clarify the structure and types of central government agencies	Partial
2006-2007	1) “Normalization” of public sector employment; increased focus on performance management, quality and competitive recruitment  2) Introduction of market-type mechanisms in education and healthcare	1) Reduce costs and improve citizen responsiveness by using private sector ideas and practices  2) Improve service quality through increased user choice and funding	1) Partial  2) Not implemented
2007	Introduction of a new individual performance appraisal system in central government	Motivate and reward performance	Implemented

Source: Adapted using Hajnal (2008). Other sources consulted include Hajnal (2012) and Linder (2011)

In many respects changes in the Romanian public sector resemble those in Hungary, although the pace of change in the early 1990s was slower. During transition and Europeanization, the main goals were (and to some extent still are) to build the legal and institutional framework of a democratic state and market economy (Hințea, 2008, p. 277). There are a few characteristics that set Romania apart, however. First, Romania is a larger country and has a bigger administrative system. Second, some have argued that the communist regime in Romania became more intense in the 1980s compared to other countries in the region (for example Molnar, 2000). While others were considering opening up, the Romanian state was closing in. Third, the political will to adopt “tough” measures fluctuated during transition. Whereas Estonia rebuilt its public service on completely different grounds after independence, Romania did not. The Romanian approach was incremental *par excellence*, and relied to a large extent on the same civil service apparatus as before 1989. The first attempt to develop an accelerated, comprehensive public administration reform was in 2001, followed by a second major program in 2005 after negotiations with the European Commission (EC). In 2005 the EC recommended three main areas for improvement: civil service,

local public administration reform through accelerating the decentralization process and changes in public policy formulation. None of these changes were pure NPM (other than ad-hoc downsizing and restructuring in the context of budget deficits and the recent financial crisis). They have, however, contained certain NPM measures such as experimentation with the common assessment framework (CAF) and multiannual modernization plans (MMPs). Some authors have noted that the interest in NPM has been growing in recent years and is expected to grow in the future (Androniceanu, 2006, p. 94; Hîntea, 2008, p. 281). This may indicate that especially in a context of financial stringency and budget cuts following the 2008 financial crisis, Romanian policy makers have considered using NPM ideas to respond to fiscal pressures and modernize the public sector. In Romania, as in Hungary, rather than being something of the past, interest in NPM has been on the rise in different sectors (Table 3 below). For example, most public hospitals were decentralized (ownership was transferred from central government to counties or local administrations) in 2010 following a major public hospital decentralization law. Furthermore, the new education law in 2011 emphasized institutional and individual performance and ranked higher education institutions in each field of study.

**Table 3: NPM in Romania, 1990-2013**

Year	NPM initiative	Underlying idea and goal	Implementation status
Early 1990s-present	Decentralization process	Increase local autonomy and respond more effectively to local needs	Partial
2001	Government Strategy for the Acceleration of Public Administration Reform	Some NPM elements including decentralization, local autonomy, public-private partnerships, agencies and general interest in managerial techniques, performance and quality tools	Partial
2003	Multiannual Modernization Programs in central and local government	Develop strategic thinking and planning through strategies, action plans and annual monitoring reports	Implemented
2004	Decentralization strategy	Accelerate the decentralization process to build local capacity to meet the EU accession	Partial

		requirements	
2004-present	1) Experimentation with common assessment framework and multiannual modernization plans 2) Introduction of the public manager concept	1) Improve monitoring and evaluation capacity, develop focus on results, performance and quality 2) Improve civil service professionalism through private sector ideas and practices	1) Partial 2) Partial
2010	Decentralization of most public hospitals and interest in decentralized hospital management	Improve management and find additional sources of funding locally in order to improve the quality of and satisfaction with hospital services	Implemented
2011	New Education Law	Clear interest in performance measurement both individually and institutionally	Implemented

*Source: Partially adapted from Hîrteș (2008). Other sources consulted include Dragoș and Neamțu (2007). Complemented by the author with recent developments in healthcare and education*

### 3. NPM and evaluation – not a happy marriage

The New Public Management is not as new as it used to be. In some parts of the world it is getting older and older – it was even reported dead (Dunleavy *et al.*, 2006). Nevertheless, this view, though growing in popularity, is not universally shared (Dan, 2014; Dan and Pollitt, 2014; Hood and Peters, 2004). In other countries NPM appears to have the features of an elixir – young and vigorous. Coined twenty years ago, NPM has received considerable attention in both academia and government. Starting with pioneering OECD countries, governments across the world have tried to implement it or parts of it to reap the promised benefits – creating a government that operates more efficiently and effectively and delivers high-quality public services.

Public administration academics typically define NPM by referring to a set of instruments, mechanisms and practices. Pollitt and Bouckaert (2011, p. 10) distinguish between five such practices:

1. Greater emphasis on “performance”, especially through the measurement of outputs;
2. Preference for lean, flat, small, specialized (disaggregated) organizational forms over large, multi-functional forms;



3. A widespread substitution of contracts for hierarchical relations as the principal coordinating device;
4. A widespread injection of market-type mechanisms (MTMs) including competitive tendering, public sector league tables, performance-related pay and various user-choice mechanisms; and
5. An emphasis on treating service users as “customers” and on the application of generic quality improvement techniques such as TQM.

Evaluating NPM policies is more complex than it seems at first. Success depends not only on their inherent quality, but also on contextual factors which may facilitate or hamper success (for example Pollitt and Dan, 2013). Different explanations are possible (Pollitt and Bouckaert, 2011, p. 24). First, it could be that specific NPM reform is flawed for one reason or another. It may be flawed because of internal inconsistency or because of cultural or organizational misfit. Second, the tool may not be flawed, but its implementation and application could raise problems. Third, it may well be that all of these factors pass the test, but still politicians, civil servants, service users or citizens perceive results to be below expectations. As Savoie (1998, p. 395) emphasizes: “the outcomes of any stock-taking exercise are likely to depend on who asked what questions”. Perceptions are critical to assessing public policy, but there is little that evaluators and researchers can do to address this subjectivity. For these reasons, assessing the impact and implications of NPM policies, especially in a context with limited capacity and resources, is no easy task. Methodological and data limitations further constrain these efforts.

#### **4. Literature search**

The selection of the three countries follows both theoretical and practical reasons. First, according to Nemec (2008, p. 352) Estonia is considered to be a NPM enthusiast in central and eastern Europe, and is often used in comparative public management research. Second, Hungary adopted a more mixed and gradual model of adherence to NPM principles, lower before 2006 and more confident after 2006. Reforms in Romania are closer to the changes in Hungary and have increasingly incorporated NPM ideas. Third, at a high level of abstraction, all three countries share a relatively common historical legacy, which includes communist regimes, but goes beyond it to include common trajectories of democratization and Europeanization. Fourth, the administrative systems in CEE have been characterized by legalism and a focus on procedure rather than results (Nemec, 2008, p. 350). Finally, I selected the three countries for practical reasons including native Romanian language skills and availability of documents and local expertise through the network of

the project *Coordinating for Cohesion in the Public Sector of the Future (COCOPS)* (see Pollitt and Dan, 2011 for more details).

The identification of NPM studies included in this article followed two main steps:

*Step A: Creation of a database of NPM studies across Europe*

The database was identified as part of the comparative project on which this research is based. A set of criteria guided the search and selection. To increase the population of studies and portray a more comprehensive picture of the literature, the project team included both academic and practitioner work, such as relevant official evaluations and reports by international and non-governmental organizations. The process of identifying studies for the database consisted of the following sequential sub-steps:

a) Reviewed titles and keywords in articles published since 1980 (or later in case the first number of a journal appeared after 1980) in the following major public administration, policy and management journals: *Journal of Public Administration Research and Theory*, *Public Administration*, *Governance*, *Public Administration Review*, *International Review of Administrative Sciences*, *International Public Management Journal*, *Public Management Review*, *Public Policy and Administration* and *Evaluation*. The following keywords were used to guide the search: New Public Management (NPM), managerialism, performance, public sector reform, and public management reform.

b) Decision for inclusion in the database

In deciding whether a policy was NPM or not, the project team used the classification of NPM reforms, referred to earlier in this paper, proposed by Pollitt and Bouckaert (2011, p. 10). The aim in compiling the database was to obtain a general picture of the diverse NPM literature that exists in Europe, most of which does not consist of quantitative, large-N or experimental studies. Therefore the research adopted a flexible approach to empirical evidence in that it included both studies that used empirical original data (quantitative and qualitative) and analytical overviews that did not use original data but made strong, logical claims about the effects of reform. The same process and criteria were used to decide on non-academic studies, which represent 32 percent of the total database. In addition, the project team looked at publication lists of the following organizations: OECD, Sigma, World Bank, national government websites and national audit offices. By

collaborating with research teams in other countries who submitted their selection of studies from their countries – following the same set of criteria – the project leaders were able to use both English literature and literature in various other languages represented in the project network. The result is a database of 519 studies of NPM reforms across Europe. Out of the 519 documents, 20 percent used mainly quantitative methods, 37 percent employed single or multiple case studies and 44 percent were broad synthetic overviews that contained an analytic attempt to make an assessment.

*Step B: Selection of studies of NPM reforms in Estonia, Hungary and Romania*

On the basis of the database of 519 studies, I selected those that included NPM instruments in Estonia, Hungary and Romania, resulting in a dataset of 72 studies. Out of the 72 studies, 44% referred to NPM reforms in Hungary while about 17% (12 studies) did so for Estonia and Romania respectively (Table 4 below). The rest of 22% included comparative work. The Appendix includes descriptive statistics on the distribution of studies by type of source and methods.

**Table 4: Number of studies by country**

Type of study	Country	Number of studies	%
Single-country studies	Estonia	12	17
	Hungary	32	44
	Romania	12	17
Comparative studies	n.a.	16	22
Total number	n.a.	72	100

## **5. The impact of NPM in Estonia, Hungary and Romania: half full and half empty**

The paper distinguishes between effects on processes, outputs and outcomes. Processes include changes within an organization such as the introduction of a performance management system. They are ‘internal’ changes. They may or may not lead to changes in outputs and outcomes. Outputs are what the public sector organization gives to the outside world, for instance the number of surgeries in a hospital or permits in a business support agency. Similarly, they may or may not lead to improved outcomes, which are construed as effects outside of the organization such as improved health for patients in a hospital or jobs for new university graduates. This conceptualization follows an outcome-based approach according to which it is the outcomes that

matter the most to service users and citizens. They represent the final ‘judge’. Table 5 below shows that many more studies evaluated changes in processes and activities than effects on outputs and outcomes. Outputs, while more common than outcomes, are relatively hard to find compared to changes in processes and activities.

**Table 5: Distribution of entries by type of effects**

Type \ Number of entries*	Total entries	Estonia	Hungary	Romania
Outcomes	9	4	3	2
Outputs	20	8	9	3
Processes/ activities	78	14	42	22

\*Many studies included one or more entries on outcomes, outputs or processes. Therefore the relevant unit in this case is an entry, not a study.

Overall there have been more studies finding positive than negative evidence of the effects of NPM, but this evidence concerns mostly internal changes in processes or activities (Table 6 below). Table 6 includes entries that showed improvements, deteriorations and lack of change in the organization or delivery of public services in the three countries. They were coded as ‘Improved’, ‘Worse’, ‘Unchanged’ or ‘Uncertain’. These codes were used in the following way. The column ‘Improved’ includes the studies that found evidence of improved processes, outputs or outcomes whereas the column ‘Worse’ includes the studies that found deteriorations. Other studies found mixed (unchanged) or uncertain evidence coded as ‘Unchanged’ or ‘Uncertain’. Much of this literature did not refer only to one type of effects (for example process only or output only) but to a plurality of effects. For this reason the coding in these cases included more than one entry. For example, if a study that assessed performance management found evidence on internal processes, then this evidence was coded under ‘Processes’ as an entry. If this same study also found evidence on outputs or outcomes, then I also coded this study as an entry for outputs or outcomes.

**Table 6: Summary of effects of NPM**

Direction of change Type	Improved	Worse	Unchanged	Uncertain
Outcomes	4	0	4	1
Outputs	10	3	7	0
Processes/ activities	41	9	26	2

\*Many studies included one or more entries on outcomes, outputs or processes. Therefore the relevant unit in this case is an entry not a study.

The data show that 41 entries of processes out of a total of 78 (53%) are positive. These reflect either qualitative or quantitative changes. “Qualitative” changes include documented improvements in, for example, how a performance management and measurement system works. A quantitative change reflects the introduction of this system. These internal changes may or may not lead to greater outputs and further to improved outcomes. The rest of 47% include either no significant change or deterioration. In terms of outputs and outcomes, in half of the cases both outcomes and outputs have gone up whereas in the other half they have either not changed significantly or have worsened.

## 6. Patterns in the impact of NPM

Starting from this general picture, I identified the following patterns concerning the impact of NPM in Estonia, Hungary and Romania. In support of each of these patterns I provide specific examples from the dataset.

### a. Internal changes in processes, activities and structures

Virtually all studies reviewed discuss changes in the internal workings of public sector organizations. At a very practical level these consist of the introduction of new practices and tools to improve management and governance processes. Examples include the introduction of performance-related pay (PRP) in Estonian central government (National Audit Office, 2002; Nõmm and Randma-Liiv, 2012), multi-annual modernization plans and common assessment framework (CAF) in the Romanian administrative system (Profiroiu *et al.*, 2006; Profiroiu *et al.*, 2010). As important as these innovations may be for technical or political reasons, they have not

necessarily resulted in qualitative improvements in processes and further in outputs and outcomes. Nevertheless, it does not mean either that no improvements could be observed. Evaluating the effects of public management reform is a complex task – inherent trade-offs need to be carefully weighed before a conclusion is made about success or failure. It may well be that the goals initially established have not been reached, and in that important sense it can be argued that the innovative practice was no success. However, improvements in other areas could still be observed in the short, medium or longer term. For instance, Järvalt and Randma-Liiv (2010), on the basis of a survey of public managers and senior civil servants, conclude that the decentralization of HRM in Estonia lacked strategic and systematic planning. In this sense the reform did not reach a major goal. However, they argue on the positive side that reform created fertile ground for major reform in other areas. Even at a technical level, not to mention politically, the initiative was not a total failure, especially when one adopts a long-term and broader evaluative framework. The challenge is, nonetheless, that the longer and broader framework one adopts the more difficult it is to persuasively attribute certain effects to reform. Some studies actively discuss qualitative changes in processes, activities or structures and very few link them convincingly with changes in outputs or outcomes such as improved services seen through the perspective of service users or citizens. Profiroiu *et al.* (2006), for example, uses a large-scale representative survey to measure the perceptions of mayors in local government and country-wide “modernizers” in Romania with respect to innovative NPM practices such as multi-annual modernization plans (MMPs) and common assessment framework (CAF). The study found that half of the sample perceived improved, smoother and more transparent HR processes and an overall impression of modernization. One can argue in this case, nonetheless, that the cup is only half full since half of the sample did not perceive significant improvements in these areas. Nor can mayors necessarily be regarded as objective observers in this matter. Similarly, Profiroiu *et al.* (2010) surveys the perceptions of members of the network of modernizers, and found that most of them consider that MMPs and CAF either already led to improvements or will lead to improvements in processes and overall effectiveness in the future. Effects in other areas were perceived to be only moderately positive, and final outcomes were not directly addressed. The cup has been neither completely full nor completely empty.

## **b. Coordination, transparency and accountability**

Some of the studies in the dataset discuss changes in coordination, transparency, trust and accountability following public management reform (Baba *et al.*, 2007; Jenei *et al.*, 2005; Osborne, Jenei and Fabian, 2008). Baba *et al.* (2007) critically analyse the effects of decentralization and deconcentration in Romania with an explicit focus on how these reforms influenced coordination

between various government levels and public institutions. They identified multiple problems such as administrative bottlenecks, double subordination and redundancies following inadequate coordination. Overall, they found insufficient cohesion and poor coordination in the system. Jenei *et al.* (2005) looked at public-private partnerships (PPPs) in policy making, fundraising and service provision locally in Hungary. On the basis of a detailed analysis of one municipality only, they found positive developments in policy coordination, service integration and legitimacy in social services. Overall, they claim that public-private cooperation has intensified and become more professional over time. By contrast, Osborne, Jenei and Fabian (2008) similarly discuss PPPs in local government in Hungary, but found a limited role of civil society organizations in fostering transparency and accountability in policy making and service provision.

### **c. Efficiency, effectiveness and quality of public services**

NPM overwhelmingly centres on improving savings, efficiency, effectiveness and service quality. Above all else, it was expected that NPM would foster positive change in these areas. This is evident in our database of studies. Virtually all studies mention either actively or more often cursorily some underlying theory. Much of this theory is economistic ‘make the managers manage’ or managerial ‘let the managers manage’ (Kettl, 1997, p. 447). For instance, it was expected that performance-related pay in Estonian central government would improve efficiency and effectiveness by rewarding outstanding results (National Audit Office, 2002; Nõmm and Randma-Liiv, 2012). Similarly, the privatization of emergency medical services was supposed to control costs and improve efficiency and effectiveness by creating competition and market incentives (Lember, 2006). In Hungary performance-oriented reform was expected to improve efficiency and effectiveness of civil service (Linder, 2011). Similar expectations can be found in the Romanian studies (for example Baba *et al.*, 2007; Profiroiu *et al.*, 2006; Profiroiu *et al.*, 2010; Șandor and Tripon, 2008).

The picture is mixed, fragile, and brings into discussion the limitations and implications of evaluating public management reform in a changing administrative and political environment. It is important to note, however, that no specific quantitative measures of efficiency and effectiveness were reported. This is a common limitation of much of the public management reform literature both in the east and in the west of Europe (Jenei *et al.*, 2005; Linder, 2011; Pollitt and Dan, 2013). Three of the studies that sought to evaluate the impact of reform in Romania made claims about efficiency, effectiveness or quality (Profiroiu *et al.*, 2006; Profiroiu *et al.*, 2010; Șandor and Tripon, 2008). The former two found relatively more positive effects than the latter. Half of the sample included in the survey of local government officials and modernizers reported improved efficiency

and overall effectiveness, although no specific measure of efficiency or effectiveness is provided and, once more, the respondents are not necessarily neutral observers. Șandor and Tripon (2008) surveyed the perceptions of citizens and government officials and found no significant change in efficiency, effectiveness or service quality. The picture is thus ambivalent, with some studies reporting certain improvements and others reporting no significant change.

## **7. Do NPM reforms "work"?**

What can be concluded from this review is that the effects of NPM are fragile and quite mixed. It is clear that NPM reform is no panacea. It appears that in certain contexts NPM is associated with certain positive effects while in others it fails to work as expected. Therefore the key question for research is to identify conditions that facilitate success or, in some cases, inhibit it. Furthermore, it is important to identify the underlying mechanism through which contextual factors influence the success or failure of NPM. Many of the studies do not in fact theorize or analyze contextual factors and their underlying mechanisms in great detail. More often than not such influences are deemed important but are only cursorily mentioned. Another observation is that there seems to be a bias in the literature towards treating contextual influences that inhibit success rather than those that support it. This is obvious in the studies that assess perceptions in Romania which found that half of the sample perceived improvements while half were either more moderate or negative. Little is said of factors that explained this partial success, and much is said about factors that constrained uniformly positive improvements. We can tentatively suggest that assessing success on the basis of ambitious political goals, such as improved efficiency by x percent, or improved difficult-to-achieve outcomes, may explain this bias. More realistic goals may not be politically acceptable and therefore may hinder implementation in the first place, but it might be that such an approach would set evaluation efforts on a more realistic basis.

Examples of improvements following NPM policies have been found across the three countries. Jenei *et al.* (2005), for instance, found that a rich tradition of engagement in PPPs in a Hungarian municipality facilitated its further fruitful development over time. To this end growing mutual understanding of needs and opportunities between public and private actors had a major contribution. On the negative side, they identified unclear goals and imbalanced power relations as factors that can jeopardize successful partnership. Partial improvements in processes, efficiency and transparency have been reported in Romania (Profiroiu *et al.*, 2006). However, no particular factor or mechanism was identified that can explain how and why this was the case. The study concluded



that limited funding, poor implementation and a gap between legislation and practice restricted the development of reform and its expected effects on a larger scale.

Other studies in the dataset mention contextual factors and corresponding underlying mechanisms that were found to inhibit successful policy and explain how and why reform did not reach its original goals. They can be grouped in the following categories. For each particular category I provide the underlying explanatory mechanisms (when available) and give examples from the dataset.

#### **a. Insufficient administrative capacity and resources**

A number of studies point to insufficient administrative capacity and resources as a key explanatory factor (for example Lember, 2006; Linder, 2011; National Audit Office, 2002; Profiroiu *et al.*, 2006; Randma-Liiv, 2005). These reforms range from performance-related pay in central government in Estonia to performance-oriented reform in Hungary and Romania. This work shows the mechanism through which insufficient capacity and resources hinder NPM instruments. In Estonia, performance-related pay (PRP) did not reach the goals of improving processes, efficiency and effectiveness due to a poor link of PRP with results and broader government objectives. Results were unclearly defined, necessary information was not systematically gathered and analysed, and as a result PRP was paid almost universally regardless of actual performance (National Audit Office, 2002; Randma-Liiv, 2005). Lack of capacity and resources to manage contracts and conduct ex-ante evaluation was also found to explain why the privatization of emergency medical service in Estonia faced salient implementation problems (Lember, 2006). In Hungary performance-oriented reform (appraisal systems, PRP and competency management) affected staff motivation in the long term after initial optimism (Linder, 2011). Limited administrative capacity to manage these systems was one of the key contextual factors at work (Linder, 2011). Similarly in Romania poor implementation capacity prevented NPM-type reform from going forward on a larger scale (Profiroiu *et al.*, 2006).

#### **b. Frequent change, instability and lack of continuity**

The forms of instability that the literature mentions most frequently are frequent turnover of governments (for example Järvalt and Randma-Liiv, 2010), frequent and incoherent amendments in legislation (Linder, 2011) and lack of continuity and coherence in carrying out policy all the way to completion (Şandor and Tripon, 2008). For example, decentralization of strategic HRM in Estonia did not proceed systematically as frequent change in governments led to instability and inhibited a systematic approach to reform (Järvalt and Randma-Liiv, 2010). Similarly, Linder (2011) argued that frequent, and in some cases incoherent, amendments in civil service legislation in Hungary

inhibited performance-oriented reform. Within this same category, Șandor and Tripon (2008) found that Romanian citizens perceived public administration reform as incoherent and lacking in continuity.

### **c. Fragmentation and insufficient coordination**

Another category of key contextual factors identified in some of the studies pertains to issues of fragmentation and coordination. For instance, Järvalt and Randma-Liiv (2010) show that fragmentation and insufficient coordination inhibited a systematic adoption of decentralization of strategic HRM in Estonia. Fragmentation and poor coordination manifested through unclear division of work and coordination goals. Organizational autonomy reinforced various working styles and policies at the ministry level at the expense of a coordinated and integrated approach. In Romania, Baba *et al.* (2007) demonstrate that the simultaneous use of the principle of decentralization and deconcentration reinforced various coordination problems through unclear definition of roles and tasks between various administrative bodies.

### **d. Need for ethical principles and professional attitudes**

Some studies discuss explanatory factors such as civil service politicization, informality and favouritism and connect them with the implementation of state reform. They closely reflect the cultural institutional ecosystem of a particular organization or administrative system. Linder (2011) mentions lack of objectivity in measuring performance as a main factor influencing the success of performance-oriented reform in Hungary. Osborne, Jenei and Fabian (2008) in their study of PPPs argue that informal networks and channels affected transparency and accountability in managing public-private collaboration. In Romania, Șandor and Tripon (2008) found that citizens perceived public sector politicization to affect implementation of needed reform and civil servants professionalism.

## **8. Conclusions: thoughts about “the NPM of the future”**

This analysis finds that the best way to describe the picture of the effects of NPM, to use a metaphor, is that of a cup that is both half full and half empty. NPM enthusiasts can look at the positive evidence and argue that NPM does work. Critics of NPM, by contrast, may choose to look at its problems and ignore the favorable evidence. They may chastise NPM ideas and practices for failing to always work as intended, but in so doing may miss the full half of the cup. The findings in this article do not support any of these two positions. There is evidence that NPM has worked

across Estonia, Hungary and Romania – particularly at the level of processes, structures and activities. However, some cases document insignificant changes or even deterioration. The evidence on outputs and particularly outcomes is limited, and patterns are difficult to identify at this level of analysis. Overall, the cup seems more full than empty but this slightly positive pattern is very fragile and in need of further documentation.

The existing database is a result of a search for NPM literature performed by the author and colleagues in the project network. Identifying clear-cut, “causal” relations between NPM components of complex reforms and their specific impacts is difficult. There is limited evidence of this sort that can be used to convincingly demonstrate that a specific effect can be attributed to a certain NPM tool. For this reason final conclusions about the success – or failure – of NPM cannot be more than qualified. Contextual variables are critically important to “go deeper” and understand the circumstances under which reforms produce certain results. By looking at specific examples in the dataset, this study identified a number of salient contextual factors that can affect how NPM policies work in the context of the three administrative systems included in this article. The evidence is limited and various, and as a result it was not possible to quantitatively measure the size of effects. This may be a helpful avenue for future research into NPM. The research was able to code the direction of effects and count these codes, but not compare them in a precise, quantitative way. Therefore these codes do not necessarily have equal weights. Some can be more significant than others. The study reported existing evidence as found in the literature, described the effects and identified important explanatory factors and underlying mechanisms explaining why NPM policies worked or failed to work.

These conclusions lead to a tentative discussion of the future of NPM reforms in the three countries and in Central and Eastern Europe more generally. A key question is: what is next? NPM scholarship in the region is at a crossroads at the moment. On the one hand, NPM seems to have lost momentum compared to years ago in a context of changing administrative paradigms in the west. Similarly, various academics have criticized NPM as an administrative reform strategy and contested its “fit” for the public sphere, especially in a transitional context. On the other hand, as various examples in this article show, policy makers still continue to use existing NPM tools or apply new ideas that resonate well with a NPM philosophy. This is particularly the case in countries that adopted NPM later such as Hungary and Romania. This has possible implications for the larger current debate in public administration and management in Europe. Some scholars have argued that NPM is either gone (Dunleavy *et al.*, 2006) or should be gone (Drechsler, 2005). It is important to note that the reference to a paradigm shift refers to the context of the Anglophone, “leading-edge” countries where the model originated. Some have made similar claims with specific reference to the

central, eastern European and former Soviet Union region (Drechsler, 2009). This study, however, indicates that at least in some countries in Central and Eastern Europe this has not been the case so far. Core NPM reforms like performance management, quality improvement techniques or decentralization are still up on the modernization agenda in various countries in the region, especially in Eastern Europe and the former Soviet Union. Romania, for example, starting in 2010 decided to decentralize most of its public hospital network. The same is true in the higher education sector where there is growing emphasis on performance management. Furthermore there is on-going debate in the country about needed regionalization and taking more confident steps towards greater fiscal and financial decentralization and local autonomy. These are not new ideas, but have continued to remain salient matters on the policy agenda. Politicians across the political spectrum use them as electoral tools and it seems that in this respect they all think in the same way that what Romania needs at the moment is more – not less – decentralization and autonomy.

The recent financial crisis may have had mixed effects on the adoption of NPM. On the one hand, the need to save by cutting and downsizing resembles NPM thinking with its focus on economies and efficiency. Performance measurement and quality improvement techniques are likely to continue to be used in this context. On the other hand, policy makers in some countries have appealed to post-NPM initiatives aimed at “joining-up”, integration, coordination and recentralization to save money and address some of the perceived problems following the use of NPM practices. Examples in the database pointed to issues of systemic coordination following disaggregation. It remains to be seen how these pressures will be reconciled and what components of NPM will continue to be used or introduced in the future. Will key policies within NPM, such as performance management and measurement systems and quality improvement tools, be abandoned altogether? Will they be continually adapted as experience and lesson drawing accumulates and develops further? These are some of the useful avenues for NPM research in the future. I expect the shape and substance of the “NPM of the future” to remain some of the most interesting developments in administrative science practice and research.

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## APPENDIX

### A. Distribution of studies by type

Country Type of study	Estonia	Hungary	Romania
Academic	14	38	10
General official policy reports	0	1	1
Internal official evaluations	0	1	1
External evaluation studies	4	0	2
Management and consultancy	0	1	0
Studies by international organizations	3	3	1
Studies by non-profit organizations	0	0	2

### B. Distribution of studies by methods

Country Methods*	Estonia	Hungary	Romania
Broad synthetic overview	7	16	9
Single case study	8	13	1
Multiple cases	2	8	4
Historical descriptive narrative	1	4	0
Mainly quantitative	6	12	6
Multiple methods	12	8	2

\*The number of studies in the table need not be totaled to avoid duplication since some studies used more than one single method.