IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 3. Ser. XII (March 2018), PP 79-82
www.iosrjournals.org

Analyzing Public-private Partnerships from the New Public Management framework.

Pratyush Singh.
Research scholar , CSMCH, JNU.

Abstract: *The public private partnership (PPP) model of health has been endorsed by several global agencies associated with public health. International aid agencies and foundations mostly fund available literature advocating the need for PPPs. They are symptomatic of the ceding of authority of the state to the private sector since the fall of the welfare states. The PPP model has long been used in different countries for carrying various development projects, but their advent in the field of public health is not an old phenomenon. One filling the gap left by the other, private bringing their intellectual superiority, business efficiency and management principles and the public providing the resources or the provisions to utilize that expertise (Reich 2002). But, this benign and beneficial side of PPPs are yet to be demonstrated. Health activists and researchers have criticized partnerships for diverting resources from public actions and distorting public agendas in ways that favor private companies. New Public Management principles have been adopted by PPPs across the world to increase the efficiency of the partnership with the state agencies. As governments are increasingly challenged by shrinking resources and increasing expenditure, NPM is being taken up as a panacea for the public resources allocation problems.*

I. New Public Management

New public management (NPM) developed as a reaction to post-war public administration principles. Towards the end of the 1960s, faced with fiscal crisis and economic stagnation, academics began to call into question the post-war framework that had been set up. According to monetarists, the causes of unemployment were rigid labor markets dominated by union power, the immobility of labor and excessive state benefits and levels of taxation. Hayek and public choice theorists also underlined the dangers of the growth of the public sector at the expense of the private sector. Public choice theorists claimed that individuals and groups all had a vested interest in supporting the growth of public services, which lead to over-production and waste. According to the "crowding out" hypothesis, espoused by Bacon and Eltis, public sector expansion was detrimental to the economy. Indeed, the authors claimed that by allocating greater resources to public spending, private sector investment was crowded out. An unproductive sector was thus seen to be expanding at the expense of a productive one. Such theories were taken on by influential politicians of the New Right in the 1970s and led to the development of a New Public Management approach when Margaret Thatcher came to power in 1979. The assumption of this new form of governance was that private-sector managerial techniques were immensely superior to cumbersome Public Administration principles Dunleavy & Hood, 1994). The application of such techniques in the public sphere was thus assumed to improve efficiency and effectiveness.

New Public Management (NPM) reforms were introduced in the 1980s as a reaction to Keynesianism, which had shown its limits in responding to stagflation (a combination of low growth, high inflation and long-term unemployment) and effective fiscal management. NPM was based on the premise that private-sector managerial techniques were immensely superior to cumbersome Public Administration (PA) principles. However, like PA principles, NPM techniques started to show their limits in an increasingly digitalized era and particularly from the late 1990s onwards (Hood, 1995). It has been argued that the ingredients of NPM, which were essentially disaggregation, competition and incentivisation, have been replaced by new forms of governance which espouse re-integration, needs-based holism and digitization changes. The use of New Public Management (NPM) has led to use of tools like decentralization, privatization, contractualism, total quality management, performance related pay etc. While adoption of NPM seems an attractive option for various economies, its applicability and success in developing and developed nations is highly debated upon.

For long now, the public sector setup has been under pressure to bring about efficiency by adopting more market oriented and private sector practices (Dunleavy & Hood, 1994). This has been argued to be due to multiple factors such as economic and fiscal dilemmas that brought about the need for state's increased role in the economy (Ferlie, et al., 1996). The public sector crisis in the developed economies led to the search for new ways of organizing the public services and hence, redefining the role of the state to encourage competition and market-oriented approaches. State's indulgence in market type approaches in order to treat the problematic public sector led to the promotion of marketization, that was ought to be more efficient and effective as it tends to keep in mind needs of the individuals and consumers.

In the contemporary era, neo-liberal policies are given weightage attributing to their stance of limiting the work of government in the economy and its ability to introduce efficiency and effectiveness. We now witness an emerging trend of adopting neoliberal policies. The New Public Management is, therefore based on the neo-liberal views and attempts to introduce private sector efficiency in the public sector of a particular country. Popular examples reveal that the NPM techniques are likely to fail in developing nations because they do not have the preconditions required to harbor NPM. However, the success of NPM techniques purely depends upon the environment within which it is implemented and on the compatibility of the techniques with the country's norms and values. The shift towards New Public Management (NPM) started in 1970s and 1980s in UK, under Margaret Thatcher's regime when she called for the readjustment of the iron industry, and in US municipal government who were agonized at the hands of economic recession and tax revolts. NPM practices were next adopted by Australia and New Zealand, which brought NPM into limelight and brought them on the agenda of OECD countries. It was not until then, theorists started to identify the common characteristics of what is known as "New Public Management" today (Dunsire, 1995).

II. Defining New Public Management

Advocates of the traditional bureaucratic system declared the term "New Public Management" as a misnomer at its very emergence. There have been claims that what is characterized to be New Public Management is practiced in the public sector since quite long now and thus, there is nothing "new" in the practice. Moreover, it is also argued that NPM tends to target the core values of the public sector an, is therefore little about public management and more of an attempt to wipe out public administration as a subject in social sciences (Farazmand, 2002).

However, despite heavy criticism and attempts to minimize its use in the field of public administration by traditional bureaucrats, there is consensus among scholars that NPM tends to dominate majority of contemporary era public settings. New Public Management, in itself, is a reform process, undertaken at the administrative level where structural, organizational and managerial changes are targeted in the public sector. As per Pollitt, it is a bunch of "management approaches and techniques" and "a vision, an ideology". Thus, NPM basically is a set of mangerial actions generated from the private sector and applied in the public sector in order to yield similar level of effciency and effectiveness (Pollitt and Dan, 2011). Different scholars tend to provide different ideas for conceptualising NPM. Hood (1991) however, brings them under a common banner by summarising the key elements of NPM under seven main characteristics. He claims that NPM is inclusive of; *entrepreneurial management* rather than traditional bureacracy, as highlighted by Clarke & Newman (1993). Thus, NPM is inclusive of privatization, decentralization, outsourcing, contractionalism, competitive mechanisms like performance related pay, total quality management etc.

Scholars argue that New Public Management has therefore, emerged in response to the Old Public Management and in order to understand NPM, it is of utmost importance that we fitst understand Old Public Management and its principles. Old Public Management is in line with the ideas of Max Weber's bureaucratic setup. It emphasizes on procedural control and the traditional hierarchical setup where functions are divided among different functional units (Osborne & Mclauglin, 2005). While the old public management was based on strict hierarchies and rules, new public management looks into political and accountable management and thus advocates contracts and market superiority. Moreover, while old public management used stability and permanence at its very foundation, new public management is based on contracts. Institutionalization is at the very core of Old Public Management, whereas new public management requires more of strategic management and thus doesn't require strict institutionalization (Peters & Pierre, 1998).

III. NPM as a Reform Process

Many scholars shed light upon reform process that has incorporated elements of new public management in the public sector. Advocates have argued that public settings can achieve their goals if flexibility is introduced in the system and public officers are given significant autonomy. This will not only lead to effective management of the functions of the units but also enhance the performance of departments and agencies working together in a contractual capacity. Autonomy will therefore allow them control their resources and use them in the best possible manner as to achieve the required results. Hence, it will enable department to make best use of private sector tools such as contracting, outsourcing, accrual accounting, total quality management, user survey etc. (Simonet, 2011). While the bureaucratic systems are rigid and answer back to orders, decentralization and autonomy will allow creative thinking by pushing the decision-making authority down the hierarchy. Thus, NPM has been able to promote accountability though encouraging shared missions and systems, by freeing organizations from the control of central agencies and allowing workers to adopt a problem solving approach.

A large number of developing countries are still trying to make use of NPM approaches in the public sector. For e.g. Malaysia has adopted Total Quality Management in their production processes in order to minimize wastage and ensure good quality of products (Fei 2003). However, the implementation and spread of the NPM process has not be unanimous around the globe. The major differences have been as per the context of the country. While some countries have resisted to NPM attributing to the strong bureaucratic culture, others have just restored their national initiatives under the label of NPM, when in essence old public management is still followed there. Thus, adoption and introduction of NPM is seen as a complex process where the context within which the country is, matters (Christensen & Laegreid, 2006). Adoption of NPM has also differed as per the nature of the countries being developing and developed. While the process was initiated by developed countries at the first place, their public sectors are now stable with accomplished NPM practices for e.g., in the case British health care system. Moreover, developed economies tend to meet the preconditions, such as well function markets and economic development, required for the implementation of NPM principles. However, the implementation in developing countries has been troublesome. It is argued that developing nations are still struggling to stabilize their economies, ensure imposition of rule of law and instill proper bureaucratic structures, that introduction neo-liberal techniques disrupt the entire process and causes instability. Hughes (1998) argue that implementation of NPM in developing countries may yield opposite results than what is required. While NPM approaches may be adopted to promote greater transparency and eradicate corruption, a greater degree of autonomy to officers may lead to chances of corruption. Similarly, in case of contracting out, absence of appropriate laws and rules can limit the use of contracts as they may not be fulfilled in their true essence. Moreover, it is also claimed that there is not standard model for implementing NPM in totality, across the countries. Developing countries, especially, tend to adopt particular elements of NPM that are best suited and are most beneficial for them. Two popular and evident elements adopted as a part of NPM have been privatization, downsizing. Moreover, corporatization has been another successful element of NPM for e.g. in the case of African countries where customs and income tax departments have been merged together under the corporatized national revenue authorities, which has brought about internal efficiency in the unit (Chand & Moene, 1999).

IV. New Public Management and PPPs:

For years, industrialized market economies have used various forms of public-private partnerships to achieve more efficient and effective management in the provision of public services. Concerns over the level of public debt, which had been quickly expanding throughout the macroeconomic upheavals of the 1970s and 1980s, prompted calls for a shift in the conventional standard public procurement paradigm. In this respect, governments have begun to encourage private infrastructure investments in order to relieve their budgetary constraints.

New public management concepts were created to address inefficient resource allocation in government bureaucracies and the creation of public goods and services. Governments have a variety of public-private partnerships at their disposal for the implementation of certain initiatives aimed at meeting public requirements. The "value for money" factor must be considered when selecting a particular form; that is, the public sector must ensure that the project with the private partner provides cost-effective, reliable, and on-time services at the agreed-upon price and in accordance with the agreed-upon quality standards, as defined by the contract, which is providing greater value for money for tax payers than a standard governmental investment would deliver. This practically means that the project involving the public-private partnership must be cost-effective. In the literature on this topic, the Public Sector Comparator (PSC) is employed to evaluate project efficiency (Linder, 1999).

Because a single definition of the public-private partnership, i.e. the cooperation between the public and private sectors in the provision of public services, is difficult to formulate for many reasons, there are various definitions of public-private partnerships (PPP) in literature dealing with this subject. To begin with, from a historical standpoint, private-public sector cooperation has existed for millennia. However, the motivations and goals of those collaborations have shifted with time, and today's public-private partnerships are vastly different from those of the past. Second, from a political standpoint, it is clear that socio-democratic choices advocated a conventional model of public service delivery, whilst neoliberals favoured a strong role for private initiative in public service delivery. The political perspective appears to be particularly important because government attitudes toward private initiatives, particularly the initiative for collaboration, have shifted dramatically over time. Finally, the technical-technological link between the two sectors has evolved over time, depending on the complexity of the medium through which the public service was delivered.

It's especially important to emphasise the distinction between bringing the private sector into the field of public service delivery through outsourcing contracts, partnerships, and privatisation using only private funds. Specifically, the public sector defines the problem, service standards, and a potential solution to the problem in outsourcing contracts, whereas the private sector is responsible for providing the contracted service at the lowest possible cost. These contracts are designed for operational processes, are short-term, and are awarded on the basis of price. They allow government agencies to benefit from the private sector's technical competence while the control still remains with the public sector (Bhat, 2000). An outsourcing agreement/contract should not be considered a partnership, but rather a short-term collaboration with no risk or profit sharing. Furthermore, incorporating private finance can be accomplished without the use of an outsourcing contract. The most basic forms are service contracts, which are considered as outsourcing rather than partnerships, in which the private party supplies, operates, and maintains a specific good for a limited length of time, while the public sector bears both financial and operational risks. Traditional public service delivery models are represented by these models.

Privatization, on the other hand, is the transfer of ownership from the public to the private sector. Privatization may or may not have economic liberalisation consequences, such as reducing government control and allowing the economy to compete. A public monopoly can readily be converted into a private monopoly, which is the polar opposite of liberalisation, implying that privatisation does not always imply increased competitiveness. More than just an idea and a determination by the government to involve the private sector in the process of public service procurement is required for the public-private partnership to succeed (Raman & Bjorkman 2008). There are several challenges to overcome and preconditions to meet in order to build a successful public-private collaboration. Although comparable shared goals are essential, they are not the only requirement for a public-private cooperation. It is also necessary to have a legislative structure that governs this subject. There is no legal structure for public-private partnerships in many countries.

V. Conclusion

Public-private partnerships aren't magical answers for the public sector, but they can increase the availability, quality, creativity, and cost of public services dramatically. It is required to provide an acceptable legislative framework, a favorable political climate, and public support for such partnerships in order to secure a high number of constructed objects and public infrastructure, as well as speedier meeting of public requirements. In response to the increased complexity of the global economy's development process, the public sector can boost economic growth by collaborating with the private sector in some kind of public-private partnership. Through competitiveness mechanisms, economies of scale, and project finance strategies, this type of corporate collaboration benefits both sides.

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