

Executive Agencies & Good Governance

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THE
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TABLE OF CONTENTS

EXECUTIVE AGENCIES AND GOOD GOVERNANCE	1
INTRODUCTION.....	1
NEW PUBLIC MANAGEMENT AND EXECUTIVE AGENCIES	2
GOOD GOVERNANCE AND EMERGING ISSUES	3
1. PUBLIC INTEREST ISSUES AND THE NPM	3
2. COORDINATION CHALLENGES	5
3. SEPARATION OF POLICY FROM SERVICE DELIVERY OPERATIONS	6
4. MINISTERIAL RESPONSIBILITY	7
THE PARTICULAR CASES OF REFORM AND EXECUTIVE AGENCIES.....	8
THE UNITED KINGDOM	8
NEW ZEALAND	10
CANADA	12
AUSTRALIA	13
LESSONS FOR JAMAICA	14
CONCLUSION	15
APPENDIX A - LIMITATIONS OF BOTH APPROACHES	17
APPENDIX B - THE GOVERNANCE NETWORK'S EXECUTIVE AGENCY	
CHECKLIST.....	18
SELECTED BIBLIOGRAPHY.....	19

Executive Agencies and Good Governance

Introduction

The Executive Agency (EA) form is one of the structural innovations of the *New Public Management* (NPM) movement. EA's were introduced in the interest of increasing administrative efficiency and productivity in public administration. Many gains have been made in these respects. EA's in Jamaica, as other presentations in this conference have so ably illustrated, have been an integral component of effective public sector reform. The eight new EA's have been instrumental in breaking organisational inertia and accelerating modernisation. They have enabled new organisations to: compete for staff at the required skill levels; right-size; develop business and strategic plans; improve accountability for results; and, as we have heard, improve efficiency and productivity.

Benefits of Executive Agencies in Jamaica

- 3 The public is receiving faster, more efficient and responsive service in more pleasant and courteous service environments.
- 3 Agency staff is more involved in decision-making, working in better conditions, and their performance is recognised.
- 3 The country is improving its use of scarce resources, addressing citizens' expectations of better service levels. It is increasing productivity levels, and obtaining greater transparency and more direct accountability of staff.

As society, organisations and institutions continue to evolve, so too do their demands on public administration. In spite of the gains brought by the NPM and the EA model, experience from other jurisdictions suggests that, over time, this particular structural innovation has given rise to problems in areas that may be as important to good governance as efficiency and productivity. This paper will highlight four of these issues.

- 3 Public interest issues and the NPM
- 3 Coordination challenges
- 3 Separation of policy from service delivery operations
- 3 Ministerial responsibility

After looking at the link between NPM and EA's, this paper will examine these four areas, and then see how they have played out in reforms in the UK, New Zealand, Canada and Australia. This high-level review will demonstrate that there is neither one universally applicable situation nor one panacea for public sector reform. There are many factors to be considered in a reform strategy, including: the country's particular constitutional and institutional context; the extent of its fiscal limitations; its availability of skills; the size of the country and of the government implementing the reform program.

As Jamaica proceeds with public sector reform, the options available to it should be carefully considered in light of the key issues in public administration and elements of good governance highlighted below.

New Public Management and Executive Agencies

The managerialist governance paradigm that has prevailed in the last two decades – the NPM – was primarily based on a recognition that government had both fiscal and policy limits. NPM revolved around the belief that private sector approaches can solve public sector problems. This approach has been characterized as market driven. Under the umbrella of the managerial paradigm, a number of tools have been added to the public administration toolbox including consolidation, reengineering and alternative service delivery, to name only a few. Much of this is now seen as routine and expected practice for areas of public sector activity and service delivery. Public servants at all levels also commonly apply private sector practices such as restructuring, business planning, public involvement, enlightened human resource management, succession planning, training and development, performance measurement, information management and so forth. Not surprisingly, considerable mastery already exists or is rapidly emerging. After all, most Westminster democracies have been at it for at least two decades now.

For service delivery, EA's and their relatives such as departmental corporations, Special Operating Agencies, state-owned corporations, new private corporations in which government is a founding member, along with privatization, have emerged as the most frequently used structural reforms. Agencies are created in an effort to overcome the difficulties associated with the process of public administration, where central agencies and the push for uniformity in process that comes from them, often seem to interfere with efficient service delivery.

EA's are intended to deliver traditional governmental services with the utmost business-like efficiency. The traditional bureaucratic structure in which the Minister is answerable for both policy and administration is broken up. The structure is reworked so that there is only a relatively small ministry policy unit left reporting directly to the minister. The much larger service delivery unit, the EA (or a number of EA's), delivers services to citizens at arm's length from the departmental form and its associated uniformity rules which can run counter to the 'mission.'

In this model, an EA signs a foundation agreement with the Minister's department to provide service at a certain level and with a pre-determined level of quality within a fixed budget. The core department, or sometimes the Minister, essentially becomes a customer contracting for services to the agency. The chief executive of the agency is appointed by the government for a specified term based on the business sector principle, and would ultimately be responsible to the Minister of the department for fulfilling the *contract*. The new agencies are no longer obliged to recruit inside the Civil Service and are able to put a renewed emphasis on managerial skills in the service delivery areas. Top civil servants are now freed to focus on policy analysis and advising the minister.

Executive Agencies, as part of the NPM, are typically seen as a method of separating policy (steering) from operations (rowing), and of making operations more flexible, cost effective, responsible and responsive. EA's represent an attempt to move away from the limiting format of bureaucratic hierarchies. They are intended to:

- ✓ Ensure that employees get on with their actual jobs rather than devoting their energies to working the 'system';
- ✓ Manage by contract rather than by command and control;
- ✓ Ensure that employees are made accountable for their performance; and
- ✓ Ensure vastly improved service to the public.

Almost everyone is familiar with the more dramatic and much studied government agencies in the United Kingdom and state-owned enterprises in New Zealand. What is less well known is the huge variety within the agency form itself: the Departmental Corporation which reports to the Minister through the Deputy Minister; the Executive Agency with no statute, which reports to the Minister more generally, who in turn reports to parliament; and the Canadian Legislated Agency that has a statute entrusting it with implementation and is free from the Minister's department as well as from central budget and personnel controls, and looks to the Minister for only general direction.

Good Governance and Emerging Issues

The bureaucracy seeks an ideal balance between two aspects of administrative responsibility. On one side is the responsibility for accountability, efficiency and uniform treatment of citizens and, on the other, the responsibility for responsiveness and effectiveness. This balance has become more complicated by the fact that today, attention must be paid to principles of good governance. Governance is a way of thinking about how to move beyond concepts of efficiency, effectiveness, and managing in the present tense. Stated in another way, governance is about relationships of power and authority within one organisation, but notably also about how the private sector, public sector and civil society relate with one another. Good governance calls for engaging citizens, reallocating power, partnerships among institutions and sectors, and participatory practices.

A variety of issues have emerged as a result of both the NPM movement and the EA model and now need to be addressed in the interest of good governance. Four of these issues are highlighted below.

1. Public Interest Issues and the NPM

Many observers are starting to talk about the post-managerialism era, characterized by a movement away from the NPM philosophy and toolbox. Increasingly, there is a belief that the market theory upon which EA's are built cannot embrace the full range of public sector responsibilities such as governance and guarding public interest.

EA's are one derivative of *agency* theory¹, in which top managers are assumed to be agents who pursue their own self-interested goals that often run counter to the interest of shareholders. Recently, a broader, more encompassing model has been sought because the *agency* theory and some of its derivatives such as the EA model cannot account for all of the complexities of organisational life, nor can it account for the quite different behaviour of a number of organisational leaders.

Today we find the concept of *stewardship* being rediscovered in many quarters, an alternative model that bridges market approaches and broader public sector responsibilities. Like the market approach, *stewardship* can address efficiency issues. However, it goes beyond the self-interest assumption of *agency* theory and, more importantly, provides the conditions for governance stability over a long period, something that the market model does not do. It balances the capacity to sustain the public interest, the common good, order in society, and the degree of stability required to sustain the institutions of governance. In terms of motivation among leaders, *stewardship* differs from *agency* theory by focussing on the less tangible rewards such as opportunities for growth, achievement, affiliation, and self-actualization. These are the intrinsic motivators for which one works on behalf of the organisation, developing an accountability to the collectivity.

Consultation reports and survey data from several sources demonstrate that citizens expect more from government than is delivered at present. Indeed, they have expressed discontent with unhelpful, inefficient service and evasive answers. However, they are even more concerned about government's lack of ability to deal effectively with major social and economic issues. Agencies and other new forms of service delivery have not always proven to be effective at delivering "public goods" such as clean water and safe food and transportation. Furthermore, citizens are expressing impatience with infighting, fragmented services and being caught in the middle of jurisdictional or inter-agency squabbles. Despite many innovations and heroic efforts inside the broad public sector, citizens are disaffected with government and its institutions.

Demands are increasing for protection of the public interest and this calls for a transition away from the NPM toward a new governance paradigm.² The NPM paradigm is no longer seen as meeting our society's needs. There is an incompatibility of values between the private sector values of the NPM and the long-term public sector values. Jane Jacobs argues that the mixture of the two sets of values, which she characterizes as 'trading' and

1 In *agency* theory, top managers are seen as agents with goals and interests that may be, and often are, different from those of shareholders. A great deal of attention is therefore given to methods to control the behaviour of the agent and emphasis is put on mechanisms, rules and regulations to keep self-serving behaviour in check. Current *stewardship* theory defines situations where managers are not motivated by individual goals but act as stewards whose motives align with the goals and objectives of the higher purposes of the institution or organisation. For a more detailed look at *agency* and *stewardship* theories, see Donaldson, L., D. Schoorman, and J. Davis (1997), "Toward a Stewardship Theory of Management", *Academy of Management Review* and "From Administering to Serving: Stewardship and Public Service: A Discussion Paper" by Dr. Jim Armstrong.

² Please see Appendix A for a list of Limitations associated with both the NPM & Public Interest Approaches

‘guarding’, leads to undesirable ends – particularly for that which is meant to be safeguarded by public sector governance.³ For centuries there has been an understanding that government and the public service had an important role in protecting citizens from uncontrolled market forces and the excesses of the private sector. After having moved away from that understanding during the height of the NPM influence, there are now calls to rethink this approach. John Raulston Saul, for example, warns against the damage that corporatization and the acceptance of self-interest will inflict on the public good and on citizens in a democracy.⁴

Concerns have arisen about the lack of responsiveness of governments to citizens’ wishes on the grounds of lack of fiscal capacity and the business-like rules of efficiency. Overall there is a sense among citizens that politics and public service in general is no longer important because political parties in western democracies now tend to see themselves as primarily managers of the economy and not as enduring groups whose role it is to develop alternative policy strategies for serving the public and weaving a nation’s future.

2. Coordination Challenges

Governments are always faced with enormous coordination challenges. The Canadian Federal Deputy Ministers Task Force on Service Delivery Models (1997) concluded that the most important issues confronting society and of primary concern to citizens, such as health, safety, economic development and education, involved more than one jurisdiction, ministry or department – and that working horizontally was very difficult. One of the most common criticisms levelled at the public service by citizens is that “one part of the government (sometimes within the same department) does not seem to know what the others are doing”. Horizontal integration is, after all, the development of internal collaboration and partnerships.

However with adequate mechanisms to allow reworking organisational design, functions can always be shifted around to improve service. In Westminster forms, the structure of government is, for the most part, in the hands of the Prime Minister. He or she can move functions from one minister to another or mandate a new function. Legislation and budget will then follow in due course. The problem presented by Agency forms and their derivatives is the inflexibility they introduce. The policy and administrative territory is divided with the numerous contracts and agreements creating these Agencies, and coordination becomes a matter for negotiation, item by item, between agency heads serving under fixed-term contracts.

Citizen-centred service promotes the simple idea that service should be planned and delivered around citizens’ needs rather than around the format of the organisations that provide them. Coordination amongst providers and horizontal integration of services are key ingredients in this movement designed to make services user-friendly and more accessible. One of the major challenges to creative public service is to break down the “silos” and achieve horizontal integration between government services.

³ See Jane Jacobs, *Systems of Survival* (Vintage 1992).

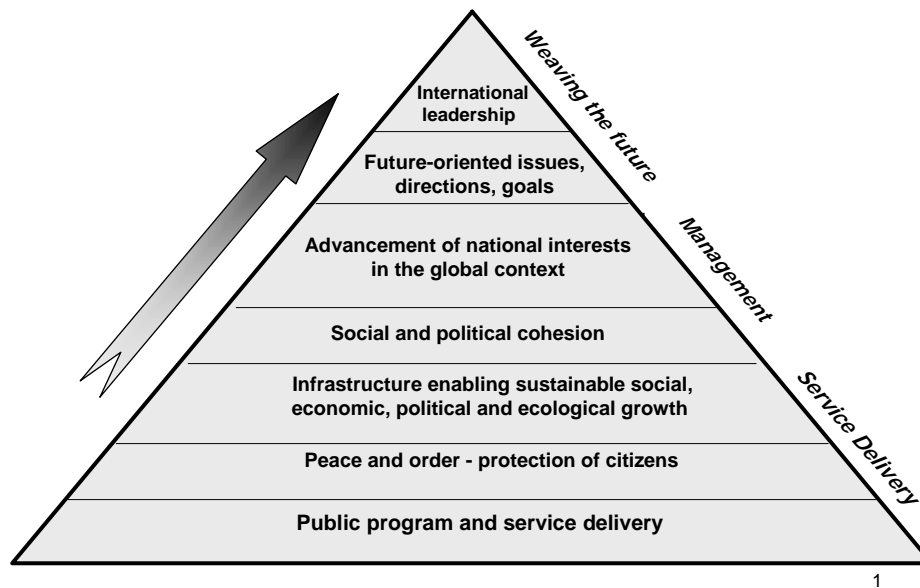
⁴ See John Ralston Saul, *The Unconscious Civilization*, (Anansi Press, 1995).

In places like New Zealand and the U.K., the main criticism against many of the agencies that were formed was that they made co-operation and collaboration more difficult through the fragmentation of service delivery bodies. The range of services now offered by EA's in Britain for example are spread so wide that there is a sense that overall service quality has been diminished.

3. Separation of Policy from Service Delivery Operations

The experience with Agencies has begun to call into question the reasonableness of separating the policy-making capacity from the delivery of service. It appears impossible to clearly separate the two in parliamentary governments and in particular Westminster systems. The philosophy of Westminster government is that the citizens who are affected by government decisions bring their concerns to their member of parliament. That person in turn ensures that discontent is made known to the government, whose duty is to be responsive. Indeed, good governance is threatened by the separation of policy from service delivery exactly because it does not allow for government learning and corrective action, where leaders are engaged with both vision making and policy implementation. Yehezkel Dror argues that governments all over the western world have all but neglected their *weaving the future* responsibilities – the higher-level policy capacity, which in turn lessens their capacity to govern.⁵

Hierarchy of Government Responsibility



“*Weaving the future*”, a phrase borrowed from Plato’s *The Statesman*, involves national leaders in the creation of a vision and plan for the future. As illustrated above, service

⁵ See Yehezkel Dror, “The Capacity to Govern: Designing Governance for Global Transformations”, Club of Rome (1996).

delivery, the protection of citizens, and frequently neglected “weaving the future” activities are key areas of government responsibility.

To reiterate, in a Westminster government there is a feedback loop that allows for input from the public through parliament to the Minister who has the authority to adjust policy accordingly. The Minister needs to be responsible for the administration of the department in order to learn from and apply intelligence gained on the front lines. With the separation of policy and operations, Ministers are not given this ability and responsiveness is weakened. Furthermore, given the current climate of rapid change, ever-closer collaboration between policy and administration seems essential for program effectiveness and maintaining appropriate accountability relationships.

The reforms associated with NPM and manifested most clearly in the form of EA’s have been directed at only a fraction of what government is all about. Market driven reforms have touched mainly on one level of public sector responsibility and activity – delivery of public service. These reforms have only barely influenced the level of public sector leadership that develops policy while totally ignoring the higher-order tasks of governance. Designed for the private sector, these reforms fixed private sector problems. While they have resulted in marked improvements in public sector management, they may be bound for disaster if they continue much further in the same one-dimensional direction. To take full advantage of the progress accomplished, governments need to go the rest of the way and work on the foundation element that has been left out, the *raison d’être* of the public service – future weaving policy activity, and reconcile it with recent reforms. In recent years, recognition of the value of maintaining a link between policy and operations has modified the use of agencies in New Zealand and Australia.

4. Ministerial Responsibility

New governance arrangements such as Executive Agencies pose challenges to long-standing principles of parliamentary accountability. In arrangements that involve other players in the delivery of services, accountability for federal spending and for the use of federal authority can be at risk. The public interest demands that these arrangements not compromise the minister and consequently Parliament’s ability to control and scrutinize public policy and its implementation.

The case of water testing in Ontario has highlighted the Canadian public’s concern with moving crucial services out of government departments. The Ontario provincial government devolved water testing services to the private sector with disastrous results when an E-coli contamination in the drinking water was not reported, resulting in at least 7 deaths, and hundreds of people falling ill. The public and media immediately turned to the government for answers and the government was unable to respond accurately and with one voice. The political leadership looked ineffective and evasive. The government did not have information due to the “hiving-off” of the service from the public sector.

Overall it is in the social sectors of public policy where the interests of the public are most invested. While it is possible to have more responsibility residing outside the

minister's jurisdiction in sectors less crucial to public interest, in the areas of social policy, where public opinion still wants to see government involvement, the agency structure does not free the minister from political responsibility. In the end, the public bypasses legal innovation and directly allocates political responsibility. The public is not concerned about forms of government only the provision of necessary services. In instances of failure in the delivery of services, the public will still hold the minister accountable. The agency model can transfer duties to the agency head but it is proving impossible to transfer answerability from the minister. Moreover, this may be a good thing because it encourages stewardship values and long-term thinking.

In short, given the fact that ministers and their government continue to be held accountable in emergency situations, they need to stay engaged with the operations side. Otherwise, the effectiveness of serving the public interest is jeopardized, and with it democracy itself. If citizens cannot influence programs and policies, of what use are the political institutions in a democracy?

The Particular Cases of Reform and Executive Agencies

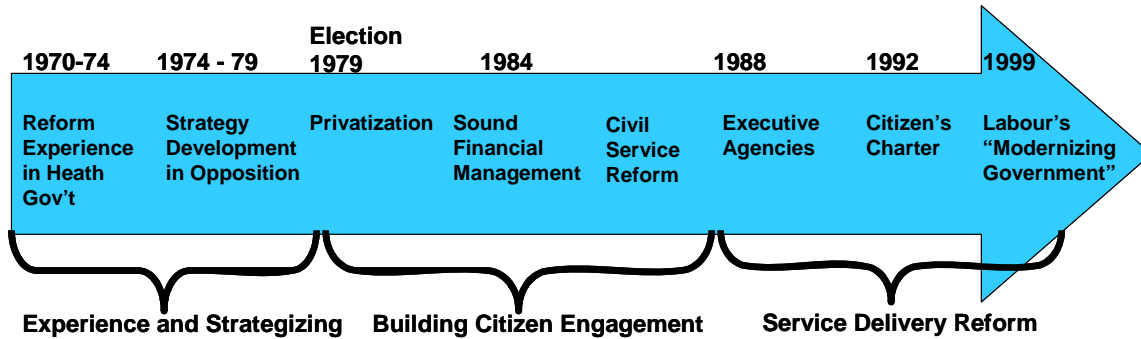
In considering EA's as a possible reform model, it is useful to recall that rethinking government is not simply a bureaucratic exercise that can present a simple solution within neat theoretical constructs. Rather, it involves a comprehensive understanding of the overall situation of a particular government's reform needs and options available. The following brief summary of reforms show how each country's case is unique in its own way and that EA's are only one part of interrelated processes of public sector reform.

The United Kingdom

In the case of the United Kingdom, EA's were one part of a complex and multi-faceted reform strategy that developed over many years and was strategically implemented over many decades. In fact, the reforms began under Edward Heath's Conservative government with the introduction of a rigorous system of Programme Analysis and Review (PAR) in 1970.⁶ This was part of massive changes that were envisioned by the Heath government. However, the plan was not well strategized and its faulty implementation led to the defeat of the Conservatives in 1974. The Party leadership began the period of strategy development at this point and built on the lessons learned from the mistakes made in the reform attempts by the Heath government. Mrs. Thatcher then came into power in 1979 bearing a systematic distrust of civil service traditions. It was at this point that she began to exercise strong political will to undertake a "revolution" in public administration building on the lessons learned.

⁶ See Donald Savoie, *Thatcher, Reagan, Mulroney: In Search of a New Bureaucracy*, (University of Toronto Press, 1995) pp 73-74.

UK Reform Process



Because Thatcher and most of her ministers had first hand experience with the failure of the Heath government reforms, they avoided restructuring for the first ten years. Instead the government set in motion a strategic process, laying the groundwork for a radically restructured result.

In the earliest stages of the mandate, independent structures were put in place to implement reform. Business leaders and entrepreneurs were called upon to help open the public system to new ideas and practices through these bodies independent from the civil service. Mrs. Thatcher created an Efficiency Unit, consisting of a team of business executives tasked with identifying savings from greater efficiency and reported to the Prime Minister. They eventually recommended a wholesale restructuring of government as a better means of change management than the *ad hoc* search for savings. This started the process that led eventually to the creation of the EA model.⁷

Still as part of the initial reform stage, major and extensive reforms were then introduced. The strategy of privatization was undertaken with resolute fervour by the Thatcher government. The privatization was designed to give citizens a stake in previously state-owned enterprises. An example is the sale of Council Housing and giving citizens options to buy shares in privatized government operations such as British Air, in order to give them a sense of ownership – a fundamental social and cultural shift. Other reforms steps included contracting out, deregulation, user fees by which citizens are charged for the use of public facilities or services, voucher systems, market testing and *load shedding* by which the public sector withdraws from providing certain services expecting that those services will be provided by the private or voluntary sector.

To continue laying the groundwork, emphasis was then placed on sound financial management approaches such as efficiency scrutinies and the Financial Management Initiative. These amounted to in-depth evaluations, goal setting, performance indicators, the division of departments into *cost centres* and improving financial information systems.

⁷ See Ian Budge and David McKay, eds. *The Developing British Political System: The 1990's* (Longman, 1993) pp. 41-42.

The final report for *Next Steps* sat on Thatcher's desk for a full year while the government considered market testing and focus group results. EA's were conceived of at this time as autonomous agencies. It was Thatcher herself who pulled this idea back, establishing agencies as part of departmental structures rather than the more independent legislated ones recommended in the plan.

Later, after the introduction of the *Next Steps*, the mantle was picked up and carried forward by John Major's government with the unveiling of the *Citizen's Charter*, designed to address the rights and expectations of the public. The Charter is a service contract between those accessing the service and those entrusted with providing the service. The public becomes the auditor through the charter. The service organisation provides direct compensation to the citizen in cases where service is not properly provided. With this concept, management accountability goes beyond service delivery to touch on the very quality of job performance.⁸

It is also important to note that as part of the process of reform in the United Kingdom, it being a unitary state, much of what has been "chartered" or turned into an agency in the United Kingdom is something that would be done by another level of government in other countries. Also, Mrs. Thatcher had abolished much of local government during the first part of her mandate. This created a burden on the central government's public service and the government had to find a substitute.

The current Labour government is continuing the process of reform, introducing the "*Modernizing Government*" initiative, which has as its objective the enhancement of government services to the public through a focus on integrated policy making that focuses on citizen engagement, shared goals, defined results and risk management.

The process of reform in the United Kingdom is unique in the manner in which it was carefully implemented, gradually building up to the use of EA's and beyond. Using lessons learned from previous experience, a sound strategy, a methodical approach to laying the groundwork, and building citizen engagement all along, the EA's were introduced with success once these steps had been taken.

New Zealand

The reforms and implementation of Agencies in New Zealand are unique in terms of size of the country and its government. Essentially, given the small population of the country, the governance challenges it faced are significantly different from many other cases. Another particularity of the New Zealand case, similar in some respects to the UK case, was the gravity of the public fiscal situation and how a reforming government began with "their backs to the wall."

There was no clear plan for reform at the time of the Labour government's election in 1983 but it was faced with an unprecedented fiscal crisis and a public service system that

⁸ Author's interviews with Mr. Elliot Finer, Senior Official in Next Steps Office, UK

was perceived to be incapable of correcting the catastrophic downward spiral the country was experiencing. Unlike the United Kingdom, however, the new government began without a strong bias or ideological bent. By 1986 however, the New Zealand government had come to the conclusion that “the State cost too much, contributed too little to wealth-generation and was dead weight on...society”. In addition, it was felt that, because of self-interest, departments should not both implement policy and advise the political executive.

The state apparatus became smaller and less controlling. Several large commercial operations such as banks and insurance companies - part of the public service at the time - were made into state corporations and later privatized; economic activity was less closely regulated, and tariff barriers were lowered. Subsidisation of the private sector by the public sector was virtually eliminated. Over the 1984 to 1992 period, the public service was reduced by two-thirds in terms of the number of employees, and major changes were made in its structure and management.

Similarly to the United Kingdom, New Zealand proceeded with a strong strategy to implement the extensive reforms with the Agencies being only one part of the overall project. A well thought out plan previously prepared by the Treasury—a forward thinking unit in an otherwise *old boys club*—placed the emphasis on negotiating and monitoring explicit contracts and finding more efficient ways to deliver services than the traditional vertical organisational models. For example, departmental Chief executives were made fully responsible for financial management and performance. Another feature was the state’s delegation of the employer role to the chief executives, giving them the power to staff their organisations with their own personnel management system to suit the particular needs of their department. In turn, CEO’s were depoliticised by the creation of the Senior Executive Service, an executive staffing authority, which appoints and appraises the performance of the CEO’s.

Eventually government agencies that performed trading functions were turned into commercial agencies and a number of service delivery functions were assigned to crown entities and business units with greater managerial authority than normal departmental units. This experience was then used to model the restructuring of departments, in essence, separating policy and operations.

Recently there have been increasing misgivings about the extent of the reform program particularly related to the areas of social policy such as health and education. There is a growing opinion that the New Zealand reforms will not have enduring value and were rather only part of a unique situation involving a small jurisdiction and a publicly recognised fiscal crisis.

The concern in New Zealand has much to do with the re-emergence of the public sector values and the conflict this produces with the private sector values associated with the reform program. Public interest appears to be overlooked, particularly in the area of health care, when the business-like rules of efficiency are applied to service delivery operations. The capacity of the private sector, originally thought to be sufficiently

developed, has proven to be well short of providing the necessary services in key social service areas.

Canada

In Canada there has been a great deal of effort in recent years to make governmental institutions behave and perform more like business sector organisations mostly as a result of concerns over a heavy debt burden and annual budgetary deficits. This infiltration of business values with its managerial science agenda supported by the business community has had far-reaching effects on the overall approach of government. The first manifestation of business-like thinking in government was the establishment of Special Operating Agencies (SOA's) to deliver the services of a number of departmental units in a corporate manner with either profit-making or cost recovery being an important operating principle. As departmental agencies, SOA's met with limited success. They did however provide many learning experiences resulting in the later establishment of Legislated Agencies. Overall, about half the population of the civil service as of 1995 has now been moved into one or another non-departmental form.

As a federal state, Canadian government must address concerns of possible duplication and inefficiencies in service delivery in the interest of rationalization of public administration practices and political trends. As a result there are integrating tendencies that lead to the creation of national models of service delivery agencies. The Canadian Food Inspection Agency and the Canada Customs and Revenue Agency are examples of this model in which provinces gain a role and a legal status in what was formerly a purely federal government service. In other words, the old "watertight" vision of divided federal-provincial responsibilities and organisations is being transformed into a more American-style, mingled federation.

Canada Customs and Revenue Agency represents the most ambitious venture in terms of a Legislated Agency. The legislation that created it eliminated the Department of National Revenue, but maintained the ministerial portfolio with the minister remaining generally responsible for the new agency. The minister reports to Parliament for the Agency and must answer and speak for the Agency to Parliament. Management and direction of the Agency is now the responsibility of the Commissioner, acting as a CEO. With no Deputy Minister between the Minister and the organisation, the oversight of the organisation is the responsibility of a Board of Management which stands between it and the Minister.⁹

Legislated Agencies, of which there are three at time of writing, represent a more significant development in terms of public sector reform than do EA's or the Canadian SOA's. They are described as mission-driven, client-oriented organisations established under agency-specific legislation to manage the delivery of services within the federal government. The legislation sets out the mandate and the authorities of the Agency. They are intended to provide more responsive and streamlined operations and to meld functions with other jurisdictions such as provincial governments. In some cases, rather

⁹ See Gregory Tardi, *Oxford Handbook of Canadian Public Administration* – Chapter 11 (Forthcoming.)

than removing the Minister from operational or service delivery responsibilities, Legislated Agencies put the Minister firmly in charge, as is the case for the Parks Canada Agency.

In Canada, as in the United Kingdom, the difficulties EA's were designed to overcome were largely the constraints of central agency rules and procedures regarding personnel and budget regimes. These service delivery arrangements challenge central agencies to develop appropriate approaches to monitoring and system oversight, and controls that are strategic rather than transactional. This is easier said than done.

Results of these reform efforts and Agency forms have been mixed. The emerging issue of coordination challenges has been recognized as presenting the most difficulties with the reformed departments and agencies. In some cases, more bureaucracy has been created in the effort to conduct inter-agency and departmental coordination through Portfolio Offices. As a result, the expected savings in service delivery have not necessarily been attained. Certainly, they have seldom been measured, if ever.

The legislature's auditor has also expressed strong displeasure in a number of hard-hitting reports on the question of accountability. In the October 2000 Auditor General's Report, the assertion is made that the foundation of good government – respect for the law, respect for the public interest and the principle that public service is a public trust – is threatened with major changes including the use of special agencies, introduced in service delivery areas.¹⁰

Australia

Australia is unique among Westminster public sector reform. Instead of relying on the establishment of quasi-independent organisations in order to get around the difficulties posed by rigid central agencies, they tackled the central agencies and the problems they represented directly. As such, reform in Australia followed a more pragmatic mix of principles and experiential learning than did the more ideologically driven reforms in the United Kingdom or New Zealand. It began in 1972 with an opening-up to ideas from outside the civil service. The main political goal was to enhance political power by increasing room for political discretion, as the sole significant source of policy advice to ministers had been the civil service. Following 1972, many more sources of policy advice were systematically added including: task forces and committees of enquiries using external experts, commissions, a priorities review staff, think tanks for long-term advice, and strong ministerial advisors.

Another feature of Australian reform, similar to the Canadian case, is the federal constitution of the country. In both cases, the central government has benefited from the presence of strong state or provincial governments. The experience in public sector reform at the lower level of government provides lessons for the central government and when successful, even eases its work. The state of Victoria, much like Alberta and

¹⁰ See Chapter 12, *Values and Ethics in the Federal Public Sector* – in the 2000 Report of the Auditor General of Canada.

Ontario in Canada, has proven to be very energetic in market-based public sector reform in Australia.

In 1983, the newly elected government placed a high priority on administrative reform to improve public sector efficiency. Although the exercise did not entail a re-examination of the fundamental role of government, the program facilitated the devolution of authority to managers while establishing objectives for program activities and performance management. In 1984, the Financial Management Improvement Program was launched. The key objective was to change the operating culture from one centred on compliance with externally imposed rules to one which encouraged managers to do their best with the resources at hand—*doing more with less*. While basic government structures remained unchanged, there was considerable streamlining. In 1987, the amalgamation of departments reduced their number from 28 to 16 and some departments were transformed into Government Business Enterprises (the Australian version of Agencies). The three main mechanisms used to handle the reform and changes were:

- ✓ Devolution of management responsibilities to line departments;
- ✓ Adoption of a stronger corporate approach to senior appointments; and
- ✓ Appointment of people strongly committed to reform.

Commentators agree that the effects of the Australian reform are generally deep and long lasting. The changes to date represent comprehensive reform carried out by experienced and knowledgeable ministers who systematically increased their channels of learning about public administration, policy-making and reform.

Problems in the Australian reform are however beginning to be more apparent with public interest concerns emerging in reaction to the shortcomings with the NPM model in service delivery operations and calls for attention to non-economic considerations. There has recently been public backlash in some states over the extent of the reforms and the effects on social services. The privatizations of state services have not all been smooth, notably the municipal water testing services. Legislative auditors have had powers removed, which has created a weakness in the ability to control activities in some essential services. The public reaction to these shortcomings has been increasing in intensity.

Lessons for Jamaica

Public sector reform is a complex process involving myriad options and many interrelated steps to be taken to ensure success.¹¹ Jamaica has used many of these options including EA's. The challenge for the Jamaican government is to take a holistic approach that considers other important reform initiatives already in progress. EA's cannot be seen in isolation from, for example, the delegation of authority, efficiency studies, truly effective enhancement of accountability for policy, performance management initiatives, reliable measurement of outcomes and results and other major institutional reforms

¹¹ Please see Appendix B for a checklist of considerations made in determining the suitability of EA's in reform strategies.

including judicial, health, education, financial institution, and tax administration. To build on all the steps that Jamaica has taken in its progress towards better governance structures, EA's must be considered as one tool in a toolbox full of options.

Additionally, care must be taken in ensuring capacity of the economy when considering alternative service delivery arrangements. For example, to implement the EA model without proper consideration of the capacity of other sectors to provide the skilled people required, could be detrimental to protecting the public interest and ensuring good governance. As learned elsewhere, putting ill-prepared people in charge of modernized EA's or their equivalent is the surest route to reform failure. The success of EA's, like any reform model, depends significantly on a highly skilled professional public service and their preparedness to support the initiative.

As was clearly the case in the UK, the government must manage the reform agenda, establish the vision, be engaged in the appointment of senior staff, and provide strategic and effective leadership. Further, the benefits of the EA model can only be achieved after the proper structures (such as financial and human resource management delegation mechanisms and accountability regimes) are in place, and can only be sustained by building citizen engagement over time and ensuring a supportive public service. This means that this reform mechanism like others must be undertaken with the engagement of leaders and cannot be simply bureaucratically driven.

Conclusion

The NPM and the EA model promised seamless service and low costs by dividing policy from service delivery operations and avoiding procedural "red tape." To date, this promise does not appear to be fulfilled. The seamless service has not happened and costs have not been effectively monitored. The good governance and public interest have not been served in all cases.

Public interest, coordination challenges, separation of policy and operations and ministerial responsibility, are all issues that have emerged to call into question the NPM reforms' ability to ensure good governance. Interestingly, as Sharon Sutherland has argued, the Westminster model with ministerial responsibility endures as the most capable in responding to the public interest. It refuses to become entrapped in trying to separate policy and operations, the approach associated with NPM reforms. Under this system of ministerial government, questions of public interest are influenced by citizen input because the minister, who is the link to the electorate, is also the bridge to the department.¹² Thus the Minister is given the whole problem and has the jurisdiction to solve it. This responsiveness of the ministerial system is weakened when the department is "hived off" or the minister's portfolio is fragmented as in the case of the Agency model.

¹² Sharon Sutherland, "Responsible Government and Ministerial Responsibility: Every Reform is its Own Problem" *Canadian Journal of Political Science* (March 1991), p. 120.

With the evolution of the NPM, new problems have arisen in areas that are as crucial to good governance as the goals of efficiency and cost-effectiveness were in the NPM approach. Good governance must be seen as the insurance of public interest through the rebalancing of the private sector values of the market with the long-term public sector values of guardianship. As noted before:

*The argument should not be about prioritising either service provision and cost effectiveness on the one hand, or accountability and ethics, on the other, but rather recognising that both are vital in any modern democracy, and that ultimately the two are inter-dependent.*¹³

¹³ “Accountability in Government: An FDA Discussion Paper” 1996, The Association of First Division Civil Servants, UK.

Appendix A - Limitations of Both Approaches

As illustrated in the following table, both the NPM/EA approach and the public interest approach have limitations in that neither approach is completely free of problems. To assume otherwise would be too simplistic.

NPM, Executive Agency Approach		Traditional Public Interest Approach	
3	Unable to deal with major national, multi-national or international issues	3	Concern with maintaining uniformity in administration, which increases “red tape”
3	Unable to guarantee fairness or equity	3	Can not produce wealth
3	Unable to guarantee accountability	3	Cumbersome, often slow
3	Difficulty enforcing agreements or contracts	3	Power and service are main rewards
3	Unable to incorporate the big picture	3	Inhibits organisational learning
3	Difficulty taking long term perspective	3	Lacks skills and attributes to use outside resources, partner, collaborate on a significant scale
3	Cannot provide economic, legal, health, safety infrastructure		

To work towards good governance, careful consideration must be taken of the EA model and other new governance arrangements, recognising that no one model can provide the single panacea for effective reform. Additionally, the examples of reform efforts in other countries must be taken in the context of each of their particular situations before any one model is accepted as the answer.

Appendix B - The Governance Network's Executive Agency Checklist

The central argument presented in this paper is that EA's cannot be considered as the holy grail of government reform. They pose as many problems as they solve and should only be used within a well-defined and comprehensive reform strategy. Nevertheless, within the context, many lessons can be abstracted from the far-reaching international experience with EA's and their cousins. The following key points summarising these lessons are presented as a checklist to assist government officials in determining the suitability of EA's in their reform strategies. In addition to providing decision-makers with an indication as to whether EA's should be an important part of their modernisation strategy or not, careful consideration of the list will also provide an indicator of success with the application of this mechanism.

The Governance Network's Executive Agency Checklist	
1)	What is the overall modernisation strategy and what strategic role will Executive Agencies play in it?
2)	With respect to individual agencies being considered:
a)	Does the work they do involve the political level directly in daily operations?
b)	Is the policy environment in which they operate relatively stable?
c)	Are the primary goals of the organisation considered for agency status clear and unambiguous?
d)	What is the degree of interconnectedness with other government agencies?
e)	Does the primary work lend itself to readily measurable outputs?
3)	Capacity—is an adequate pool of skills, experience, and expertise available to staff the new agencies?
4)	Will the social, political and organisational cultures support the goals of Executive Agencies? For example, will the culture support:
a)	<i>Transparencies</i> —clear, published goals, authority, and purpose?
b)	<i>Accountability/results-based</i> culture—clear, published standards, service analysis, and published measured results?
c)	<i>Engagement</i> —a culture of openness, confidence and trust with citizens and employees
5)	Is a suitable human resource management framework in place including:
a)	Ability to link human resource strategies to business plans?
b)	Recruitment mechanisms?
c)	Compensation capacity?
d)	Labour relations framework?
e)	Training resources and capacity?
6)	Is the legal framework effective enough to provide a clear, transparent, and defensible legal base?
7)	Is the appropriate financial framework in place to enable the proposed agencies to operate as intended and outside the normal financial restraints of government departments? And, is the financial framework robust enough to enable the proposed agency to operate as intended and outside the normal financial restraints including business planning, financial reporting, prudence and probity?

“Don't borrow the model...without buying the fundamental shifts in DNA required to make it work.”¹⁴

¹⁴ Osborne, David & Plastrik, Peter; *Banishing Bureaucracy: Five Strategies for Reinventing Government*; page 101

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