LEGITIMIZATION AS GRANTED BY THE CLIENT?

REFLECTIONS ON THE COMPATIBILITY OF NEW PUBLIC MANAGEMENT AND (HALF-DIRECT) DEMOCRACY

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I. Introduction

Whereas many industrialized nations, particularly among the English-speaking ones, have been working quite intensively on the development and implementation of new models of public management for some years, the German-speaking countries (Germany, Austria, Switzerland) would appear to be lagging behind in this respect. Although efforts have been increased to reform the public administration systems in accordance with the criteria of the New Public Management in all these countries, they have met with substantial resistance, which is generated by the traditionally bureaucratic, input-based and higly legality-oriented politico-administrative system itself.

The NPM movement in German-speaking countries only became topical in the early 1990s; concrete, comprehensive and consistent implementations may therefore hardly be expected before the end of the century. For some time, several public administrations in the German-speaking area - above all at the local level in Germany and Switzerland (*Kommunen* and *Gemeinden*) as well as at the state level (*Länder* and *Kantone*, respectively) - have been experimenting with models of public management which have their source in the philosophy of the New Public Management.[2] The business-administrative discoveries that have resulted from these experiments are impressive even at this early stage of development and are gradually leading to a continuous increase in reform projects. The necessary changes in strategy, structure and culture are being recognized, initiated and implemented step by step even if this is not always done under the heading of the NPM but appears in the guise of management accounting, re-organization or general governmental reform.

What is largely missing, however, is evidence of long-term compatibility between the model of NPM and systems of (half-)direct democracy. It is argued by critics of the NPM that the major tasks of the NPM are inconsistent with the traditional *Rechtsstaat* that takes its legitimation from (half-direct) democratic rules (see Knoepfel 1995, pp. 454 ff). This raises two questions:

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[2] For a comprehensive representation of the projects in Switzerland as at the end of June 1995, see Haldemann and Schedler (1995, pp. 99ff).

A. What is the "New Public Management (NPM)"?

The „New Public Management“ *prima vista* seems to be an internationally harmonised concept for the running reforms within the politico-administrative systems in developed countries. However, surveys of international NPM reform approaches indicate that although the basic philosophy - and even the range of instruments used - is similar everywhere in the developed world, the actual implementation varies substantially from country to country. Although the „New Zealand Model“ (Boston et al. 1996) has had an obvious and heavy impact on the modelling of a new public sector management in other countries, it must not be followed that the understanding of the New Public Management was always the same in the rest of the world. Moreover, the major elements described „down under“ have been taken up by the different readers in other countries with their particular socio-cultural understanding of the metafors and instruments used. Therefore, it was unavoidable that the specific „colours“ of the NPM models vary considerably from country to country.

Some authors have tried to point out the individual characteristics of NPM. As one of the first, Hood (1991, p. 4f.) refers to seven doctrinal components which describe NPM, such as
1) hands-on professional management;
2) explicit standards and measures of performance;
3) greater emphasis on output controls;
4) shift to disaggregation of units;
5) shift to greater competition;
6) stress on private-sector styles of management practice; and
7) stress on greater discipline and parsimony in resource use.

In Switzerland, Buschor (1993, p. 19), motivated by a high degree of intertwining of political and administrative activities and maybe by an idealistic view of strategic management, adds the demand for a separation of the strategic competence of political authorities from the managerial competencies of public administration.[3] This is meeting with fierce criticism, particularly in Switzerland, since in this country, traditional public management functions as an authority in policy-making as well as - within the scope of its partially quite far-reaching discretion - implementation of policies. The stress that has been put on the clear distinction of roles between politics and administration has lead to the image that, as Mastronardi (1995, p. 1549) argues in the words of systems theory, „the admistrative system excludes the political system“. At the same time, NPM would be expecting too much of the politicians in that a sharp separation would demand zero-based strategic management and target setting by politicians without the support of the administration. On the background of a general (democratic) understanding that the primacy of politics over the administration is untouchable in Switzerland, this conclusions had to raise opposition against the NPM.

Mastronardi (1995, p. 1549) reached the conclusion that NPM primarily challenges the principles of the constitutional state (*Rechtsstaat*) and of democracy. The constitutional state, which ties government power to constitutional and legal provisions, guarantees freedom, equality and security on the basis of the law. In the tradition of the German-speaking area, this means that procedures and competencies must be consistently fixed in acts, which largely precludes thinking in terms of business-administrative optimization. It also means that the modes of thought and action of public administrations are traditionally based on written law (*Legalitätsprinzip*), and that modernistic expressions such as client-orientation[4] are ap-

[3] In fact, Buschor has not written yet clearly if, in his opinion, this also means a separation of policy-making and implementation - a doctrine that has found considerable support in the UK, for example, but was also criticized there (Steward 1996, pp. 33 ff.).

[4] In this paper, the terms client and customer are used interchangeably.

prehended as being alien to the system. Thus the constitutional state is accorded a markedly high value in an industrialized nation whilst, in the case of the three German-speaking countries, its bureaucratic implementation blocks the administrative system and makes it rigidly static. This is countered by NPM - in the sense of managerialism - by an increased scope of action for public administration managers („let the managers manage“) which, however, is to be limited by fixed requirements as regards performance and results. It will not come as a surprise that this gives rise to constitutional reservations - but an in-depth examination of these is not within the scope of this paper.

B. What is the meaning of direct democracy?

Democracy exists in two basic forms: representative and direct democracy. If parliaments make political decisions on behalf of the people, then the democracy is representative; in a direct democracy, individual decisions are made by the totality of all those people who are eligible to vote. In practice, this directness manifests itself in the existence and application of direct-democratic instruments, which can be divided up into legally binding ones such as the referendum or the initiative, and non-binding ones such as consultative ballots or proposals. As most of the cantons in Switzerland - and the Confederation itself - have a mixture of representation in parliament and direct democratic decision making, the form of democracy as a whole is called „half-direct“.

In most countries, direct-democratic institutions are concerned with constitutional amendments. Möckli (1994, p. 140) numbers 36 countries with a compulsory constitutional referendum and eight with a facultative referendum for acts. Ballots on specific issues are less widespread; they are peculiar to individual countries, such as Switzerland, as Möckli (1994, p. 143) discovered:

> Worldwide, 764 national ballots on specific issues were held from 1793 to 1986, 357 (47 percent) of them in Switzerland.

Apart from Switzerland at national level, it is primarily the State of California which is conspiciuous as a place of direct-democratic decision-making. Between 1970 and 1990, 326 specific issues were settled in 24 ballots there, whilst Switzerland as the runner-up put 158 specific issues to 63 ballots. Only the Principality of Liechtenstein reached a comparable figure (with 22 ballots on 30 specific issues), whereas other NPM reform countries such as Denmark (4/4), France (2/2) or Australia (5 ballots/17 decisions) put noticeably fewer issues directly to the people - other countries hardly ever put anything before their electorates, New Zealand and the UK being cases in point.[5]

This raises a specific problem for Switzerland: Since traditional instruments like initiatives or referenda are designed to match with the „old“ input-oriented system, and as the primacy of democracy and therefore any characteristic of its instruments is defended in a conservative way by an electorate that is conservative in tendency, these may well become the major barriers for the definitive introduction of an NPM system.

C. Democracy and the NPM

To begin with, the search for the origins of New Public Management in the various disciplines ends in (political) economics: theories such as the *principal/agent theory*, the *public choice theory* or the *transaction cost theory* marked the beginnings of the New Public Management (see, among others, Hood 1991, p. 5f.). Later on, economic considerations were supplemen-

[5] In 1993, however, New Zealanders opted *by referendum* to change their electoral system. This shows that the general option for the use of direct democratic instruments exists here, too.

ted by business-administrative ones based on *motivation theory* and models of *systemic management*: a new role of administrative leadership was defined, and the function of management in public administration was generally made more prominent than it had been before. Under the heading of *„managerialism"*, it was recognized that the delegation of responsibility and competence was a better motivation for senior staff to commit themselves to achieve efficient and effective performance (Pallot 1994, pp. 234 ff).[6]

In all these changes, the question was primarily business-administrative and economic in nature, as in „How to make Government work better and cost less?" (Gore 1993). In some countries, the focus was on restoring public finances to better shape (Great Britain, New Zealand, USA); others concentrated on breaking up excessively cumbersome bureaucratic structures, partially in order to be able to then tackle the finances (Germany, some Scandinavian countries) or to change administrative culture (Portugal, Canada, others). Yet Reichard (1993, p. 9) found that further reforms aimed to enhance the autonomy of communities while at the same time decentralizing government (Scandinavia, later also partially in France). However, the issue of new versus traditional forms of democratic control - in whatever shape - was often only touched upon marginally.

D. International understanding of „democracy"

If democracy is regarded as the people's involvement in the government of a state, then it will be noticed that this involvement is generally less extensive in countries other than Switzerland. In some countries like New Zealand, it is limited to the election of MPs, which makes reforms considerably easier as legal and organizational changes will not be subject to referenda. In other countries, such as the USA, citizens are mainly involved in their immediate environment, the community,[7] while the federal government seems to be very remote. It is therefore extremely difficult to make comparisons with Switzerland and to transfer any concepts unchanged. From the outside, however, one gets the impression that the New Public Management causes a positive change in the people's possibilities of exerting influence on government, which means that democracy in one form or another tends to be strengthened rather than weakened in most of the countries.

In *New Zealand*, NPM resulted in a decisive restructuring of democracy at local level in that some measures have been taken to enable citizens to get involved in the policy-making and implementation process. The introduction of the *publicity principle*, for example, now enables everyone to attend the meetings of municipal councils and their committees; a certain decentralization of urban structures in the direction of Community Boards (roughly comparable to city district councils) prompts citizens to be more closely involved in their concrete local problems; the Community Boards are entitled to exert an influence on the budget, i.e. citizens' concerns find direct expression in the budget structure. Grünenfelder (1996, p. 175) points out that the city of Christchurch involves the citizens in the annual planning and budgeting process by having the Community Boards write a „Statement of Priorities" at the beginning of the process. This is intended to guarantee a certain level of grass-roots politics. Boston et al. (1996, p. 189) summarize the openness of local government:

> One of the characteristics of local government is its availability to citizens. Access to elected representatives should be relatively easy. The meetings of councils and their committees are,

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6 This objective is also pursued in the concept of Lean Management, which - in contrast to the continually misquoted Taylorism - insists on the principle of holism (König 1995, p. 351).

7 Most impressing for the Swiss visitor are programmes like „adopt a street" or „neighbourhood watch" which try to involve citizens into community duties; this form of involvement is absolutely not common in Swiss communities.

> except in very limited circumstances, open to the public. Since 1975 the Ombudsmen have had juristiction in respect of matters of administration in local government ...

In the *Great Britain* of Margaret Thatcher, political and economic power tended to become more centralized. Local authorities increasingly lost their influence and decision-making powers after traditional areas, such as the primary schools, had been "handed over" to specially formed local non-elected bodies, so-called boards. Today, this is meeting with massive resistance, and the issue of re-installing democratic involvement at the local level is becoming increasingly more important. One indicator for democracy and democratic control is the notion of accountability. While managerial accountability is concerned with achieving agreed tasks and performance, political accountability is about being answerable to the people, as Ferlie et al. (1996, p. 198) put it:

> Here the criteria of judgement are contestable, and reasons, justification, and explanation of behaviour have to be provided. It is through these accounts that citizens make judgements about whether decision-makers have acted honestly and wisely.

When creating instuments to increase accountability towards the client (e.g. the diverse Charters, like the Citizens' Charter or the Passangers' Charter), the emphasis was put on the managerial dimension of the accountability concept. It remains, therefore, a gut feeling that democratic empowerment of the people has not been a task for the design of the New Public Management model in the United Kingdom.

It can be seen in all these countries with an anglo-american administrative culture that a great deal of energy is spent on inducing residents to *participate* actively in public or social life. This empowerment of the recipients of public services is meant both to cut government expenditure and to enhance residents' identification with their communities. Finally, this is also meant to turn people who are passively concerned into people who will actively participate. However, it must not be ignored that there has been an increase in market-type forms of participation which could be summarized as a priority of (client's) public opinion research over (citizen's) direct democratic influence. It is quite obvious that when furthering the empowerment of residents, participation of citizens has been valued higher than direct democratic decision making on detailed topics of public services.

In *Germany*, however, many projects put emphasis on the *political assurance* on the citizenry. As Achterberg (1996, pp. 25ff.) points out for the case of the city of *Bad Oldesloe*, the philosophy of change can be summarised in three points: 1) orientation of the performance in politics and administration on the citizens; 2) target setting by politics (primacy of politics with involvement of the administration the the policy-making process); 3) efficient implementation by the administration. At the same time, debates arise that direct democratic instruments like the referendum should be widened, and *Länder* like Bavaria have introduced some forms of referenda.

These examples of New Public Management reforms make clear that the democratic systems of NPM reform countries differ considerably from each other. Only some states in the USA have direct democratic decision-making structures; as for the rest, it is to acknowledge, accept and appreciate the peculiar nature of direct democracy in countries like Switzerland. To go in-depth of that particular area of interest, the latter country will be used as a case for further argumentation.

II. The Swiss Case: democratic legitimization of administrative action

Any action pursued by public administration in Switzerland has a democratic legitimization. It is based on the law, which in turn has evolved through democratic processes. Democ-

ratic legitimization is particularly necessary whenever the state (and public administration on its behalf) interferes with individual freedoms, especially if it invokes its sovereign power to threaten or indeed apply force, say, to guarantee law and order.

However, democratic involvement is not only meant to legitimize the state's maintenance of public order but also to integrate the needs of those who are affected into politics, i.e. citizens participate in the creation of political programs. It is tacitly assumed that the population as a whole is adequately represented by those people who are eligible to vote. In particular, the existing model is based on the assumption that the totality of citizens is sufficiently capable of making decisions regarding highly specific elements of the services provided by the state, even if the majority of the population is neither directly concerned nor competent (as is the case with the drug problem, for instance).

A. The basis of the legitimization of state action

The basis of the legitimization of state action in Switzerland consists in a (functioning) direct democracy. More recently, however, this basis has been increasingly subjected to doubt since the instruments of direct democracy (the initiative and the referendum) boost the political influence of those who possess the requisite financial resources. Seiler (1994, p. 713) describes the problematic situation as follows:

> "The experience that the availability of financial resources increases the possibility of exercising political influence, corrupts; and the experience that a lack of financial resources precludes or severely diminishes the possibility of exercising political influence, frustrates. Both experiences destroy the basis of the legitimization of the state."

Borner et al. (1990, pp. 170 f.) too, lament that the direct-democratic instruments, particularly the referendum, have increasingly turned into vehicles for the pursuit of individual interests rather than for the enforcement of the will of the people and that, as a consequence, vote-canvassing campaigns are dominated by „narrowly limited group interests [....] or media-effective single-issue politics“ and are usually triggered off by minorities. In more recent times, Switzerland's increasing *budget deficit* and parliament's obvious inability to implement the necessary measures, has been jeopardizing the credibility of the Swiss political system. Finger (1995, p. 143) therefore calls for an adjustment of the mechanisms that would restore the politico-administrative system's capacity to act. However, many Swiss see their half-direct democratic system as an untouchable heritage from the confederates[8] and overestimate this system in a mixture of blind transfiguration and stubborn independence.

B. From public order to performance

Delley (1995, p. 428 ff) argues that today's democratic instruments were largely created in the late 19th century. At that time, state action was mostly limited to the solution of problems which the civil community itself was unable to solve (*subsidiarity principle*); thus the state's function was chiefly the maintenance of public order. The legitimization of state intervention was rightly granted by the citizens themselves; people directly affected were predominantly seen as legal subjects (see Fig. 1).

[8] ... who, in fact, were not a group of democrats but big landowners who desired to become independent of the Austrian emperor and his overseers that were greedy for money. Democracy as it exists today has its roots in the French revolution and the occupation of Switzerland by Napoleon and his troups.

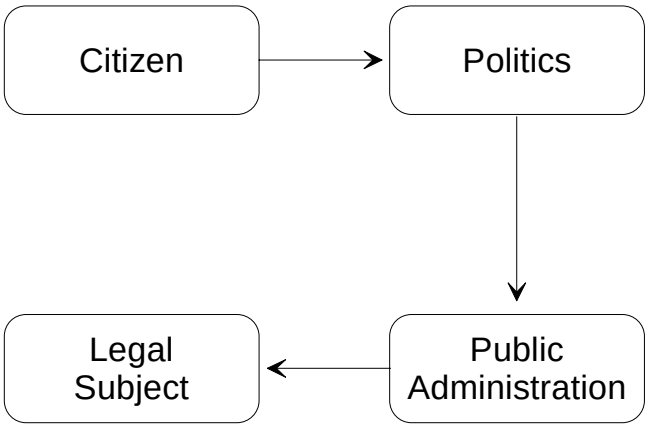


Fig. 1: Classic legitimization of state action[9]

This situation changed in the crisis-ridden interwar years and particularly after the Second World War: the social problems were now solved through the redistribution of wealth and the provision of goods meant to guarantee a socially acceptable development in the long term. Many state activities today are no longer acts of intervention but acts of performance administration. Public administration has been providing more and more services which - had the market not failed - could basically also have been provided by the private sector. People who are directly concerned are no longer legal subjects forced to endure a legal act; rather, they have increasingly become *recipients of services* or even *producers of services*.[10] Here, results-oriented public management inserts a term borrowed from the private sector: that of the *client*. This is not a client in his or her pure market-economic manifestation in that there is not always a freedom of choice, nor need the products always be acquired at a price. Rather, the choice of the term of client is meant to carry a (partially new) *performance philosophy* into public administration. In this sense, we follow Barzelay and Lakoff (unpublished) who point out that „such customers are metaphorical rather than literal“ and the meaning of the client concept may vary even within the same agency that uses it. It is quite obvious, for example, that the lawyers in Switzerland have a hard time to accept the new and strange terminology as „client orientation“ sounds too much like „corruption“ in their ears.

C. The client: an additional bearing for state action

The (re)introduction of this new reference category provides public administration with new dimensions from which to take its bearings. Previously, public administration worked for its superiors, i.e. the politicians and the financial audit office - and this with good reason: the success or failure of public administration (and thus the allocation of monies) was decided upon by these institutions, not by the actual recipients of the services rendered. The latter were often only legal subjects affected by specific acts. The argument whereby the citizens legitimize administrative action through the exercise of their democratic rights is less than convincing from a holistic point of view, too. After all, *clients* can be far more than mere citizens: they can be more clearly linked to certain services or products, they are directly concerned, they are competent and, in addition, are not bound by nationality, age or

[9] Diagram in analogy with Mastronardi (lecture course at the University of St.Gallen, Summer Term 1995).

[10] Delley (1995) rightly points out that the welfare state is developing into a state which creates incentives and aims at "close cooperation with citizens and the involvement of organizational means" in order to fulfil its tasks. Today’s inhabitants are therefore legal subjects as well as customers and producers.

sex. They are comprehensively defined as the primary recipients of the services rendered by public administration.

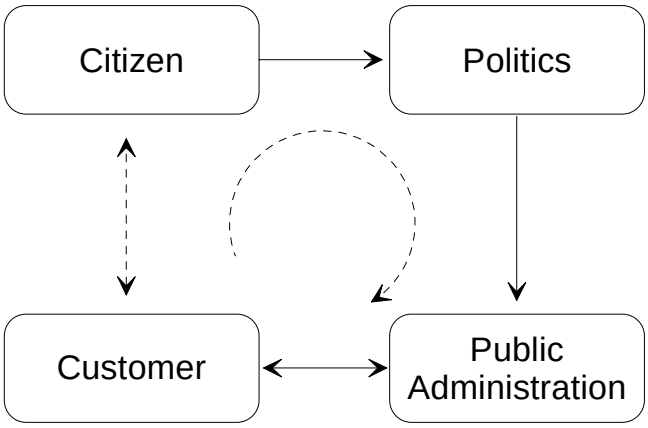


Fig. 2: Results-oriented legitimization of state action

Favourising the client concept has a certain disadvantage in terms of democratic control, however, in that clients only ever represent parts of the population as a whole: crèche clients are parents, fire-brigade clients are home-owners, clients of public sports facilities are sportsmen and sportswomen, etc.; client satisfaction can therefore not be the only criterion for good government performance. There has to be a balanced relation between the public interest and the individual service for the client.

Additionally, Shand and Arnberg (1996, p. 17 ff.) point out that many fields in the public sector have diverse client / supplier relationships. They distinguish between the benefit receiver; consumer; prosumer;[11] user; purchaser; taxpayer; and the regulatee. Therefore, to define standards of service delivery can be highly difficult. What, for example, applies in the case of prisoners? Are they clients although they have not voluntarily elected to stay there? Who is to legitimize their stay in prison from the client's viewpoint? This example makes evident that it is not possible to replace the democratic legitimization of any state action with client-orientation. Yet we may succeed in supplementing it where there is a „real" client / supplier relationship: prisoners be regarded as clients of the prison kitchen with respect to catering, while the public be the client of the prison as an institution that protects the public from in-mates. This in turn indicates that the totality of the services rendered by public administration can and must be split up into separate individual *products*.[12]

As far as the legitimization of state action is concerned, this further necessitates a distinction to be made between two fundamental procedures resulting from the nature of the decision quality:

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[11] The prosumer is defined as a person who take on the roles of the producer and the consumer at the same time; „for example parent volunteers in schools, where the client may be a consumer who plays a role in the production of the service" (Shand / Arnberg 1996, p. 17).

[12] In Germany, as well as in Switzerland, much energy is spent in defining products of the public administrations. The term „product" indicates a bundle of services delivered to a certain group of customers, produced within the administration and added with targets and performance indicators.

a) Citizens *decide* on the *principle* according to which the state is supposed to become active in a certain area, as well as on the *extent* and possibly the effect of such activities. This also includes the administration's obligation to achieve certain effects from the client's perspective.
b) Clients, however, exert *influence* on the *results* of such activities (i.e. the concrete products).

Shand and Arnberg (1996, p. 30) refer to this split of roles with a distinction of involvement into the decision making process:

> Nevertheless, consultation, rather than the right to make the decision, is what the client is generally offered in all [OECD] Member countries. Ultimately the decision rests with Government or the service agency, which may need to judge between competing priorities.

Here, a separation of politics and management - recognizable at least as a tendency - would appear to be useful. *Political legitimization* in decision making is granted by the citizens, while *managerial legitimization* in service delivery is granted by the clients. For a satisfactory result of public administration activity, however, both elements will be necessary. It follows that ultimately, *communication between citizens and clients* and *between administrators and their clients* represents a success factor of the modern state. And it is precisely here that results-oriented public management is able to make an important contribution, by
a) making the services rendered by public administration transparent for everybody;
b) making the effects of political decisions on the quantity and quality of the products offered to clients transparent;
c) increasing the involvement of the recipients of services as in the process of developing political objectives and in the (managerial) decision-making process regarding the creation of services, which will result in a higher degree of mutual permeability;
d) enabling public administration to respond to the question of HOW in a client-oriented fashion;
e) providing public administration staff with wider scopes of action and more individual responsibility in order to stimulate the communication mentioned above.

III. Democratic control in results-oriented public management

In results-oriented public management, the various protagonists of the politico-administrative system are allotted partially newly defined roles, complete with functions, competencies and responsibilities. This creates a new interaction between instances, which may also affect the democratic legitimization of state action.

A. Control competencies

1. Legislation

Results-oriented public management leaves the legislative competence with people and parliament. However, this *normative control* refers to results to be achieved rather than to procedural or input objectives. In its pure form, final (as opposed to conditional) control assigns clear competencies and responsibilities for objectives and the fulfillment of tasks.

2. Legislative planning

A separation of performance planning and financial planning cannot be maintained in results-oriented public management. Particularly in medium- to long-term planning, an interconnection must be achieved among all the relevant factors. A further aim must be to ensure

that these integrated financial and performance plans, which are the result of public administration controlling, are submitted to parliament, so that the latter will be able to derive motions to be pursued in the medium term. The form of such motions has not yet been defined; however, the use of special forms of motions such as exist at cantonal level (budget motion) is conceivable. This will for the first time provide parliament with a high-quality long-term control instrument which enhances its ability to play its role as a strategic instance of government.
A prerequisite for this, however, is a certain obligation of the political executive and legislative to adhere to planning objectives. Although plans are often drawn up and published today, they hardly ever have any practical significance in reality; too often, they remain declarations of intent[13] resembling a list of wishes rather than well-founded planning. If parliament's strategic control capacity is to be strengthened, then long-term planning must be strengthened along these lines, too.

3. Budget sovereignty

Budget sovereignty remains with parliament, but the finance budget will contain substantially fewer details in favor of an extension of its informative content (performance and results). Here, a reorientation will have to take place, in that
a) finances and performance should be systematically interlinked;
b) specification will have to be shifted from expenditure types to product groups;
c) the transferability of credit from year to year and a globalization of budget items will be introduced.

Also connected with budget sovereignty are the parliament's monitoring and checking functions. However, parliament will have to take increasing notice of finances in conjunction with performance and results. The separation between parliamentary financial and management auditing committees must be reassessed in this context; at first sight it would appear to be more logical as far as political control is concerned if expert committees (such as an education committee) dealt with both areas, now that planning and checking functions are also executed in an integrated manner.

4. Initiative and referendum

The role of the people and its direct-democratic instruments remains largely blurred. Although it has been pointed out time and again that those instruments will not be impaired by NPM, a sober observation reveals some problems in this respect, too:

a) In many communities, investments for the replacement of capital assets are subject to a finance referendum, so that a possible clash between the performance agreement and the referendum can be predicted. What happens if, say, an investment becomes necessary in order to fulfill the performance agreement? May a referendum be ruled out in such a case, or does it have priority over the fulfillment of a performance agreement which ultimately was also democratically legitimized?

The solution might well be some sort of product referendum which would only be conducted if a new product (or an old product in a new quality or quantity) were produced and required investments. The existing finance referendum would then be supplemented by new product-related criteria.

b) Since the right of initiative remains undisputed, a problem arises when conditional (as opposed to final) rules are introduced into the constitution by means of an initiative. For

[13] See, among others, Rickenbacher (1995, p. 393).

this contingency, a solution might have to be found which subjects initiatives to final control, too.

B. The role of parliament

The element of results-oriented public management that is most relevant to the scope of this paper is the continually demanded separation between political objectives and managerial responsibility.[14] There are some champions of a clear-cut separation like Ernst Buschor (1995, p. 273); yet it is also very much doubted that it can be realized.[15] The new fundamental understanding of the roles does, however, require a stronger separation between political and managerial decisions. This should prompt parliaments to remember their strategic and normative functions.

Parliaments should assume the role of a funder and normative decision-maker. It follows that parliaments determine the fundamental traits of policies and of the allocation of resources among the various political areas. In practice, this means that public administration "purchases" product groups which are defined in terms of quantity, quality and period of availability, at fixed prices. Decisions are no longer made on the basis of the pure flow of money; instead, considerations of managerial cost are also taken into account. This is meant to prevent consequential costs of individual decisions from being left out of the political debate. So far it has remained open in Switzerland which details of the product group definition parliament should be able to influence. Whereas a tendency is emerging that municipal parliaments will have a say in the creation of the indicator system, cantonal projects and proposals at the federal level tend to reject this solution (see Bolz / Klöti 1996, p. 167 f). However, the Swiss conception of democracy is likely to prefer a more extensive exertion of influence than is displayed by examples from other countries. Ultimately, only those solutions are likely to be politically feasible which provide parliament with sufficient scope for detailed control while still not going into excessive - managerial - detail, thus preventing an information overload.

Mastronardi (1995, p. 1550) points out that an NPM model may only develop if control instruments are created at the same time which make for optimal transparency. The fundamental premise applies that the planning of finances, effects and performance are substantively interlinked, which unity should promote an increasingly results-oriented way of thinking both in politics and in public administration. From parliament's perspective, any political instruments to be used in NPM must therefore satisfy the following requirements:

1. *Politically strategic planning by parliament:* An old postulate of Linder et al. (1979, pp. 101 ff), which has no connection with NPM might well assume renewed significance if parliament wants to observe its politically strategic competencies: active participation in political planning. This is important for parliament because planning activities provide it with an opportunity to exert an active influence on the development of the community.

2. *Politically strategic control by parliament:* According to NPM, parliament is responsible for the politically strategic control through fixed effect and performance objectives. For this

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[14] This idea can already be found in Max Weber and basically seemed to be outdated. The proponents of the separation emphasize that it would lead to increased customer-orientation since decisions are made at a shorter distance from customers, while opponents argue that political leadership by means of strategies and principles deprives control of a degree of certainty since strategies and principles are never quite concrete enough to point in only one single direction (see, for instance, Mastronardi 1995, p. 1549).

[15] In the context of Swiss federalism, see Klöti (1995, p. 406).

purpose, appropriate instruments must be created to enable parliament to exercise this form of control.

3. *Politically strategic monitoring by parliament:* Inseparably connected with planning and control is the instrument of monitoring, which in turn is based on a reporting system capable of providing the necessary information. If the detailed input control is abandoned, then the function of parliament will increasingly focus on monitoring the results of administrative activities.

4. *Establishment of the necessary transparency by parliament itself:* If parliament is assigned politically strategic functions, then it must be able to demand the relevant information. This entails parliament being able independently of any third parties to define requirements regarding information systems that go beyond information about individual cases.

5. *Congruence of controlling periods:* The planning, control and monitoring instruments of parliament (in brief: controlling) must be harmonized in terms of their periodicity. Medium- to long-term planning, control and monitoring must be coordinated; the same applies to the short-term instruments. Only in this way can control be prevented from being too excessive or too lax.

1. An assessment of today's system

Against the backdrop of the above demands, an assessment can be made of today's system which points out the major weak points:

1. The *politically strategic planning* of national business is primarily within the province of government; parliament is only rudimentarily involved in planning and implementation. Linder et al. (1979, p. 103) have already made the generalizing points that parliaments regularly lack suitable consultation and decision-making procedures that would enable them to be actively involved in planning. This would appear to be the case at federal level, too; at least in part: the legislative directives do not extend to the entire medium-term planning phase of four years but restrict their observations to the changes in parliamentary tasks. Investment planning, too, is limited to individual cases which will lead to major investments, and financial planning is primarily the result of the nexus between expected economic developments and investment planning. If all the planning activities took their bearings from performance (i.e. from the products), an institutional interlinkage could be achieved in this respect.

2. *Politically strategic control* is strongly oriented toward individual cases. Parliament may well take cognizance of government planning results but will not use them for the purpose of active control at the level it has been newly assigned. Thus parliament lacks a comprehensive set of instruments; it will therefore have to attach importance to its politically strategic functions in the context of currently topical individual cases.

3. Wherever possible, *politically strategic monitoring* is chiefly carried out by committees today. In addition, the government is called upon to report the extent to which the objectives of its legislative planning have been achieved. A concomitant and comprehensive monitoring of objectives by parliament on the basis of a suitable reporting system does not exist, however, but remains to be created.

4. To this day, parliament is unable to exert any influence on the *transparency of information* received from government. The form of financial information is defined by the public-sector accounting model, and any further information will be submitted in connection with individual cases. NPM must therefore provide a possibility for parliament to deter-

mine the type and extent of the relevant information itself, particularly with regard to the performance and results of administrative activity (e.g. by creating appropriate indicator systems).

5. Since parliament merely takes cognizance of any *long-term planning* and control instruments, their results are not binding. This gives rise to a situation whereby planning is often hardly taken seriously. This ought to be redressed by according medium- to long-term planning a more binding character at the expense of short-term interventions.

2. Conclusions for NPM

NPM is based on the principle of a linkage of tasks and resources. This linkage allows for a longer-term planning and control of a community's output with a view to the effects of administrative activity.

This output-orientation primarily ensures that the public community's provision of services remains controllable in the medium to long term and that, in particular, predictable changes in the environment can be implemented in an organization in good time. In this respect, an established reporting system informs parliament and government, in their capacity as governors of the administrative complex, about the costs, performance and effects of administrative activity. This information will then enable a measured and purposeful control of the further development of administrative tasks.

To guarantee these tasks and activities of results-oriented public management, a number of changes must be taken in hand. In sum:

- Reinforcement of the organization and the distribution of competencies in parliament with regard to the *planning* function (parliamentary expert committees instead of managerial and financial auditing committees, approval of government plans by parliament to strengthen the latter's planning function).
- Improved harmonization in terms of periodicity and subject-matter of today's planning instruments, both among each other and with regard to the budgeting process.
- An effective use of planning instruments as management instruments (reporting system).
- Radical changes in the budgeting process (organization, procedures, principles).
- Introduction of a periodical review of tasks and of an evaluation in the planning and control process.
- Control of parliamentary debate by means of an approved agenda (amendments to which must be approved by a majority).

These postulates must now be moved closer to tangible implementation. This raises the following questions *among others*, which should be answered from the perspective of the NPM:

- *Question 1:* Should parliament be able to determine the individual standards of the product group definition that are in the set of performance indicators (or modify those standards that have already been proposed)?

Answer: Bolz and Klöti (1996, p. 167) propose that parliament should only decide on the net expenses per product group and other politically important financial figures per agencies in the budget, but not on the level of performance indicators. The latter should stay purely informative, but they may become an item for parliamentary petitions in that a change in performance standards can be demanded on the middle or long term. The government will then be forced to reason politically if these standards are not achieved.

- *Question 2:* Should parliament be able to determine cost recovery and the financing structure of the product groups (or modify any existing proposals)?

Answer: The financing structure of a product group is, in Switzerland, often only changeable by regulation, e.g. an increase in charges which bases on a legal scale of fees. At the moment of the budget debate, medium-term quantities like the mentioned ones are therefore fixed and not negotiable. However, there may be parliamentary petitions demanding that within a certain period of time, the government will have to achieve a certain financing structure for a product group.

- *Question 3:* Should parliament be able to exert any influence on individual objectives of product groups?

Answer: Here, too, the short-term focus of the budget debate limits the possibilities for parliaments to change existing objectives too radically. However, setting targets is the job that has been devoted to politics under the NPM, so parliamentarians should be able to change individual objectives of product groups.

The same must be true for the set of indicators used in a product group. If politicians will have to rely on performance information that comes with indicators, there must be a primacy of politics in defining the „indicator mix“ - it cannot be that the administration has power over the range of information that is given to the parliament.

- *Question 4:* What possibilities of sanction does parliament possess if objectives are not achieved, standards not satisfied, and financing structures not adhered to?

Answer: In a democratic country, government is politically accountable to the sovereign, most often represented by parliament. In traditional bureaucratic politico-administrative systems, this accountability is limited to legal and financial compliance. With the introduction of the NPM, the political accountability is expanded towards the achievement of objectives and performance standards. In principle, the nature of political accountability is not changed; it is only the subject that has changed. Therefore, the same political mechanisms can be used as before.

- *Question 5:* How can the funder's reliability be guaranteed? Should parliament be able to, say, remove entire product groups from the program although these product groups are part of a general performance agreement?

Answer: It is not clear yet whether or not the parliament should be limited in its yearly budget flexibility. If it was not for the short-term thinking of politicians, deciding on a four-year financial plan would be much more suitable to the strategic role the parliament should play in the NPM model. In fact, models are being developed - for example in the city of Berne - which point out this medium-term strategic decision making and controlling function of the parliament. It remains to be seen, however, if the Swiss politicians are willing and able to let loose of their short-term instruments.

- *Question 6:* Is parliament able to draw up a program itself, i.e. to include new product groups in planning or in the budget? How are the prices for such new products determined?

Answer: The role of the administration in the policy-making process cannot be seen as idealisticly as was the case up to the 1940’s, when policy and administration was strictly to be seperated - at least in theory. Stewart (1996, p. 34) points out that „those views were expressed more as a comforting ideal, rather than as a description of practice.“ In fact, parliament will generelly not be able to draw up new programs without the support of the administration, even if in Switzerland there have been few cases when a parliamentary sub-committee has written a new law completely without the help of the administration,

but with a group of external experts.[16] It is foreseeable, however, that this will remain the exception of the general rule.

- *Question 7:* What do parliamentarians do with the client concept?

Answer: Ferlie et al. (1996, pp. 198 f.) distinguish between the political and the managerial dimension of accountability. If parliament's role is to have the overall control over government and administration, the client concept helps parliamentarians to gain transparence in the managerial dimension of the executives' accountability. Thanks to the quality dimensions of administrative performance that can be judged by the administration's clients, the new output and outcome control can be installed. In fact, the quality of parliamentary control itself increases due to the use of the client concept.

Output-oriented control ought to admit of all these possibilities of intervention, which would replace the now prevalent possibility of intervening in the detailed (finance-oriented) budgets. This creates instruments for the benefit of parliament which are incomparably more effective than traditional ones. Parliament's practical possibilities of intervening in the *results* of administrative action are therefore markedly increased.

C. Government

Government is the politically elected body that also governs public administration. It thus takes on the role of an overall management responsible for the structure, control and development of public administration. In the model of results-oriented public management, government decides which ministries are responsible for the procurement of individual product groups and how the internal organization of cross-section functions is structured. It may additionally influence procurements to be carried out by ministries by demanding the achievement of specific results above and beyond the general political objectives. Schedler (1995, p. 107 f.) follows that governmental functions thus include:

- the development and implementation of a consistent strategy;
- the promotion of a uniform corporate policy and culture;
- resource policies (directives regarding financial, personnel and investment management);
- the overall management and coordination of the ministries' activities;
- the allocation of tasks to the ministries (including the formulation of specific results to be achieved);
- agreement on product group budgets with parliament, and monitoring the fulfillment of performance agreements;
- rendering account to people and parliament.

In order to be able to exercise these functions in an optimal manner, government requires a far-reaching organizational competence regarding public administration as a whole (see Haldemann 1995, pp. 39 ff). The question, say, as to which ministries should have how many offices, must be within the competence of government to settle. The appointment of service providers to be delegated to ministry level is a similar case.

Examples of first beginnings at federal level regularly violate this demand. Thus the organization of the future Institute of Intellectual Property (formerly the Federal Office for Intellectual Property) is regulated by a special law, and the same may be expected with the Swiss Meteorological Institute, even if in that particular case, the aim should be to delegate any

[16] This has been the case with the Federal Value-Added Tax Law that has been drafted in 1996 and will be discussed in the *Bundesversammlung* (federal parliament) in Summer 1997, see *Bundesblatt* No. 5 / 1996, pp. 713-793 [Official Federal Journal]

regulations to subordinate legislation.[17] This dissociation, however, points in the right direction: the planned review of the Government and Public Administration Organization Act will markedly extend the Swiss government's organizational competence to administrative areas that can be managed by means of performance agreement. Some may say that this will diminish democracy; however, it may also provide a reason for welcoming the often demanded *role of leadership,* which the Swiss government must assume in this case.

D. Public administration

The ministries conclude performance agreements with their public administration units. These agreements must be drawn up in such a manner that the objectives stipulated by parliament and government can be achieved. As far as the substantive structure of the agreements is concerned, the parties largely have a free hand; however, parliamentary decisions regarding product group budgets are reserved at all times so that democratic development remains guaranteed. *Politically important* issues may also become the subject-matter of agreements if they concern the way in which services are to be provided. Experience in the cantons has shown that this only applies in individual cases and does not severely limit the administrative units' scope of action.

IV. Summary

Switzerland's democratic structure is not fundamentally jeopardized by the introduction of results-oriented public management (or *New* Public Management). Internationally it can be said that the inhabitants' possibilities of involvement in public decision-making processes tend to be enhanced by NPM - however, starting from a completely different level than in Switzerland.

Individual instruments will change, and the weight attached to them might change. The separation between WHAT and HOW (which is suitable as an intellectual construct) might cause democratic participation to decrease in the managerial area while gaining essential significance and force in the political area. Thanks to increased transparency in terms of performance, politicians will generally obtain a better insight into public administration and thus be able to formulate clearer objectives. The (indeed merely alleged) loss of democratic involvement in detailed budgeting decisions will be more than compensated for by the extensive inclusion of client requirements.

The new roles of those who are actively engaged in politics have not been conclusively defined yet. All the debates clearly reveal, however, that results-oriented public management is more likely to strengthen rather than weaken direct democracy, even in Switzerland. In particular, the politico-administrative system's capacity to act should be regained. Results-oriented public management is obviously being used as a reason for examining and curing weak points in our system that have long given cause for complaint. If this turns out to be successful, we have come a great deal closer to generally more efficient and effective government.

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[17] See the Swiss government's comments on a Federal Act regarding the Statutes and Functions of the Federal Institute for Intellectual Property of May 30, 1994, as well as a legal opinion on these comments by Urs Bolz (1994).

To the editor: I have added English translations to the German titles. I am not able, however, to find any English literature on that specific topic. That's all I can do.

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