



# **Strengths And Weaknesses Of The New Public Management (NPM)- Cross-Sectional And Longitudinal Analysis**

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**STRENGTHS AND WEAKNESSES OF THE NEW PUBLIC MANAGEMENT (NPM)-  
CROSS-SECTIONAL AND LONGITUDINAL ANALYSIS  
- Part I of a wider analysis of the NPM -**

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**Abstract:** The paradigm of NPM, like its forerunners, has been trying to answer the same question for almost twenty years: *how to implement policies, strategies, programs and projects, using the market-type mechanisms, so that the institutions of the state could achieve the desired results.*

The praises and criticism that have accompanied this paradigm along its evolution are fully justified. Indeed, the NPM has strengths and weaknesses as well, and one purpose of this paper is to identify them and to find answers to the following questions.

Which components of the mechanism named NPM generate negative results? Why? What can be done? It is not easy to answer these questions, taking into consideration the multitude of factors influencing the public management, and especially the tremendous impacts of the accelerated process of globalization. The global problems of nowadays make any unilateral action of a government unconceivable, and this brings us to the concept of *global public management (GPM)*. Nevertheless, the *way forward* will be the subject of another paper.

The paper is structured in two main sections, as follows:

The first section provides a conceptual framework, examining the multifaceted structure of the NPM and its mechanisms (the “state-of-the-art” of the “art of the state”).

The second section suggests a theoretical framework on “measuring” the aggregate attribute of the NPM – the QoG – illustrated by practical cases, in a twofold perspective: longitudinal (variation in time) and cross-sectional (variation among countries).

**Key Words:** New Public Management, Global Public Management, Governance, New Institutional Economics, Bertelsmann Transformation Index, Corruption Perceptions Index, e-Government Index, Global Competitiveness Index, Human Development Index, Index of Freedom in the World, Transition Indicators, Worldwide Governance Indicators.

**Abbreviations and acronyms:**

- BF – Bertelsmann Foundation  
BTI – Bertelsmann Transformation Index  
CPI – Corruption Perceptions Index  
EBRD – European Bank for Reconstruction and Development  
eGI – e-Government Index  
EU – European Union  
EU-15 – Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom (UK)  
EU-12 or the NMS – New Member States of the EU – Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia  
GCI – Global Competitiveness Index  
GDP – Gross Domestic Product  
GPM – Global Public Management  
HDI – Human Development Index  
ICT – Information and Communication Technologies  
IFW – Index of Freedom in the World  
NGO – Non-Governmental Organizations  
NIE – New Institutional Economics  
NPM – New Public Management  
NMS-10 – New Member States of the EU, with the exception of Cyprus and Malta  
OECD – Organization for Economic Cooperation and Development  
PPP – Purchasing Power Parity  
QoG – Quality of Governance  
TI – Transition Indicators  
UNDP – United Nations Development Program  
WEF – World Economic Forum  
WGI – Worldwide Governance Indicators

## STRENGTHS AND WEAKNESSES OF THE NEW PUBLIC MANAGEMENT – CROSS-SECTIONAL AND LONGITUDINAL ANALYSIS

### MOTIVATION

As “some generic label seemed to be needed for a general, though certainly not universal shift in public management styles”<sup>1</sup>, academics like: Pollitt (1990), Hood (1991), Hoggett (1991), Osborne and Gaebl (1992) et al. coined the term *new public management* (NPM).

This paradigm, like its forerunners, has been trying for almost twenty years to answer the same question: *how to implement policies, strategies, programs and projects, using the market-type mechanisms, so that the institutions of the state could achieve the desired results?*

The praises and critics that have accompanied this paradigm along its transformative way are fully justified. Indeed, the NPM has strengths and weaknesses as well, and one purpose of this paper is to identify these strengths and weaknesses and to find solutions.

Intuitively, disparities between the rich and the poor, environment degradation, poor infrastructure are results of the weaknesses of the governance or NPM or both. International organizations, foundations, NGOs have deepened the analysis and developed sophisticated composite indexes like: Human Development Index, e-Government Index, Corruption Perceptions Index, Global Competitiveness Index, in order to underline the weaknesses (and in some cases, the strengths) of the NPM.

But which components of the mechanism named NMP generate negative results? Why? What can be done? Such questions are not easy to answer, taking into consideration the multitude of factors influencing the public management, and especially the tremendous impacts of the accelerated process of globalization. The global problems of nowadays make any unilateral action of a government unconceivable, and this brings us to the concept of *global public management (GPM)*. Nevertheless, the *way forward* will be subject of another paper.

As a result, the present paper is structured in two main parts, as follows:

1. A conceptual framework, examining the multifaceted structure of the NPM and its mechanisms (the “state-of-the-art” of the “art of the state”);
2. A theoretical framework on “measuring” the aggregate attribute of the NPM – the QoG – accompanied by practical cases, in a twofold perspective: longitudinal (variation in time) and cross-sectional (variation among countries).

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<sup>1</sup> Hood, 1995, p. 94

## 1. NPM, NIE and the QoG – A Brief Conceptual Framework

### 1.1. What are the meanings of: public management (new or old), governance and government and which relationship is between them?

“Governance is the manner in which power is exercised in the management of a country's economic and social resources for development” (World Bank, 1992), or “the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services” (World Bank, 2007) (definitions cited by Kaufmann and Kraay, 2007).

The latest definition given by the World Bank bears the mark of the New Institutional Economics (NIE): “Governance consists of the *traditions and institutions* by which *authority in a country is exercised*. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the *respect of citizens and the state for the institutions that govern economic and social interactions among them*.

In the opinion of the World Bank, governance consists of 5 key dimensions:<sup>2</sup>

The structure of government, the legal and practical separation of the executive, legislative, and judicial powers;

The structure of the accountability and contestability of political leaders, the quality of the public policies;

The public sector management, the behaviour and efficiency of civil servants (and of contractors if delivery of public services is outsourced) in managing public resources, carrying out regulatory functions, and implementing public policy;

Open entry and competition in the private sector, the degree to which the governance system allows, or prevents, a limited business elite to consolidate economic power that it then transforms into political power, including influencing officials and laws in ways that further consolidate and protect its economic power;

The nexus of issues dealing with civil society, voice, participation.

International Monetary Fund (2001, pp. 7 and 9) considers the *general government sector* as one of the five sectors of a national economy<sup>3</sup>, representing “all the institutional units primarily engaged in non-market operations (e.g.: legislative, judicial, or executive

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<sup>2</sup> <http://go.worldbank.org/WA0I2A8VS0>

<sup>3</sup> The total economy of a country can be divided into five sectors (International Monetary Fund, 2001, p. 7):

The **non-financial corporations sector**, which consists of entities created for the purpose of producing goods and non-financial services for the market;

The **financial corporations sector**, which consists of entities engaged in providing financial services for the market;

The **general government sector**, which consists of entities that fulfil the functions of government as their primary activity;

The **non-profit institutions serving households sector**, which consists of all resident non-profit institutions, except those controlled and mainly financed by government, that provide non-market goods or services to households; and

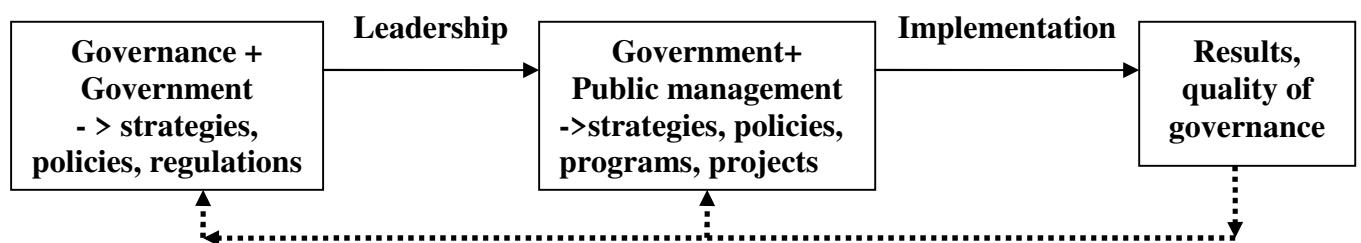
The **households sector**, which consists of small groups of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services collectively,

with each sector consisting of a number of **institutional units** that are resident in the economy.

authority over other institutional units within a given area; responsibility for the provision of goods and services to the community as a whole or to individual households on a non-market basis; transfer payments to redistribute income and wealth; finance of their activities, directly or indirectly, mainly by means of taxes and other compulsory transfers from units in other sectors).”

In other words, governance is about leadership, government about leadership and implementation alike, while public management is about implementation. The results of leadership and implementation give the measure of the quality of governance (QoG) (**Figure 1.1.**).

**Figure 1.1.: Relationship between public management (new or old), governance and government**



Source: Own representation.

## 1.2. What is the new public management?

The “shift in public management styles” (or public management reform) “consists of *deliberate changes to the structures and processes of public sector organizations* with the objective of getting them (in some sense) to run better” (Pollitt, Bouckaert, 2004, p. 8).

### Structural change includes:

- Retrenchment or downsizing the public sector organizations (Polidano, 1999, p. 5);
- Merging or splitting the departments, in order to improve coordination or to sharpen focus and encourage specialisation (Pollitt, Bouckaert, 2004, p. 8);
- Privatisation (Polidano, 1999, p. 5);
- Decentralisation (Hood, 1991);
- Corporatisation or agentification (Polidano, p. 6),

### while process change includes:

- Hands-on professional management (Hood, 1991);
- Private sector styles of management practice (Hood, 1991), but *moderation* in running government like a business (Box, 1999);
- Flexibilization of previous practices in personnel, IT, public procurement and other functions, generated by the disaggregation (Dunleavy et al 2005);
- The use of market-type mechanisms (OECD, 2005b);
- Liberalisation (OECD, 2005b);
- Modernisation of services delivery mechanisms (e.g. introduction of the e-government, one-stop-shops) (OECD, 2003a);

- New financial management procedures (OECD, 2005b);
- New performance management procedures (OECD, 2005b);
- Explicit standards and measures of performance (Hood, 1991);
- Output controls (Hood, 1991);
- Parsimony in resource use (Hood, 1991);
- Competition (Hood, 1991, Dunleavy, 2005);
- Incentivization (Dunleavy, 2005);
- Public value management (Stoker, 2006), and public value pragmatism (Alford, Hughes, 2008), generated by:
  - networked governance or collaborative government or public-private partnerships or joined-up government (Pollitt, 2003, p. 35, Agranoff&McGuire, 2003, Bardach, 1998, Mandell, 2001, Perri 6, 2004, Stoker, 2006);
- Fostering dialogue with civil society (i.e.: information, consultation, active participation – Shah, 2005, p. 220, OECD, 2003b), as a result of:
  - Building open government and a citizen-centered governance (i.e.: accountability, transparency, openness – OECD, 2003b);
  - Developing a comprehensive legislative or regulatory framework for enhancing transparency and accountability of lobbying (OECD, 2008b).<sup>4</sup>

Some of the changes mentioned above hide “traps” or weaknesses of the NPM.

Privatisation, decentralisation, corporatisation and agentification in the absence of strong independent and autonomous monitoring institutions generate corruption and abuses. Incentivization in the absence of disincentivization, as well as the reverse, may lead to failures. Networked governance, collaborative government, public-private partnerships or joined-up government cannot survive in the absence of trust between partners. And one cannot speak of quality of governance without skilled, competent, honest, and impartial civil servants and officials.

In order to achieve high degrees of impartiality and performance in the public sector, the monitoring and controlling of its activities by independent authorities, on the basis of the incentivization - disincentivization tandem, are essential.

### **1.3. Which is the relationship between the NPM and the NIE?**

The permanent adaptation of the NPM has been briefly defined in a sentence: “different circumstances demand different managerial tools”. This represents “public value pragmatism” (Alford, Hughes, 2008, p. 141), having as a basis the contingency theory, part of the new institutional economics (NIE).

The instruments of the NIE: contingency theory, public choice, collective action, transaction costs, social capital, path dependency, property rights, comparative institutional

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<sup>4</sup> The USA, Canada, Australia have more experience in the field of lobbying than the European countries. It was only in 2006 that the European Commission adopted a Green Paper referring to lobbyism. (European Commission, 2006b). At the date of the adoption of the European Transparency Initiative, Germany was the only member state that had formal rules on registration of lobbyists. After that date, Denmark and Poland developed regulations on lobbying as well.

analysis, rent-seeking, commons, governance and so on represent concepts used by the NPM, and they are the “language” itself of the NPM.

Relying on Talbot’s “consilience” theory (2005), we argue in favour of a holistic approach of: public policy, governance or meta-governance (coordinated governance)<sup>5</sup>, administration, and management. This “aggregate”, interacting with sciences like: economics, sociology, political sciences, law, management, psychology, uses the specific terminology of the new institutional economics (NIE).

#### **1.4. Which is the key mechanism of the NPM?**

People (political leaders and civil servants) are those who manage public resources by issuing and implementing policies, strategies, programs, projects. People (civil society) are those who benefit from the results as well. That is why people are viewed as the key mechanism of the NPM: *people for people*.

The NPM needs competent and committed managers, which implement policies and provide services to the public in ways that are:

- Low cost – economical;
  - Maximizing outputs within budgets through good work practice – efficient;
  - Satisfying clients/customers with quality – effective;
  - Seen as friendly, fair and honest – ethical;
  - Open, keeping the public well informed – accountable (to end users); and
  - Consultative, taking into account priorities of clients (including those of the disadvantaged categories) – responsive;
  - Adaptable, selecting what appears to generate positive outcomes and giving up what is harmful for the economy, for the society, for the environment – eclectic.
- (Osborne, 2001, p. 637, Polidano, 1999, p. 32).

#### **1.5. Are the NPM patterns static or dynamic?**

The unprecedented development of the information and communication technologies (ICT), globalisation, and global problems like: climate change, financial crisis, poverty, food crisis, terrorism etc. contribute to the ceaseless adaptation of the NPM-patterns. We can speak nowadays of global public management or global governance (GPM, GG)<sup>6</sup>, knowledge public management or knowledge governance (KPM, KG)<sup>7</sup>, electronic public management (e-PM), crisis/contingency public management (CPM) and so on. Some scholars have coined the phrase “post-NPM” (Christensen, Lægreid, 2008, Alford, Hughes, 2008, Dunleavy et al., 2005), while Dunleavy et al. go further and speak even about the “death of the NPM” and the “construction of the digital era governance”. Other academics consider that the new governance based on networks replaced the NPM based on markets (Steurer, 2007, p. 208). Our opinion is that in spite of the continuous change of the NPM styles, its key mechanisms remain the same.

<sup>5</sup> Metagovernance is a way of enhancing coordinated governance in a fragmented political system based on a high degree of autonomy for a plurality of self-governing networks and institutions (Sørensen, 2006, p. 100)

<sup>6</sup> i.e.: the common actions of governments, international organisations, NGOs, private players and/or citizens, in order to find global solutions for global problems.

<sup>7</sup> i.e.: the process of applying the knowledge economy at the level of public administration.

### **1.6. How heterogeneous are the NPM-patterns? and**

### **1.7. Why do we need international comparisons?**

At the global level, the NPM-patterns in rich countries (e.g. OECD group) are different from those in developing or least developed countries, or those encompassing supranational institutions, like the European Commission.

The European Commission, for example, has to deal with its own “management deficit” (Metcalfe, 2000, p. 123, Metcalfe, 2001, p. 419). The recent enlargement waves, accompanied by the expansion of the complexity and diversity of the EU, contributed to the increase of this “management deficit”.

In the aftermath of the Santer Commission, a strong emphasis was put on the reform of its priorities, structure, organization and management (Metcalfe 2001, p. 419). The first steps were taken in 2000, when the European Commission adopted the Lisbon Growth and Jobs Strategy (re-launched in 2005) and a White Paper on reforming the Commission (European Commission, 2000a and 2000b), followed by a White Paper on European Governance (European Commission, 2001) and a Green Paper on European Transparency (European Commission, 2006).

At the leadership level, all the EU member states have the same purposes (EU, 2006, article 2):

- A harmonious, balanced and sustainable development of economic activities,
- A high level of employment and of social protection,
- Equality between men and women,
- Sustainable and non-inflationary growth,
- A high degree of competitiveness and convergence of economic performance,
- A high level of protection and improvement of the quality of the environment,
- The raising of the standard of living and quality of life, and
- Economic and social cohesion and solidarity among Member States.

But due to the principles of subsidiarity and proportionality (EU, 2006, article 5)<sup>8</sup>, each member state may adopt its own public management style in order to achieve the above-

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<sup>8</sup> “The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.

Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty (principle of proportionality).”

mentioned principles. That explains why, from the present-day stage to a common European NPM, there is still a long way.

Besides, there are variations even within a country, sectorally and over time (Polidano, p. 31). All these point to the fact that there is no unitary NPM model (Polidano, 1999, p. 5).

In spite of the heterogeneity of the NPM-styles, there are academics that have identified forms of NPM-convergence: more accentuated at discourse and decision levels, and more limited or not enough explored at the level of practice and results (Pollitt, 2002).

This leads to a complex comparative analysis (and hundreds of composite indexes), not only for theory's sake, but also aimed at diminishing the deficiencies of the NPM, and generating examples of “best practices”.

The academic analyses of the NPM movement range from NPM-archetype-countries (e.g.: Australia, New Zealand, UK, USA, Canada), to NPM-importer-countries (e.g.: Malaysia, Chile, Ghana, Nigeria, Uganda), or NPM-resistant-countries (e.g. Japan), and from praxis to theories like: network governance, joined-up government, public value pragmatism, meta-governance.

The “policy transfer” from “best practices” of developed countries to developing countries is trendy and it is encouraged by the international and aid agencies. Nevertheless, this transfer led to many failures, especially in countries with *no*:

- Stable macroeconomic environment;
- Redistributive tax base;
- Rules based system;
- Transparent and accountable public policy process;
- Clear separation of powers between executive, legislature, and judiciary;
- Appropriate financial and human resources.

(Common, 1998, Hood and Scott, 2000, Minogue, 2005, Minogue and Cariño, 2006, OECD, 2005b).

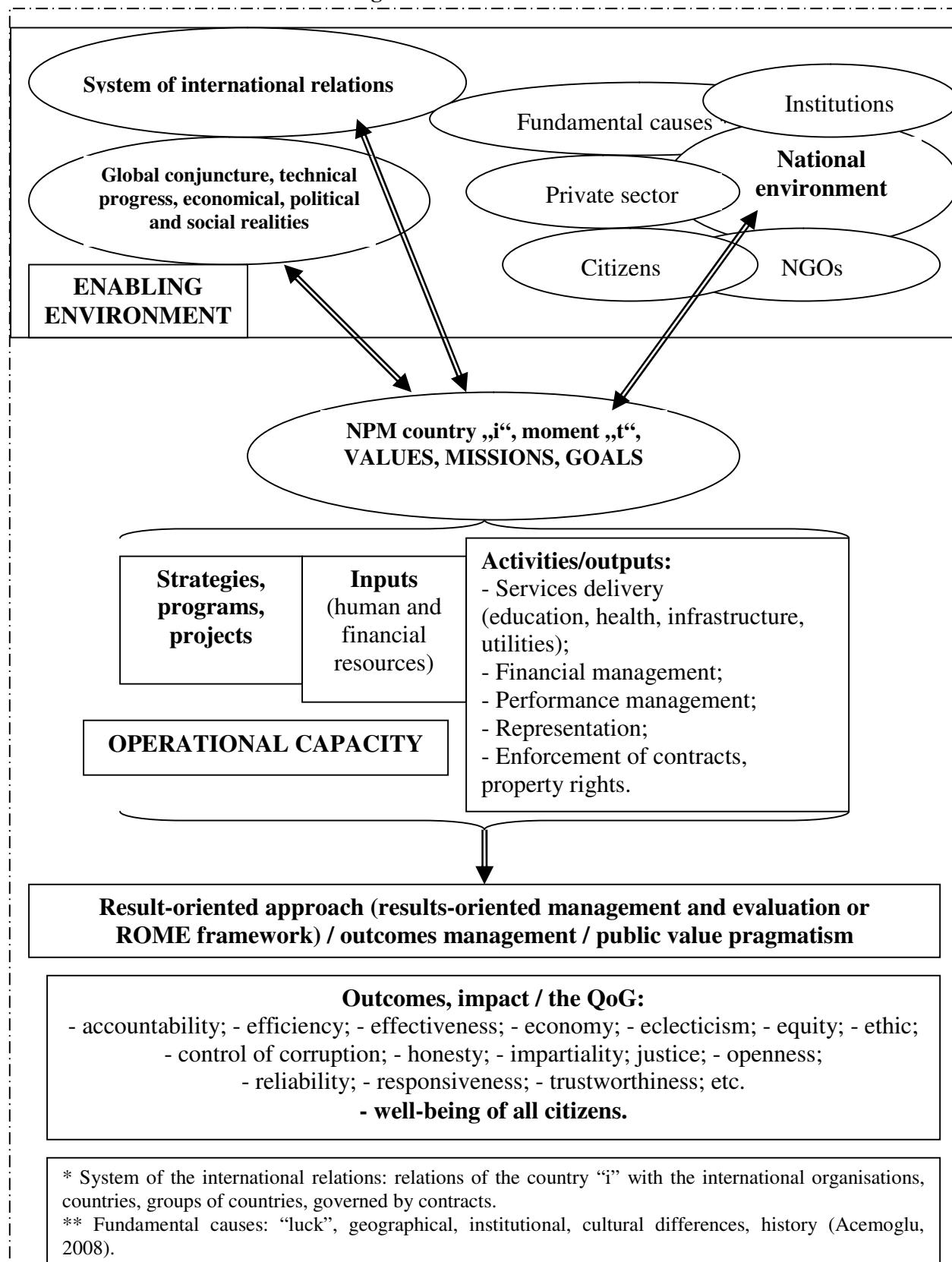
Polidano (1999, p. 4) underlines that, “while many developing countries have taken up elements of the NPM agenda, they have not adopted anything close to the entire package; and they are simultaneously undertaking reforms that are unrelated or even contrary to that agenda. The NPM is only one among a number of contending strands of reform in the developing world.”

The above-mentioned assertion is true for most of the developing countries, with one notable exception: the new member states (NMS) of the EU, still having the status of developing countries (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and the Slovak Republic).<sup>9</sup> Through the adoption of the EU legislation (*Acquis Communautaire*), these countries have embraced *new formal rules*, including the general rules of the EU NPM. In other words, at the formal level, all the elements of the NPM agenda have been taken up. The problem remains at the *informal level*. North (1990), Aoki (2001), Acemoglu (2008) affirm that the failures recorded in different transition periods are due to the tensions between the new *formal rules* and the old *informal* ones. The NMS experience confirms these assertions thoroughly.

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<sup>9</sup> According to the IMF (2008), Cyprus, Malta and Slovenia are advanced economies.

**Figure 1.2.: Essence of the NPM**



Source: Adapted from Andrews (2005, pp. 31-34), Shah (2005, p. 214), Alford and Hughes (2008, p. 130), Polidano (1999, pp. 5, 26), Acemoglu (2008), QoG Institute, OECD (2005), and personal considerations.

**In conclusion**, as “a chain is only as strong as its weakest link”, the strength of the NPM is given by the human resource component. The civil servants and officials should be skilled, competent, honest, and impartial. Unfortunately, the only form of intelligence “100% impartial” is the artificial intelligence, but the CIT will never be able to completely undertake the work of the civil servants and officials. E-government is a great step forward, but this is not sufficient. In order to achieve high degrees of impartiality and performance in the public sector, the monitoring and controlling of its activities by independent authorities, on the basis of the incentivization - disincentivization tandem, are essential.

## **2. Assessing NPM through Comparative Analyses**

As the NPM has become more “result-oriented”, the importance of the “results measuring” process (i.e. performance management) has increased. First, one has to measure the results, in order to re-launch strategies and policies. Second, the composite indicators have become increasingly important to development assistance and to the international support of democratic and economic reforms. For example, the approval or rejection of development projects by international financial institutions depends on national performance indicators, these being a precondition for the disbursement of funds. Third, decisions related to foreign direct investments (FDI) in a country or another are based on international comparisons.

Nevertheless, the power of generating awards and punishments (“carrot-and-stick” policies) at national level on the basis of composite indicators is still low. And there are other weaknesses of “measurement”, especially at the methodological level, e.g.:

- Trend analysis cannot be based on data from different editions of the reports, as methodologies are periodically improved and the country coverage is continuously enlarged, in other words, the longitudinal analyses are difficult to realise;
- Most of the indicators have as a basis the national statistics, which are frequently “cosmeticized” and do not reflect the reality;
- In most cases, data represent subjective opinions of the international experts;
- Some information is out-of-date (e.g. UNDP, presents in 2008 data from 2005), but this is not a serious “minus”, as significant progress cannot occur in several years. In a short period of time, a worsening of the situation is more probable to occur than an improvement.

The Hood’s remark (1995, p. 98), that “there are no systematic cross-national studies showing degrees of variation in public management reform in a robust and reliable way”, is still valid at the beginning of the 21<sup>st</sup> century. Such a complex study could be made only by a team of experts from all the analysed countries. Instead, a comparative analysis of the *results* of public management reforms in different countries is feasible and useful at the same time.

In this paper we present a set of eight indicators/indexes (**Table 2.1**):

Human Development Index (HDI), elaborated by the United Nations Development Program;

e-Government Index (EGI), compiled by the United Nations;

Corruption Perceptions Index (CPI), developed by Transparency International;

Worldwide Governance Indicators (WGI), elaborated by the World Bank;

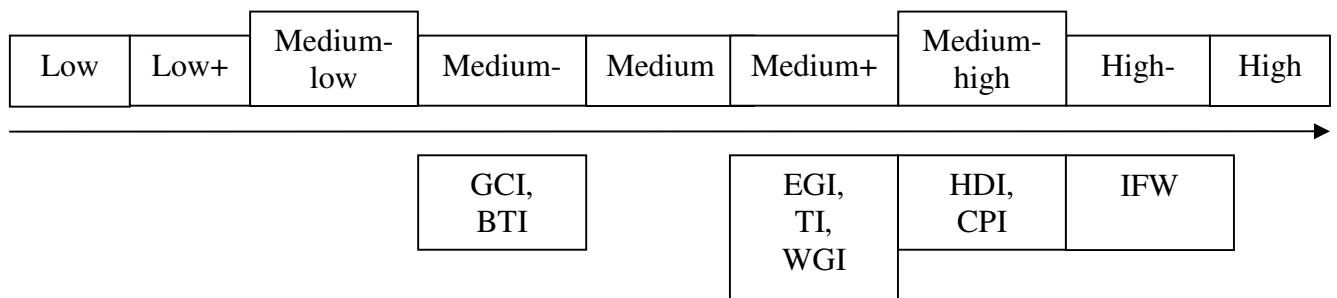
Transition Indicators (TI), elaborated by the European Bank for Reconstruction and Development;

Global Competitiveness Index (GCI), developed by World Economic Forum;

Bertelsmann Transformation Index (BTI), issued by Bertelsmann Foundation; and  
Index of Freedom in the World (IFW), elaborated by Freedom House.

Following Pollitt's exercise (2008), we have classified the above-mentioned indicators according to their attractiveness and usefulness (**Table 2.2**), on a scale from "low" to "high", going through 7 intermediary stages: "low+", "medium-low", "medium-", "medium", "medium+", "medium-high", "high-", as follows:

**Figure 2.1: Attractiveness + usefulness of the eight indicators**



Source: Pollitt (2008), own perceptions.

Concerning attractiveness, almost all indicators (the only exception: TI) received high scores at two criteria: *position of "measures" on current political agendas* and *scope and importance of the audience(s) for the measures*. For the other two criteria, *power and resource strength of promoting organization* and *tightness of linkage between "measures" and rewards/punishments*, the scores vary considerably.

Regarding usefulness, due to the lower scores recorded by most of the indicators at *lay understandability of statistical transformations* and *perceived legitimacy of indicator measurements among lay audiences*, the usefulness scores are generally lower than attractiveness.

**Table 2.1: Comparative presentation of eight indicators of governance**

	Human Development Index (HDI)	e-Government Index (eGI)	Corruption Perceptions Index (CPI)	Worldwide Governance Indicators (WGI)	Transition Indicators (TI)	Global Competitiveness Index (GCI)	Bertelsmann Transformation Index (BTI)	Index of Freedom in the World (IFW)
<b>Institution providing the index</b>	UNDP, New York	UN, New York	Transparency International - Berlin	World Bank, Washington D.C.	EBRD, London	World Economic Forum, Geneva	Bertelsmann Foundation, Gütersloh (coop. Centrum für angewandte Politikforschung)	Freedom House, Washington D.C.
<b>Organization type</b>	UN fund, 192 member countries	Intergovernmental organization, 192 member countries	Independent NGO	International financial institution, 185 member countries	International financial institution, 61 member countries, plus EC, EIB	Independent international organization	Private operated foundation	Independent NGO
<b>Countries covered</b>	175	192	180	212	29	134	125	193+15 territories
<b>Data sources</b>	- National statistics; - Data from 15 UN agencies and other organizations;	- Own survey, plus data from ca. 15 UN agencies and organizations;	- 13 surveys and expert assessments and at least 3 were required for a country to be included in the CPI	- 35 data sources provided by 32 different organizations; - The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents. The individual data sources underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, NGOs, and international organizations.	- National statistics; - Data from 15-20 international organizations;	- Survey (67 questions), in partnership with 140 institutes around the world (over 12.000 questionnaires), plus hard data; - Most questions in the survey ask participants to evaluate, on scale of 1 to 7, the current conditions of their particular operating environment.	- Survey (52 questions); - A measurement scale from 1 (worst) to 10 (best); - All dimensions are weighted equally; - BTI is based on qualitative assessments made by experts (a national expert, an international expert, a regional coordinator for each country).	- Survey (25 questions); - A seven-point scale for both political rights and civil liberties (1 representing the most free and 7 the least free); - Countries can be: free (1.0 to 2.5), partly free (3.0 to 5.0), or not free (5.5 to 7.0);

	<b>Human Development Index (HDI)</b>	<b>e-Government Index (eGI)</b>	<b>Corruption Perceptions Index (CPI)</b>	<b>Worldwide Governance Indicators (WGI)</b>	<b>Transition Indicators (TI)</b>	<b>Global Competitiveness Index (GCI)</b>	<b>Bertelsmann Transformation Index (BTI)</b>	<b>Index of Freedom in the World (IFW)</b>
<b>Period</b>	1975-2005	2001-2008	1995-2008	1996-2007	1989-2007	1979-2007	1996-2007	1972-2007
<b>Main dimensions of the index</b>	<ul style="list-style-type: none"> <li>- Life expectancy at birth;</li> <li>- Adult literacy rate;</li> <li>- Combined primary, secondary and tertiary gross enrolment ratios;</li> <li>- GDP per capita (<b>PPP, US dollar</b>)</li> </ul> <ul style="list-style-type: none"> <li>- Telecommunication infrastructure index</li> <li>-&gt; Composite weighted average of five primary indicators = <math>1/5 \times (\text{PC index}) + 1/5 \times (\text{Internet user index}) + 1/5 \times (\text{Telephone line index}) + 1/5 \times (\text{Mobile user index}) +</math></li> </ul>	<p><u>e-government readiness</u></p> <ul style="list-style-type: none"> <li>- Web measure index</li> <li>-&gt; Assessments based on a questionnaire, which allocated a binary value to the indicator based on the presence/absence of specific e-facilities or services available (stages: emerging, enhanced, interactive, transactional, connected);</li> <li>- Telecommunication infrastructure index</li> <li>-&gt; Composite weighted average of five primary indicators = <math>1/5 \times (\text{PC index}) + 1/5 \times (\text{Internet user index}) + 1/5 \times (\text{Telephone line index}) + 1/5 \times (\text{Mobile user index}) +</math></li> </ul>	<ul style="list-style-type: none"> <li>- The CPI measures the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys;</li> <li>- The 2008 CPI scores 180 countries (the same number as the 2007 CPI) on a scale from zero (highly corrupt) to ten (highly clean).</li> </ul>	<ul style="list-style-type: none"> <li>- Voice and Accountability,</li> <li>- Political Stability and Absence of Violence/Terrorism,</li> <li>- Government Effectiveness,</li> <li>- Regulatory Quality,</li> <li>- Rule of Law, and</li> <li>- Control of Corruption.</li> </ul>	<ul style="list-style-type: none"> <li>- Large-scale privatisation;</li> <li>- Small-scale privatisation;</li> <li>- Governance and enterprise restructuring;</li> <li>- Price liberalisation;</li> <li>- Trade and foreign exchange system;</li> <li>- Competition policy;</li> <li>- Banking reform and interest rate liberalisation;</li> <li>- Securities markets and non-bank financial institutions;</li> </ul>	<ul style="list-style-type: none"> <li>- Institutions;</li> <li>- Infrastructure;</li> <li>- Macroeconomic stability;</li> <li>- Health and primary education;</li> <li>- Higher education and training;</li> <li>- Goods market efficiency;</li> <li>- Labour market efficiency;</li> <li>- Financial market sophistication;</li> <li>- Technological readiness;</li> <li>- Market size;</li> <li>- Business sophistication;</li> <li>- Innovation.</li> </ul>	<ul style="list-style-type: none"> <li>- Status of development toward constitutional democracy;</li> <li>- Status of development toward a market economy flanked by socio-political safeguards;</li> <li>- Management of development and transformation processes.</li> </ul> <p><b>Democracy:</b></p> <ul style="list-style-type: none"> <li>- Stateness;</li> <li>- Political participation;</li> <li>- Rule of law;</li> <li>- Stability of democratic institutions;</li> <li>- Political and social integration; (18 questions)</li> </ul>	<p><b>- Political rights (10 questions):</b></p> <ul style="list-style-type: none"> <li>Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3);</li> </ul> <p><b>- Civil liberties (15 questions):</b></p> <ul style="list-style-type: none"> <li>Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4).</li> </ul>

	Human Development Index (HDI)	e-Government Index (eGI)	Corruption Perceptions Index (CPI)	Worldwide Governance Indicators (WGI)	Transition Indicators (TI)	Global Competitiveness Index (GCI)	Bertelsmann Transformation Index (BTI)	Index of Freedom in the World (IFW)
		<p>1/5x(Broadband Index);  - Human capital index  -&gt; Composite weighted average of two indicators = 2/3x(adult literacy rate) + 1/3x(gross enrolment ratio);</p> <p><u>e-participation index</u>  Assessment of 21 services and facilities under three categories:  e-information, e-consultation and e-decision-making.</p>			<p>- Infrastructure reform;</p> <p>The transition indicator scores reflect the judgment of the EBRD's Office of the Chief Economist about country-specific progress in transition. The measurement scale for the indicators ranges from 1 to 4+, where 1 represents little or no change from a rigid centrally planned economy and 4+ represents the standards of an industrialised market economy.</p>	<p>Three stages of development:</p> <ul style="list-style-type: none"> <li>- Factor driven;</li> <li>- Efficiency driven;</li> <li>- Innovation driven.</li> </ul>	<p><b>Market economy:</b></p> <ul style="list-style-type: none"> <li>- Level of socio-economic development;</li> <li>- Organization of the market competition;</li> <li>- Currency and price stability;</li> <li>- Private property;</li> <li>- Welfare regime;</li> <li>- Economic performance;</li> <li>- Sustainability; (14 questions)</li> </ul> <p><b>Transformation management:</b></p> <ul style="list-style-type: none"> <li>- Level of difficulty;</li> <li>- Steering capability;</li> <li>- Resource efficiency;</li> <li>- Consensus building;</li> <li>- International cooperation; (20 questions).</li> </ul>	<p>- The findings are reached after a multilayered process of analysis and evaluation of ca. 200 sources by a team of over 50 regional experts and scholars.</p>

Source: UNDP, UN, TI, WB, EBRD, WEF, BF, FH

**Table 2.2: Attractiveness and usefulness of the eight indicators of governance**

“Measures” Attractiveness + usefulness of the indicators	Human Development Index	e- Government Index	Corruption Perceptions Index	Worldwide Governance Indicators	Transition Indicators	Global Competitiveness Index	Bertelsmann Transformation Index	Index of Freedom in the World
Attractiveness, based on:	Medium-high	Medium-high	Medium-high	High-	Medium- high	Medium	Medium	High-
1. Position of “measures” on current political agendas	High	High	High	High	Medium	High	High	High
2. Scope and importance of the audience(s) for the measures	High	High	High	High	Low	High	Medium-high	High
3. Power and resource strength of promoting organization (Number of members, visibility, budget/operating income, 2007)	High	High	Low	High	High	Low	Low	Medium- high
4. Tightness of linkage between “measures” and rewards/punishments	Medium-low	Medium-low	Medium-high (e.g. embargoes, in extreme cases)	Medium- high (e.g. approval or rejection of projects)*	Medium- high (e.g. approval or rejection of projects)	Medium-low	Medium-low	Medium- high (e.g. embargoes, in extreme cases)
Usefulness, based on:	Medium-high	Medium	Medium-high	Medium	Medium-	Medium-low	Medium-low	High-
1. Precision and understandability of measurements	High	Medium-high	Medium	Medium	Medium	Medium	Medium	High
2. Lay understandability of statistical transformations	High	Medium	High	Low	Low	Low	Low	Medium- high
3. Invulnerability to gaming and/or cheating	High	High	Medium	High	High	Medium	Medium	Medium- high
4. Perceived legitimacy of indicator measurements among lay audiences	Medium	Low	High	Medium	Low	Low	Low	High
Attractiveness+usefulness	Medium-high	Medium+	Medium-high	Medium+	Medium+	Medium-	Medium-	High-

Source: Pollitt, C. (2008), UNDP, UN, TI, WB, EBRD, WEF, BF, FH

## 2.1. Human Development Index (HDI)

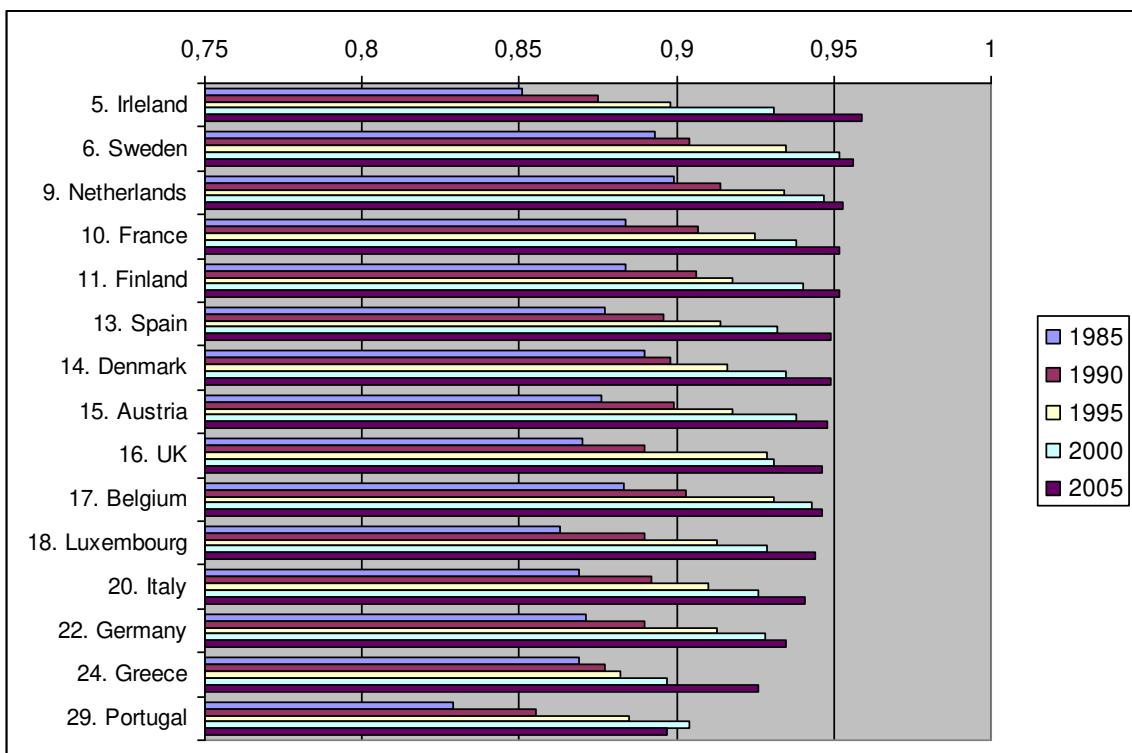
Compiled by UNDP for 175 countries, plus Hong Kong-China and the Palestinian Authority, for the period 1975-2005, the composite index HDI has four main dimensions:

- Life expectancy at birth;
- Adult literacy rate;
- Combined primary, secondary and tertiary gross enrolment ratios;
- GDP per capita (PPP, US dollar).

According to the HDI, the ‘champion’ countries are: Iceland (0,968), Norway, Australia, Canada, Ireland, Sweden, Switzerland, Japan, Netherlands and France (0,952) – 7 European countries, out of which 4 EU-countries.

All the EU-15 countries are among the first 30 countries in the hierarchy (**Graph 2.1**), while the NMS occupy positions ranking between 27 and 60 (**Graph 2.2**). All the EU-27 countries are characterized by high human development.

**Graph 2.1: HDI for the EU-15 countries, 1985, 1990, 1995, 2000 and 2005**

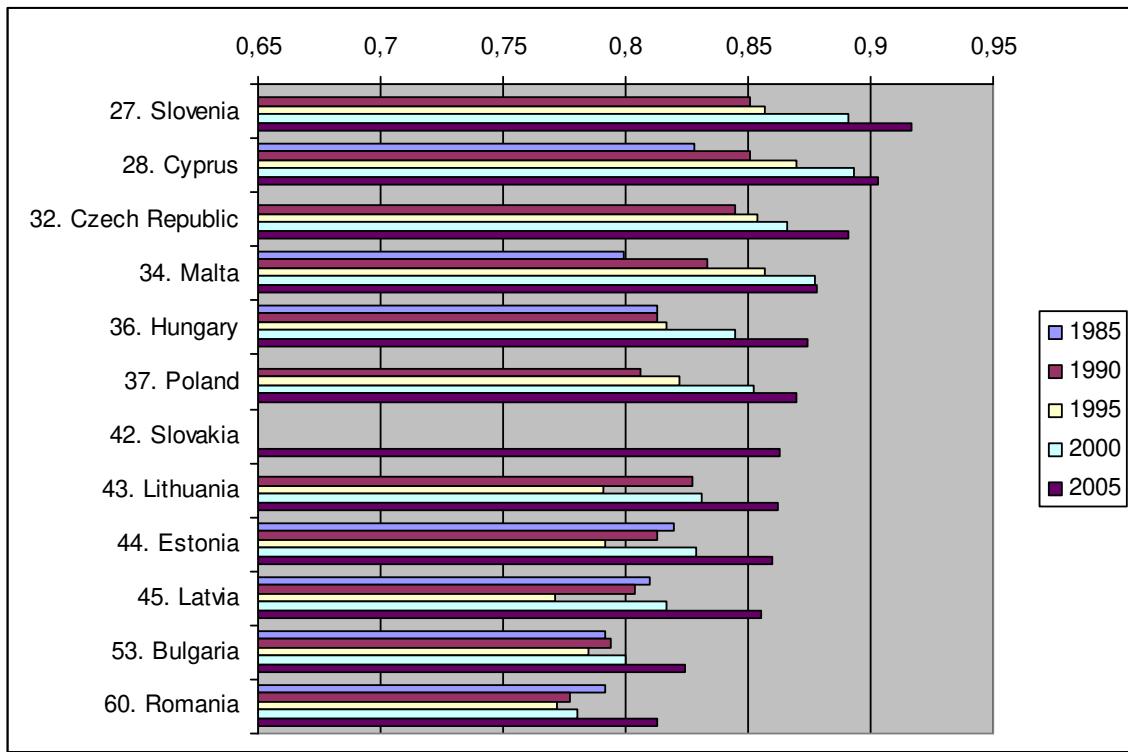


Source: UNDP (2007).

Among the EU-15 countries, Ireland has had the most spectacular evolution, being able to advance from the last but one position in the EU-15 group in 1985 to the first position in 2005.

In contrast with Ireland, several NMS (the Baltic States, Bulgaria and Romania) did not manage to have a continuous positive evolution, and, as a result, lag behind.

**Graph 2.2: HDI for the NMS, 1985, 1990, 1995, 2000 and 2005**



Source: UNDP (2007).

With a HDI of 0.813, Romania ranks the 60<sup>th</sup>. It is, however, better positioned at *adult literacy rate* (position 26), than *GDP per capita* (position 63), *combined primary, secondary and tertiary gross enrolment ratio* (position 70), and *life expectancy at birth* (position 76).

## 2.2. The e-Government Index (eGI)

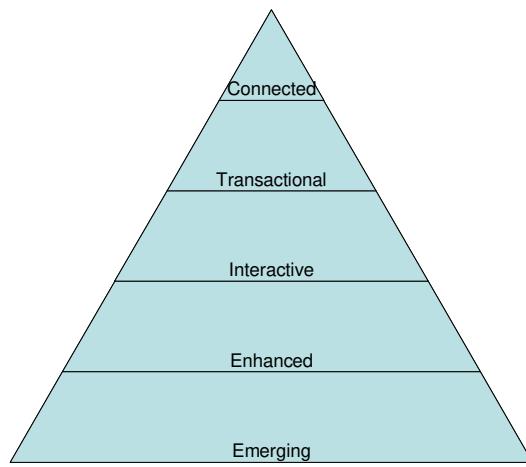
The Department of Economic and Social Affairs of the United Nations defines e-government as: *utilizing the internet and the world-wide-web for delivering government information and services to citizens* (UN and ASPA, 2001, p. 1).

Measured by the United Nations for 192 countries and territories for the time span 2001-2008, and based on a standard methodology, the EGI captures two sub-indicators:

- **e-government readiness**, calculated on basis of: web measure index, telecommunication infrastructure index and human capital index;
- **e-participation index**, calculated on basis of the assessment of 21 services and facilities grouped under three categories: e-information, e-consultation and e-decision-making.

The **web measure index** provides the countries analysed with a comparative ranking of their ability to deliver online services to their citizens. (UN, 2008, p. 15). There are five stages in the e-Government evolution: emerging, enhanced, interactive, transactional, and connected (Figure 1). The web measure survey assessments are based on a questionnaire, which allocates a binary value to the indicator based on the presence vs. absence of specific e-facilities or services available.

**Figure 2.2: Stages of the e-Government evolution**



Source: UN (2008, p. 15).

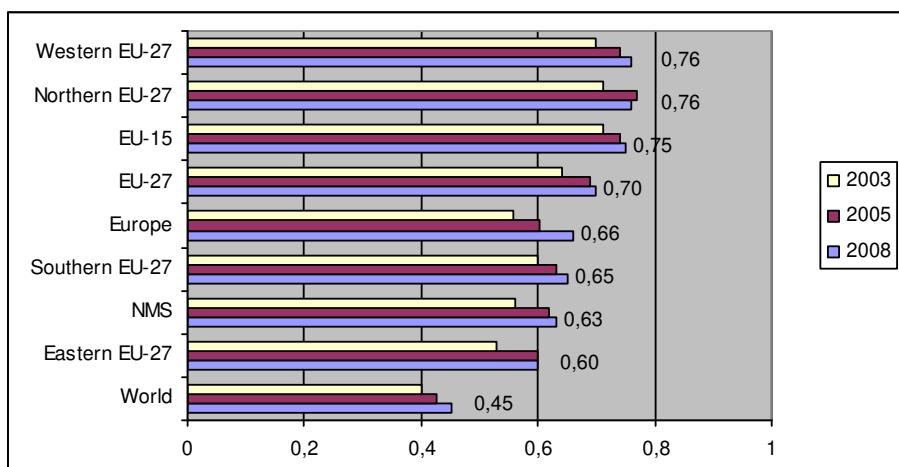
The **telecommunication infrastructure index**, a composite index of five primary indices, is calculated as:

$$1/5x(\text{PC index}) + 1/5x(\text{Internet user index}) + 1/5x(\text{Telephone line index}) + 1/5x(\text{Mobile user index}) + 1/5x(\text{Broadband index}).$$

The **human capital index** is the composite weighted average of two indicators:  $2/3x(\text{adult literacy rate}) + 1/3x(\text{gross enrolment ratio})$ .

As of 2008, Sweden ranks the first (0,9157) in the ranking of countries according to the e-government readiness index, followed by Denmark, Norway, the United States, the Netherlands, the Republic of Korea, Canada, Australia, France and UK (0,7872) – 6 European countries, out of which 5 are EU members. Regionally, North America is on the first place (0,8408), followed by Northern Europe (0,7721), Western Europe (0,7329), and Eastern Asia (0,6443). At the EU-level, Western EU holds similar positions with Northern EU (0,76), while the Eastern EU lags behind (0,60) (**Graph 2.3**).

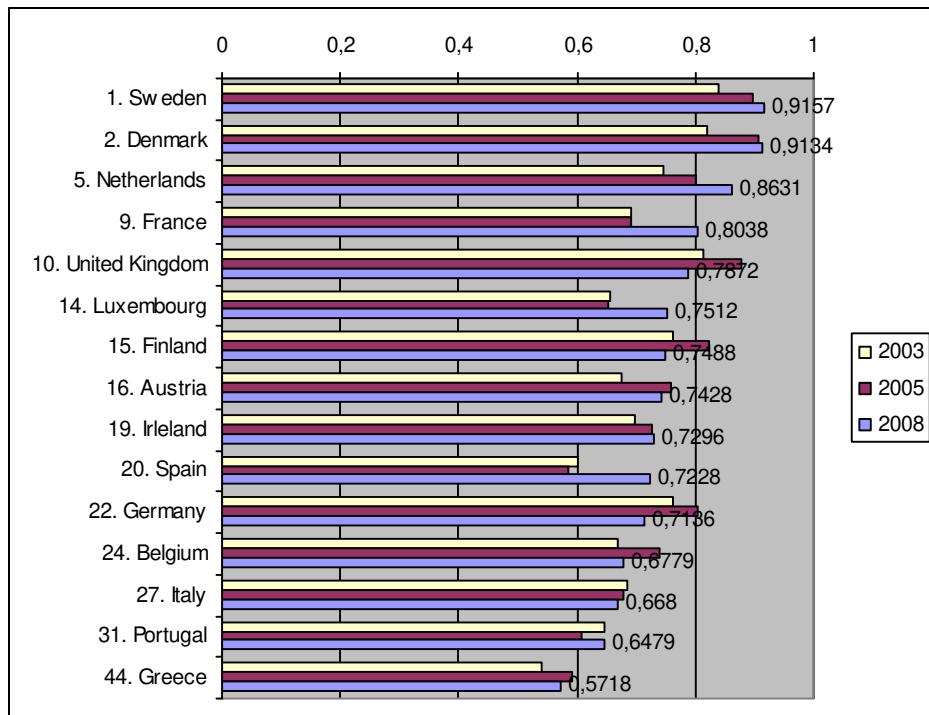
**Graph 2.3: e-Government readiness index in Europe, 2003, 2005 and 2008**



Source: UN (2005 and 2008).

According to the e-readiness index, Sweden is the leader of the Northern EU-27 and a global leader as well. The Netherlands ranks the first among the Western EU-27, the same holds true for Spain among the Southern EU-27, the Czech Republic among the Eastern EU-27, and Estonia among the NMS (**Graphs 2.4 and 2.5**).

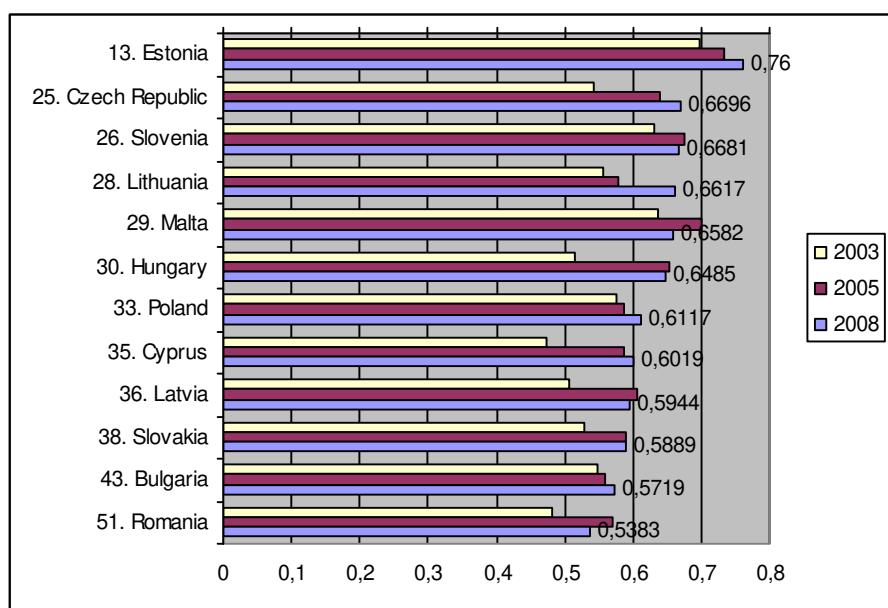
**Graph 2.4: e-Government readiness index in EU-15, 2003, 2005 and 2008**



Source: UN (2005 and 2008).

12 out of 27 member states of the EU scored worse in 2008 in comparison with 2005: UK, Finland, Austria, Germany, Belgium, Italy, and Greece, together with Slovenia, Malta, Hungary, Latvia and Romania.

**Graph 2.5: e-Government readiness index in the EU NMS, 2003, 2005 and 2008**



Source: UN (2005 and 2008).

**Romania** is at the beginning of its e-Government experience, ranking the last in the EU hierarchy, after countries like Cyprus, Latvia, Slovakia, Bulgaria and Greece. Nevertheless, it is interesting to note that, in spite of the reduced contributions of web measure index (0,4147) and infrastructure index (0,2992) at the e-Government index, the human capital index has a high value (0,9047). The political leaders should build on this resource, as at present, the anecdotal evidence underlines that almost 80% of the people younger than 25 intend to work abroad.

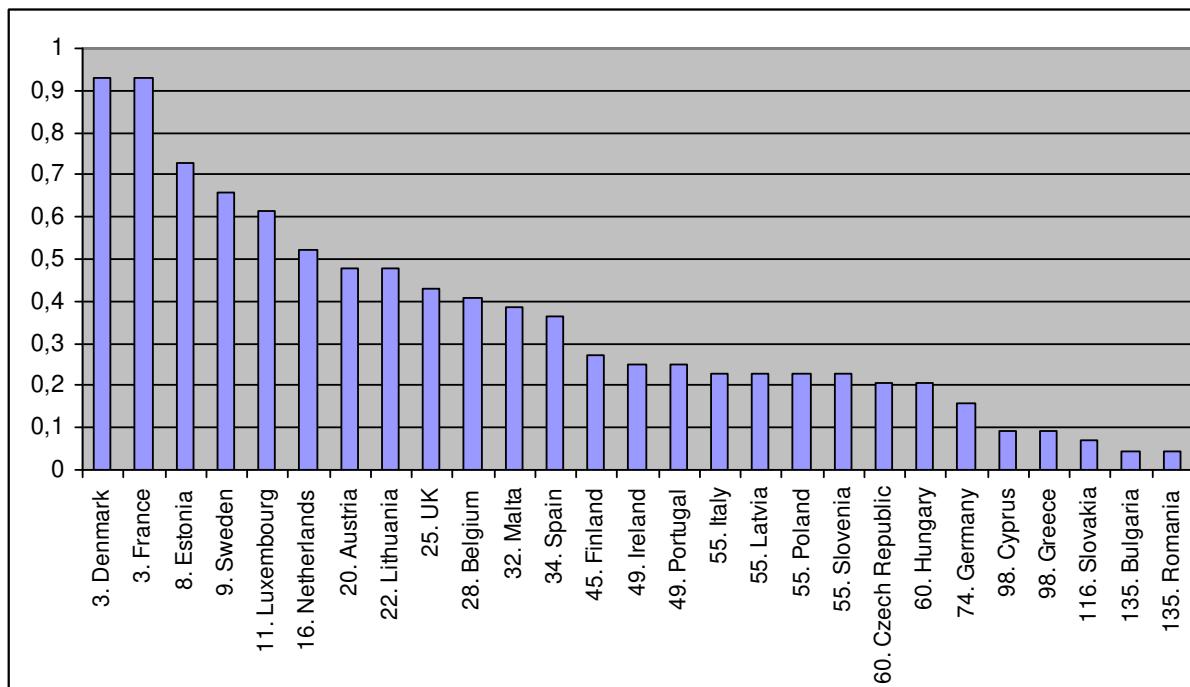
Concerning the **e-participation index**, the ranking aims to capture the dimensions of the interaction between government and citizens (G2C), by assessing the extent to which government proactively solicits citizens' input (UN, 2008, p. 58).

The three dimensions of the e-participation index are:

- e-information – answering the question: do governments provide the basic information that serves as the foundation for citizens' participation?
- e-consultation – answering the question: do governments request citizens' opinion?
- e-decision-making – do governments take into account the citizens' input when making decisions?

The USA ranks the first (with an index of 1 or 100%), and it represents the comparison element for the other countries. It is followed by the Republic of Korea (0,9773), Denmark, France, Australia, New Zealand, Mexico, Estonia, Sweden and Singapore.

**Graph 2.6: e-Government participation index in the EU-27, 2008**



Source: UN (2008).

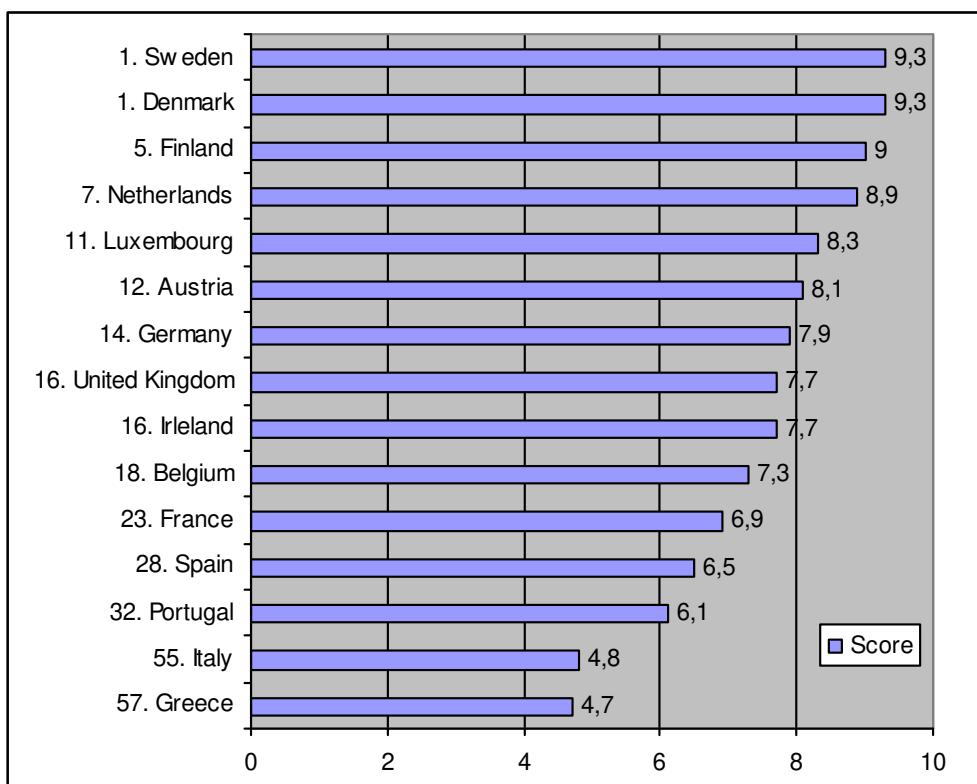
### 2.3. Corruption Perceptions Index (CPI)

CPI Score, compiled for 180 countries, relates to perceptions of the degree of corruption as seen by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt). It has been measured by Transparency International, an independent NGO, since 1995. The main weaknesses of the index are the yearly change of methodology, which makes longitudinal analysis almost impossible, and the subjective assessment of data.

As of 2008, Sweden, Denmark and New Zealand, in a tie, rank the first, with a score of 9,3, being followed by Singapore (9,2), Finland (9,0), Switzerland (9,0), Iceland (8,9), Netherlands (8,9), Australia and Canada (each with a score of 8,7).

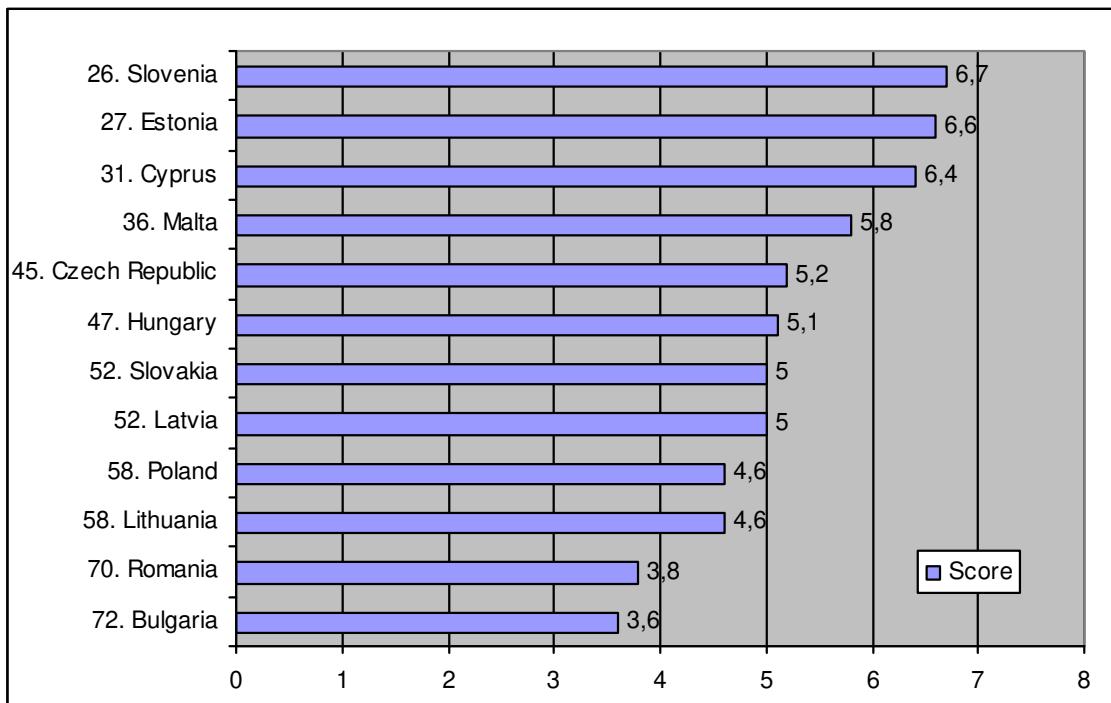
In the EU, the Northern and Western countries rank ahead of the Southern members and NMS. Slovenia and Estonia rank even ahead of Spain, Cyprus ahead of Portugal, Malta, the Czech Republic, Hungary, Slovakia, Latvia ahead of Italy and Greece, while Greece, Poland, Lithuania, Romania and Bulgaria are faced with a strong phenomenon of corruption (**graph 2.7 and 2.8**).

**Graph 2.7: Corruption Perceptions Index (CPI) in the EU-15, 2008**



Source: Transparency International (2008).

**Graph 2.8: Corruption Perceptions Index (CPI) in the EU NMS, 2008**



Source: Transparency International (2008).

#### 2.4. Worldwide Governance Indicators (WGI)

The World Bank compiles the WGI for 212 countries and territories over the period 1996–2007, taking into consideration six dimensions of governance:

Voice and Accountability – measuring perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media;

Political Stability and Absence of Violence/Terrorism – assessing the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism;

Government Effectiveness – measuring perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies;

Regulatory Quality – evaluating the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development;

Rule of Law – assessing the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence;

Control of Corruption – measuring perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

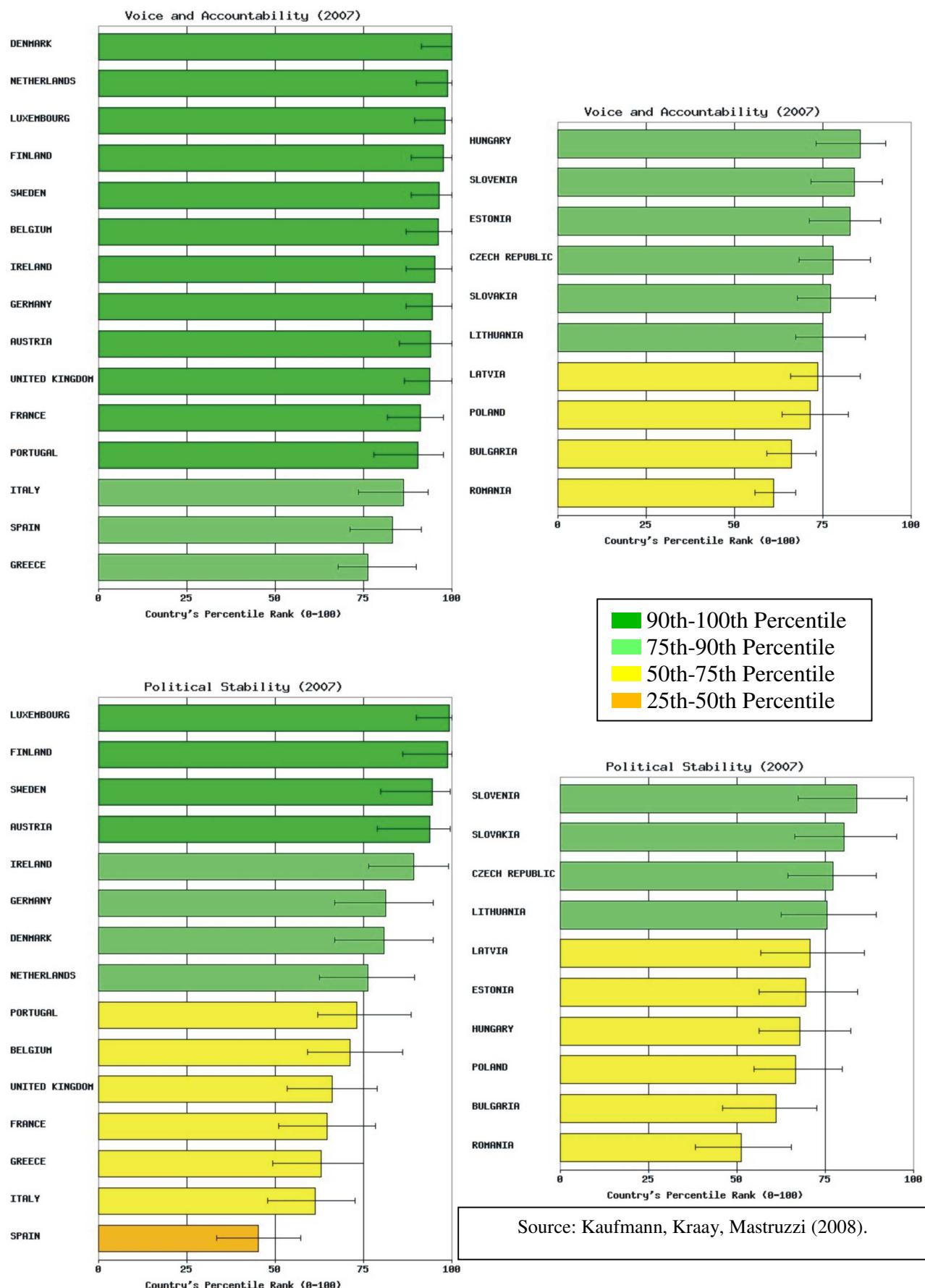
Based on a standard methodology, the WGI facilitate international comparisons, with a low standard error. The World Bank offers on the home page even the statistical and graphical tools necessary for longitudinal and cross-sectional analyses. Taking into consideration the variety and large number of sources, the degree of subjectivity is lower than in the case of other indexes (e.g. Corruption Perceptions Index).

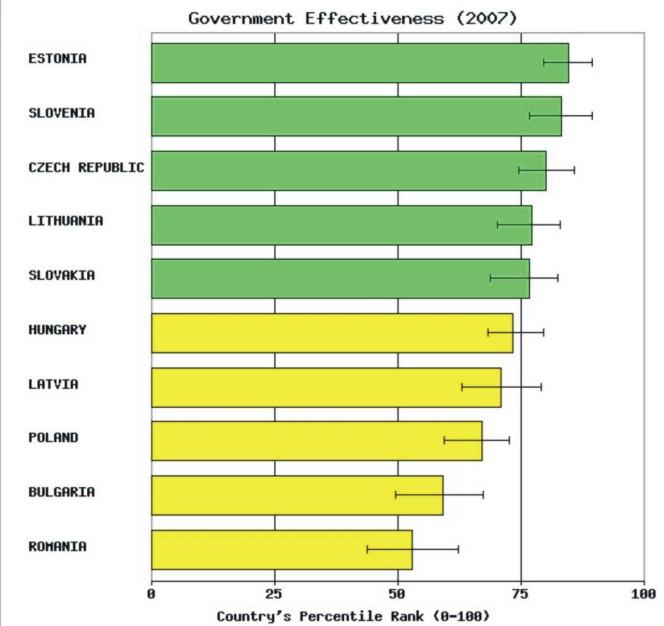
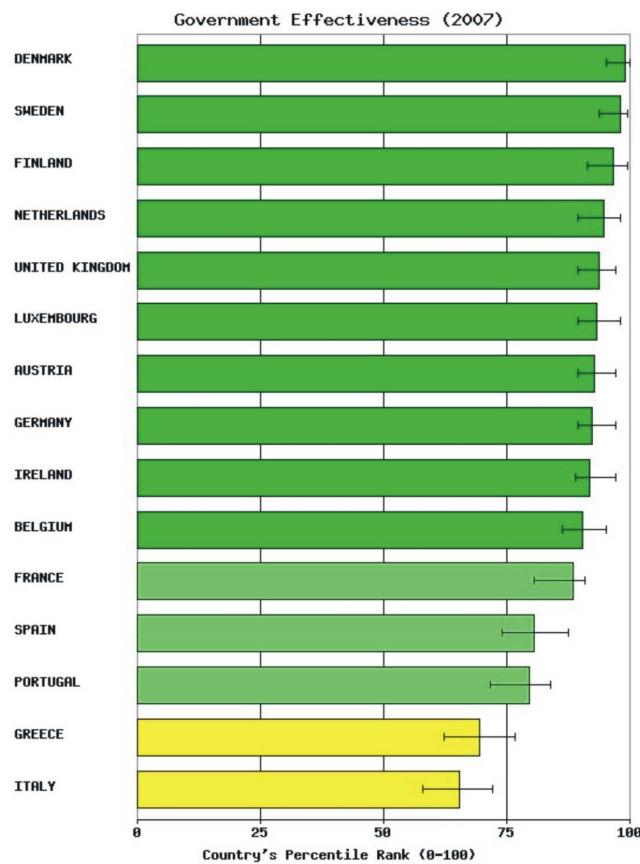
The online data are presented in percentile ranks, reflecting the rank of a country among all countries in the world, 0 corresponding to the lowest rank, and 100 to the highest rank.

Poland, Bulgaria and Romania are situated in the 50th-75th percentile in all the six cases: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Slovenia is in the 75th-90th percentile in all the cases, while the other countries record variable results (**Graph 2.9**).

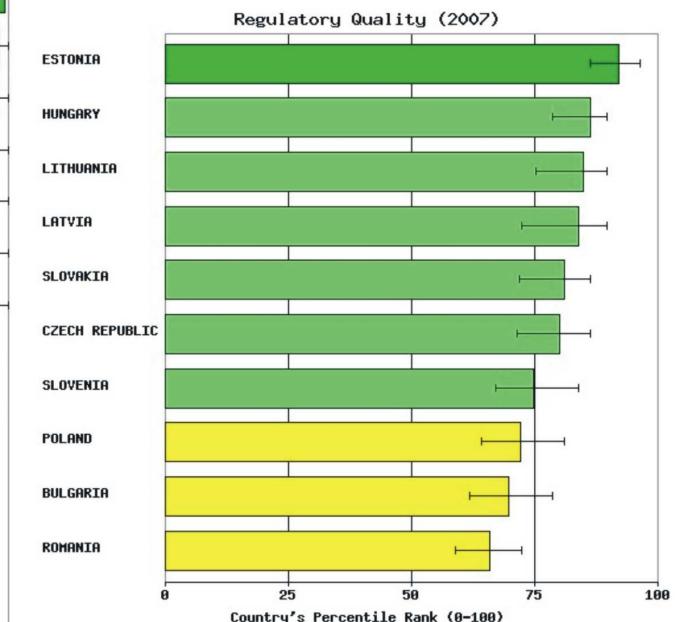
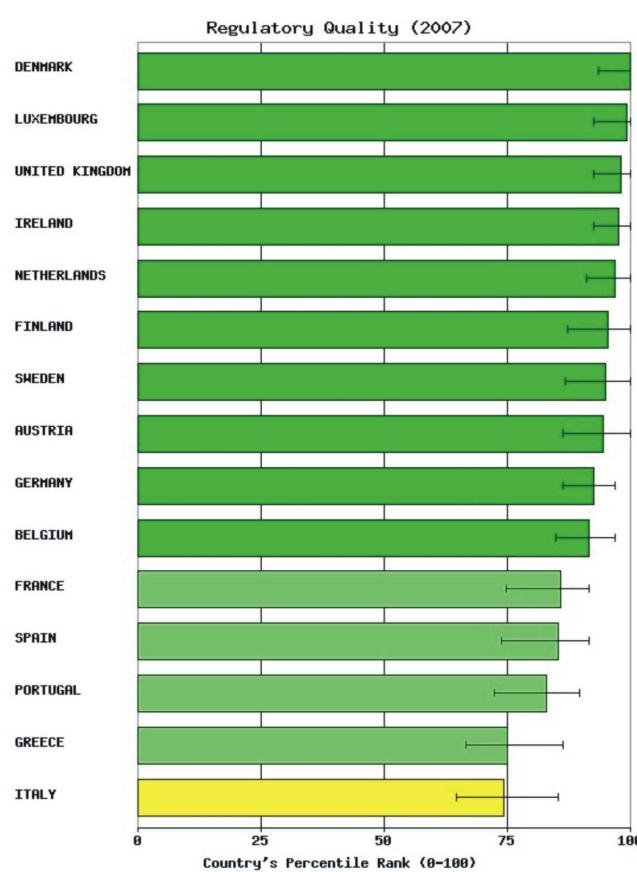
In the case of Romania, in the time frame of 1996-2007, we witness the improvement of voice and accountability, government effectiveness, regulatory quality and control of corruption, while the political stability and rule of law ameliorate slowly (**Graph 2.10**). On the whole, the general trend is positive on the long-term for all the NMS.

**Graph 2.9: Hierarchies of the EU-15 and NMS (minus Cyprus and Malta), after the six dimensions of governance (WGI), 2007**

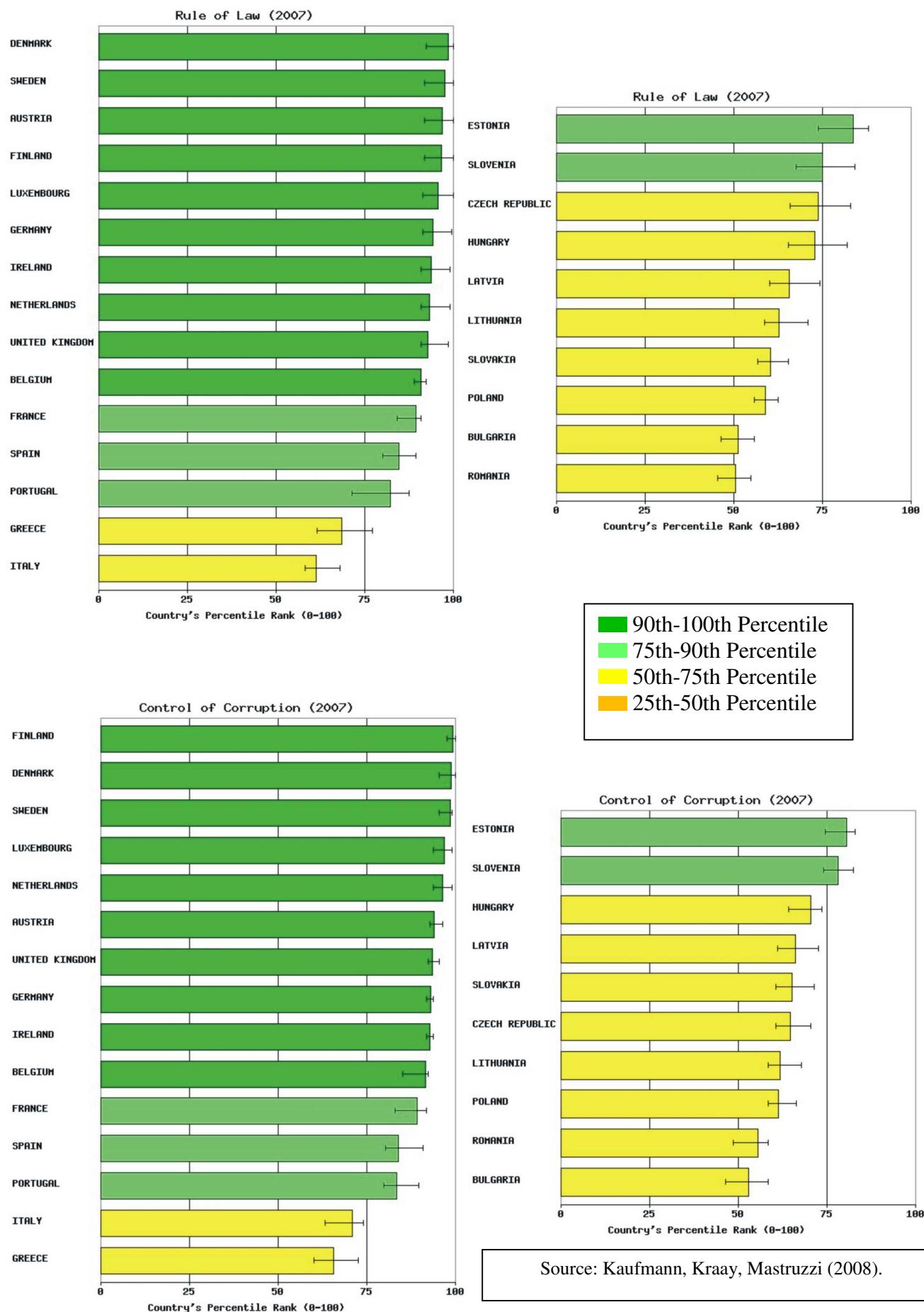




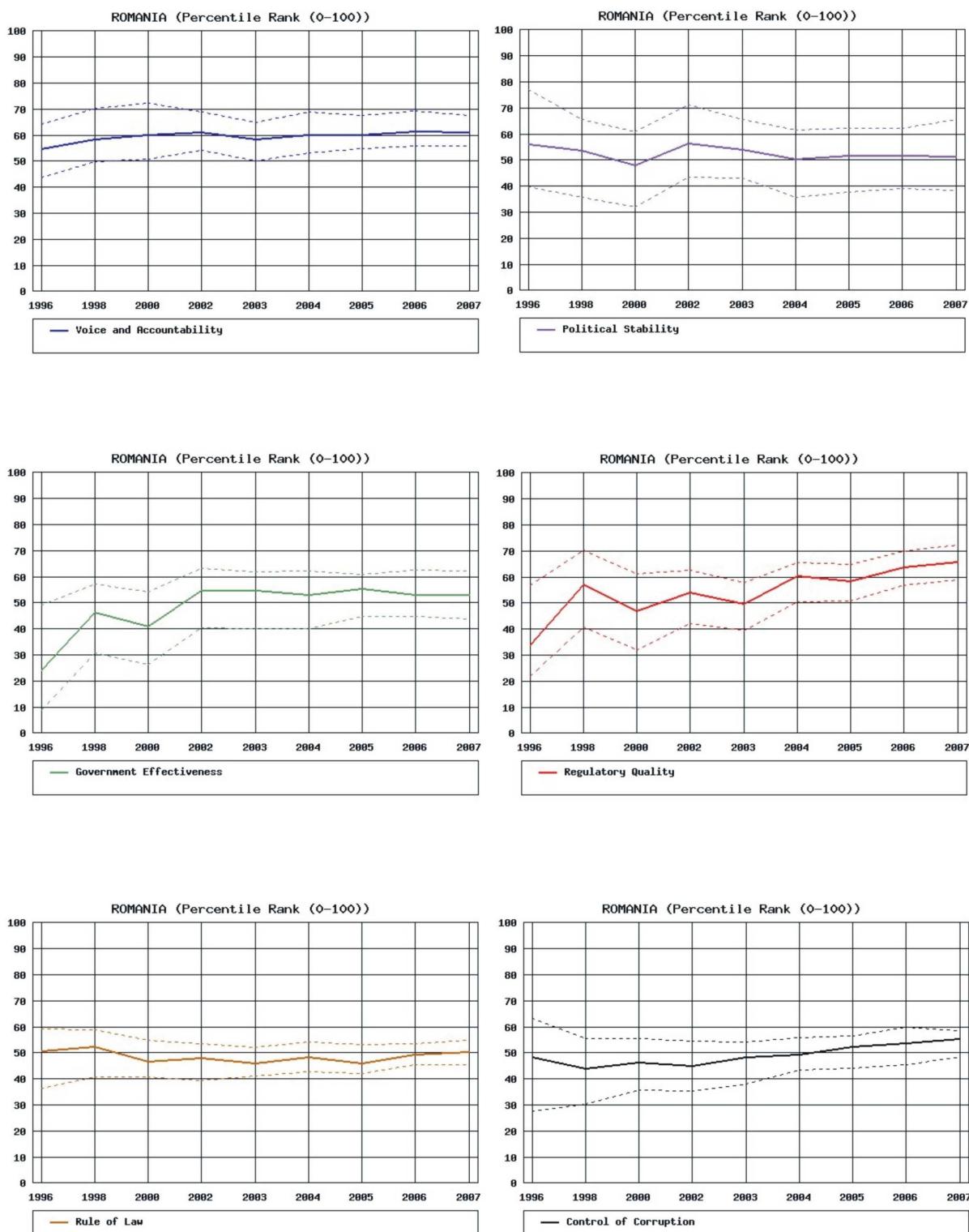
█ 90th-100th Percentile  
█ 75th-90th Percentile  
█ 50th-75th Percentile  
█ 25th-50th Percentile



Source: Kaufmann, Kraay, Mastruzzi (2008).



**Graph 2.10: Evolution of the six dimensions of the governance (WGI) in the case of Romania, 1996-2007**



Source: Kaufmann, Kraay, Mastruzzi (2008).

## 2.5. Transition Indicators (TI)

Compiled by the European Bank for Reconstruction and Development for the period 1989-2007, the Transition Indicators (TI) analyse four main reform fields (companies, markets and trade, financial sector and infrastructure) through 9 main dimensions:

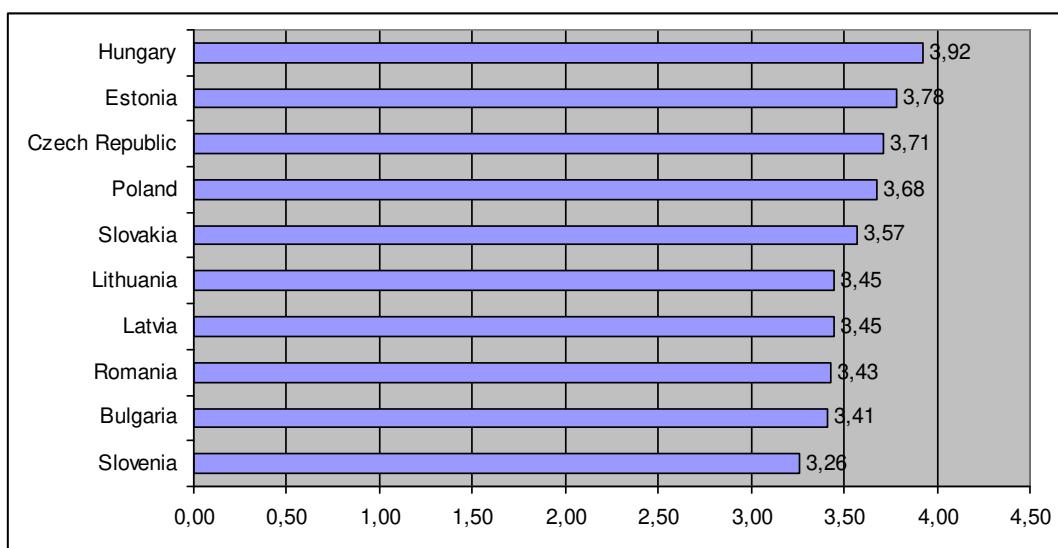
- Large-scale privatisation;
- Small-scale privatisation;
- Governance and enterprise restructuring;
- Price liberalisation;
- Trade and foreign exchange system;
- Competition policy;
- Banking reform and interest rate liberalisation;
- Securities markets and non-bank financial institutions;
- Infrastructure reform.

The methodology enables cross-sectional, as well as longitudinal analyses for a group of 29 transition economies (including the EU NMS, with the exception of Cyprus and Malta).

Transition indicators have been used to track reform developments in all countries of operations since the beginning of transition. Progress is measured against the standards of industrialised market economies, while recognising that there is neither a “pure” market economy nor a unique end-point for transition.

The results of the analysis of the TI for the NMS are, somewhat, surprising, in comparison with WGI or CPI or HDI. According to TI, the progress of the reform process in Slovenia is the lowest among the NMS (**Graph 2.11**). But this does not prevent Slovenia from having the highest performance in terms of human development and the lowest level of corruption among the NMS! Is the case of Slovenia a paradox, or is the quality of reforms more important than their pace, depth and scale? This rhetorical question seems to be the key to the understanding the NPM in the NMS, a topic that will be examined in other papers.

**Graph 2.11: Average of the Transition Indicators, NMS (minus Cyprus and Malta), 2007**

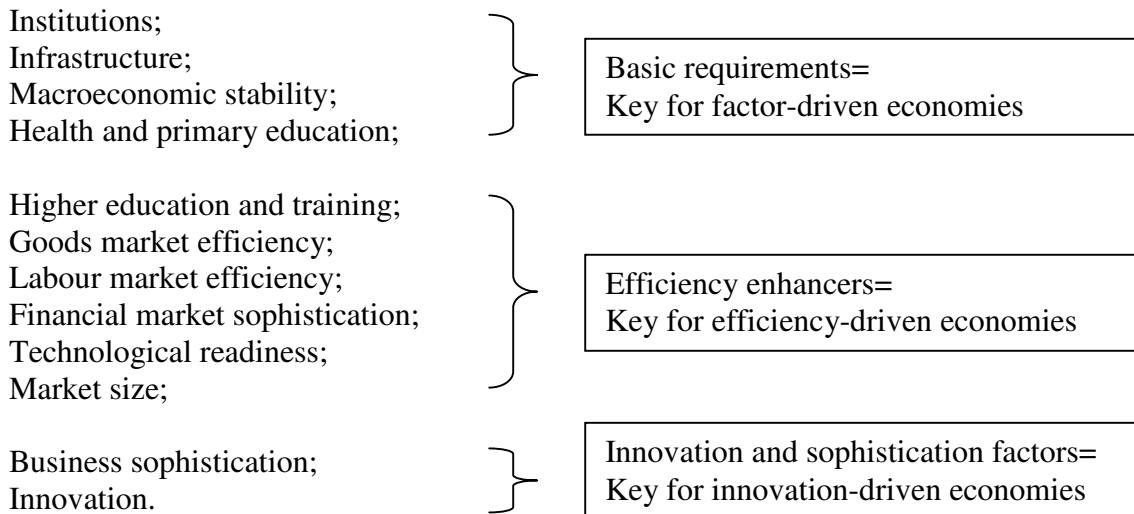


Source: European Bank for Reconstruction and Development (2008).

## 2.6. Global Competitiveness Index (GCI)

Competitiveness is defined by the World Economic Forum (2008) as “the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. In other words, more competitive economies tend to be able to produce higher levels of income for their citizens.”

GCI, compiled by the World Economic Forum, has 12 pillars:



The latest methodology enables cross-sectional analyses among 134 countries. The longitudinal analyses are possible only for 2007 and 2008, due to the change of the methodology in 2007. As the index is based on a survey, as well as on “hard data”, its objectivity degree is high.

**Table 2.3: Income thresholds for establishing stages of development**

STAGE OF DEVELOPMENT	GDP PER CAPITA (IN US\$)
Stage 1 – factor driven	<2000
Transition from stage 1 to stage 2	2000-3000
Stage 2 – Efficiency driven	3000-9000
Transition from stage 2 to stage 3	9000-17000
Stage 3 – Innovation driven	>17000

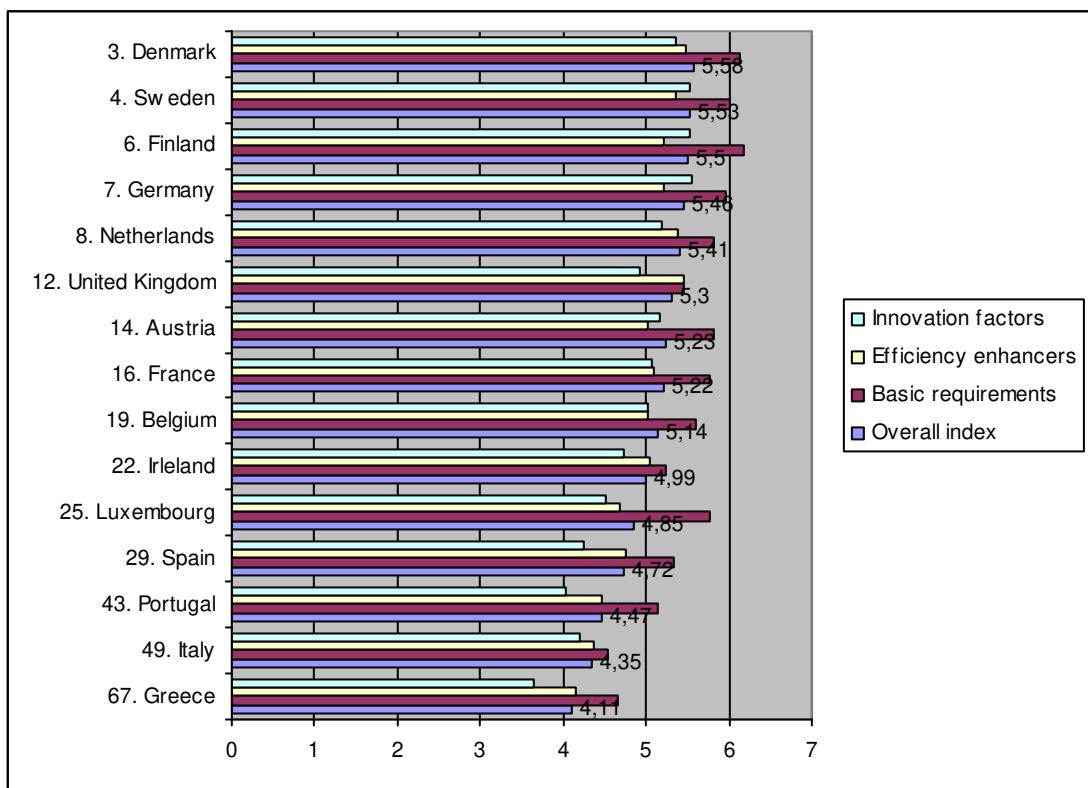
Source: World Economic Forum (2008, p. 7).

The concept of stages of development is integrated into the Index by attributing higher relative weights to those pillars that are relatively more relevant for a country given its particular stage of development (World Economic Forum, 2008, p. 7).

The USA, with a score of 5,74, remain the most competitive economy in the world, in spite of the actual financial crisis, followed by Switzerland, Denmark, Sweden, Singapore, Finland, Germany, the Netherlands, Japan and Canada. All these economies are in the 3<sup>rd</sup> stage of development. Out of 33 innovation-driven economies, 22 are European countries.

All the EU-15 countries are in the third stage of development (innovation-driven). The Scandinavian countries are standouts (Denmark, Sweden, Finland), followed by Germany, Netherlands and United Kingdom. The highest scores are those for basic requirements, followed by those for efficiency enhancers, and those for innovation factors. At innovation level, Germany, Sweden, Finland and Denmark lead the way (**Graph 2.12**).

**Graph 2.12: Hierarchy of the EU-15, according to the overall GCI, with the indication of the innovation factors, efficiency enhancers, and basic requirements scores, 2007**

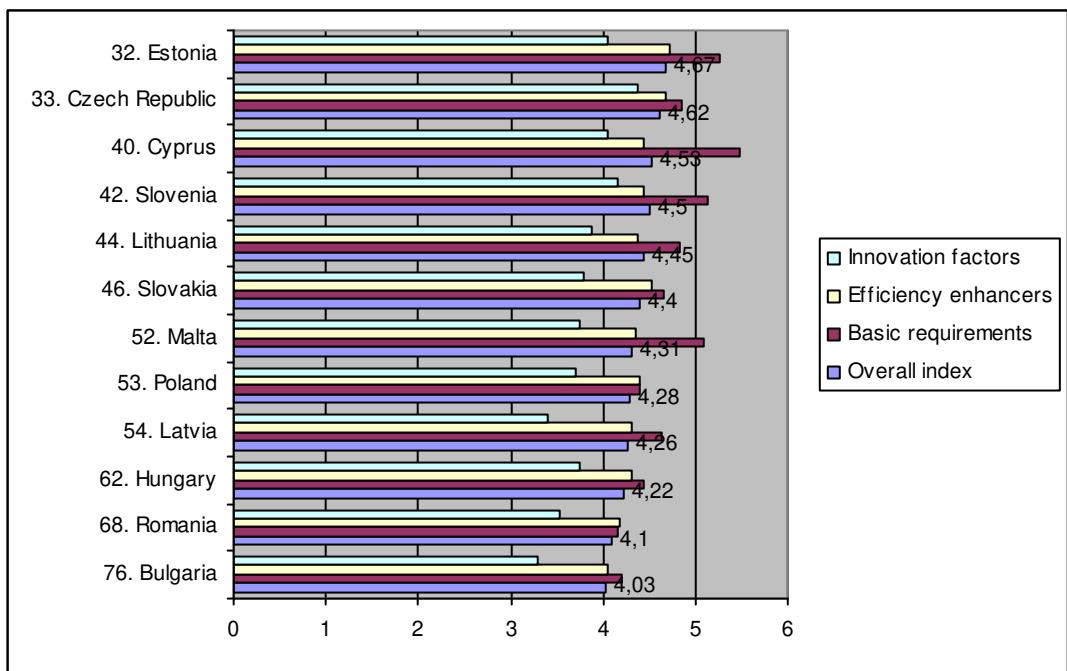


Source: World Economic Forum (2008).

In the NMS, Estonia is the leader of the group, followed by the Czech Republic, Cyprus, Slovenia and Lithuania (**Graph 2.13**).

Bulgaria and Romania are in the second stage of development (efficiency driven), the Baltic States, Hungary, Poland and Slovakia are in the transition from 2 to 3, while Cyprus, Malta, the Czech Republic and Slovenia are in the third stage (innovation driven). At innovation, the Czech Republic, Slovenia, Estonia, Cyprus, and Lithuania are leaders of the group of NMS.

**Graph 2.13: Hierarchy of the NMS, after the overall GCI, with the indication of the innovation factors, efficiency enhancers, and basic requirements, 2007**



Source: World Economic Forum (2008).

## 2.7. Bertelsmann Transformation Index (BTI)

Compiled by Bertelsmann Foundation, in cooperation with the Centre for Applied Policy Research, the BTI is calculated for the period 1996-2007, for developing economies. Due to the change of the methodology and the permanent enlargement of the countries analysed, the longitudinal observations are not possible. The research is based on a 52-questions survey, using a measurement scale from 1 (worst) to 10 (best), and resorts to “hard data” of the international organizations and national statistics in subsidiary. The qualitative assessments are made by experts (a national expert, an international expert and a regional coordinator for each country). This leads to a high degree of subjectivity. Nevertheless, the cross-sectional analyses lead to interesting results.

The main pillars of the index are:

Status of development toward constitutional democracy (on the basis of: “stateness”, political participation, rule of law, stability of democratic institutions, political and social integration);

Status of development toward a market economy flanked by socio-political safeguards (level of socio-economic development, organization of the market competition, currency and price stability, private property, welfare regime, economic performance, sustainability);

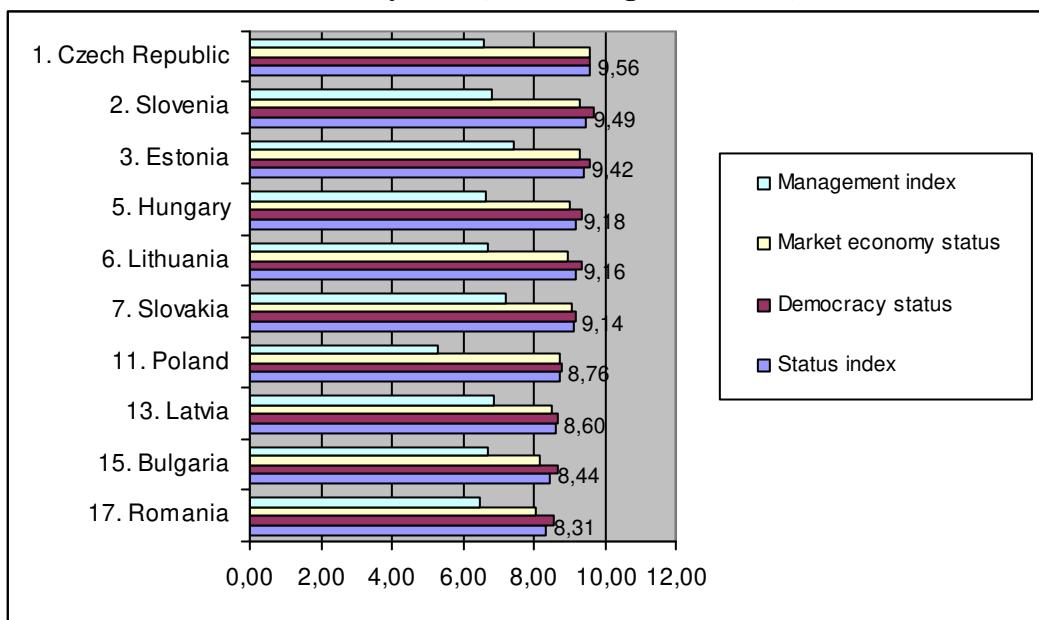
Management of development and transformation processes (level of difficulty, steering capability, resource efficiency, consensus building, and international cooperation).

The breakdown of the transformation index into the three pillars emphasizes *at the European level* a stronger constitutional democracy status than the market economy one (with the exception of the Czech Republic, where the market economy status is 0,02 points higher than the constitutional democracy one), and a stronger market

economy status than the management index. This underlines the difficulties encountered by the NMS in the field of public management.

The Czech Republic ranks the first among the 125 “transforming” economies, and it is followed by: Slovenia and Estonia, Taiwan, Hungary, Lithuania, Slovakia, Chile, Uruguay, and South Korea (**Graph 2.14**).

**Graph 2.14: Hierarchy of the NMS, after the BTI, with the indication of the democracy status, market economy status, and management index, 2007**



Source: Bertelsmann Foundation (2008).

## 2.8. Index of Freedom in the World (IFW)

Measured annually by Freedom House since 1972, the IFW assesses the political rights and civil liberties among 193 countries and 15 territories. The methodology is accessible, and longitudinal analyses, combined with cross-country comparisons are possible for the time frame 1972-2007. All the historical data are available online, free of charge, in excel format, which increases the attractiveness of the index.

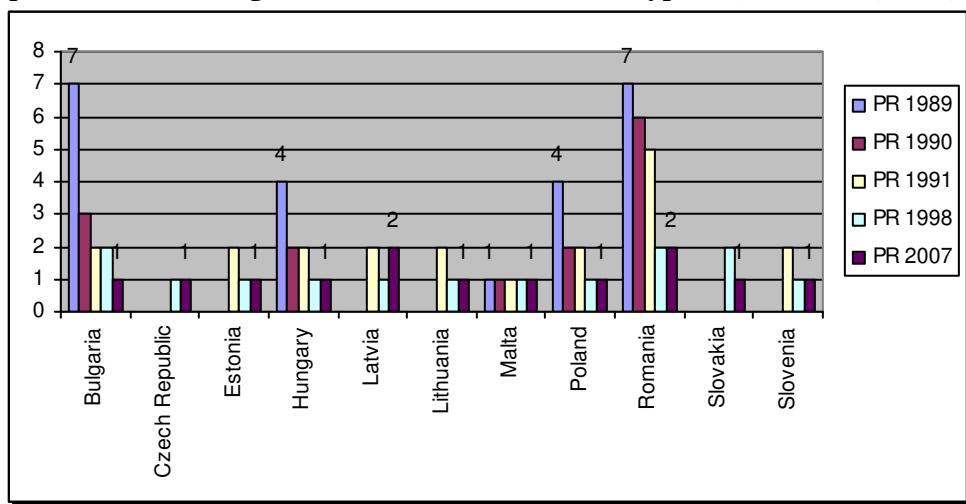
The methodology is based on a 25-questions survey, centred upon two main axes: Political rights (10 questions), referring to: electoral process (3 questions), political pluralism and participation (4), and functioning of government (3); Civil liberties (15 questions), regarding: freedom of expression and belief (4 questions), associational and organizational rights (3), rule of law (4), and personal autonomy and individual rights (4).

Each country and territory is assigned two numerical ratings – one for political rights and one for civil liberties – based on a 1 to 7 scale (1, most free, 7, least free). Underlying those ratings are more detailed assessments of country situations based on a 40-point scale for political rights and a 60-point scale for civil liberties.

All the EU-15 countries recorded after 2002 “complete free” status, with the exception of Greece.<sup>10</sup> The Netherlands has been completely free since 1972, while Belgium, Ireland, Luxembourg, Sweden and the United Kingdom almost the whole interval 1972-present.

The pattern is different for the NMS-10 (the new member states, with the exception of Cyprus and Malta). Slovenia, Estonia, Lithuania, Latvia became independent in 1991, the Czech Republic and Slovakia separated in 1993, Hungary and Poland started from a “partly free” status, while Bulgaria and Romania from a “not free” status. At present, all these countries record a “free” status, with minor differences (**Graph 2.14 and 2.15**).

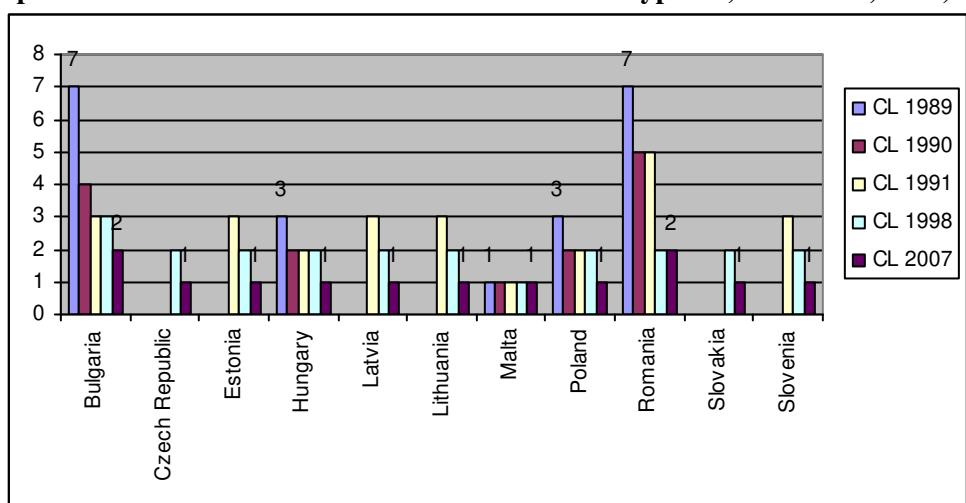
**Graph 2.15: Political rights scores in the NMS minus Cyprus\*, 1989-1991, 1998, 2007**



\* Cyprus (the Turkish, as well as the Greek part) has a free status since 2005.

Source: Freedom House (2008).

**Graph 2.16: Civil liberties scores in the NMS minus Cyprus\*, 1989-1991, 1998, 2007**



\* Cyprus (the Turkish, as well as the Greek part) has a free status since 2005.

Source: Freedom House (2008).

<sup>10</sup> Greece evolved from “not free” status in 1972-1973 to “free status” in 1974, with political rights scoring 1 since 1989, but with civil liberties remaining at 2.

## CONCLUSIONS...

### **... related to the NPM:**

First, the academic analyses of the NPM movement range from NPM-archetype-countries (e.g.: Australia, New Zealand, UK, USA, Canada), to NPM-importer-countries (e.g.: Malaysia, Chile, Ghana, Nigeria, Uganda), or NPM-resistant-countries (e.g. Japan), and from praxis to theories like: network governance, joined-up government, public value pragmatism, meta-governance.

Second, even at the EU level, dimensions of governance are heterogeneous and dynamic. One can notice stronger differences between the EU-15 and NMS, and weaker between countries belonging to each group.

Third, the process of transition from a centrally planned economy to a market-based economy takes time and it is accompanied by failures. Even though the NMS have adopted the Acquis Communautaire (i.e. the total body of the EU law), they continue to lag behind many of the older members of the EU in terms of quality of governance. At the *formal level*, all the elements of the NMP agenda have been taken up. The problems remain at the *informal level*, as the tensions between the new *formal rules* and the old *informal* ones are still very strong. Mentality cannot be changed on the short-term, even though the right institutions are in place. Nevertheless, the existing differences between the NMS (e.g. Slovenia, the Czech Republic, Cyprus, Malta in contrast with Poland, Lithuania, Romania and Bulgaria) underline that the change process is not uniform, and is dependent on the local conditions, people, traditions, mentalities.

Fourth, quality of reforms is more important than their pace, depth and scale.

Fifth, the general trend, at least in Europe, is that of positive changes on the long-term.

Sixth, people are the key mechanism of the chain named NPM, but its weakest link as well. In order to achieve high degrees of impartiality and performance in the public sector, the monitoring and controlling of its activities by independent authorities, on the basis of the incentivization - disincentivization tandem, are essential.

Seventh, public policy, governance or meta-governance (coordinated governance), administration, management and their “aggregate” have as common language the New Institutional Economics (NIE).

### **... concerning the use of indexes for cross-cutting and longitudinal analysis:**

In spite of the weaknesses of “measurement”, like:

- Trend analysis cannot be based on data from different editions of the reports, as methodologies are periodically improved and the country coverage is continuously enlarged, in other words, the longitudinal analyses are difficult to realise;
- Most of the “hard data” rely on national statistics, which are often “cosmeticized” and do not reflect the reality;
- In the case of surveys, data represent subjective opinions of the international experts;
- Some information is out-of-date (e.g. UNDP, presents in 2008 data from 2005);

- The power of generating awards and punishments (“carrot-and-stick” policies) at national level on the basis of composite indicators is still low,

the importance of the “results measuring” process (i.e. performance management) has been increasing, as the NPM has become more “result-oriented”. First, one has to measure the results, in order to re-launch strategies and policies. Second, the composite indicators have become increasingly important to development assistance and to the international support of democratic and economic reforms. For example, the approval or rejection of development projects by international financial institutions depends on national performance indicators, these being a precondition for the disbursement of funds. Third, decisions related to foreign direct investments (FDI) in a country or another are based on international comparisons.

Nevertheless, “there are no systematic cross-national studies showing degrees of variation in public management reform in a robust and reliable way” (Hood, 1995, p. 98). Such a complex study could be made only by a team of experts from all the analysed countries. And this is an invitation addressed to you, distinguished colleagues, to create a functional global research network.

### **... related to the future of the NPM:**

The way is wide open for the Global Public Management (GPM)...

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