

New Public Management and Public Enterprise Restructuring in Fiji

Subhash Appana

Abstract

Public Enterprise restructuring in Fiji has preceded wider civil service reforms in both pace and magnitude. Part of this has to do with the fact that the model being used for reforms is at least theoretically supposed to face fewer problems in its application to Public Enterprises because of its efficiency/cost orientation. A part of this can be explained by the political and economic imperatives of ruling governments in Fiji. On the other hand, the reform process has attracted its share of criticisms. This article analyses critically the New Public Management (NPM) model for public sector reforms and outlines the domestic political and economic framework within which the restructuring of Public Enterprises has taken place in Fiji so far.

INTRODUCTION

National policy orientation has changed in the areas of industrialization, economic reforms and political rationale. Contemporary reforms have largely focused on the public sector with governments aiming to introduce greater economy, effectiveness, transparency, accountability and efficiency in the public service. In the process, governments have attempted to reduce both their commitment to and participation in economic enterprises. Public sector restructuring, and in particular the restructuring of public enterprises, have thus become a worldwide phenomenon beginning in the early to mid-1980s. According to Osborne and Gaebler (1992), the kind of governments that developed during the industrial era with their sluggish, centralised bureaucracies, their preoccupation with rules

and regulations, and their hierarchical chains of command no longer work very well. Fiji, and other South Pacific island countries, have had to face the same chronic problems of low levels of performance and high levels of wastage in the public sector (World Bank, 1998).

The new public sector management model that has emerged in response to this is known as New Public Management (NPM). This article analyses critically the NPM model as a framework for public enterprise restructuring. This is followed by a discussion of the economic and political framework within which the restructuring of public enterprises has been taking place in Fiji. Some conclusions are drawn at the end regarding the suitability of the NPM model for public enterprise restructuring in Fiji given the ever-present prospect of introducing political considerations in a private sector-type model of management.

THE NEW PUBLIC MANAGEMENT MODEL

Public sector reforms have been a part of the discourse on management in the public sector for the past two decades. The management and organization ideas contained in New Public Management (NPM) can be traced back to earlier debates in public administration (Savoie, 1995). NPM attempts to introduce management structures, practices and principles that are based on the precepts of freedom to choose and freedom to manage. The theoretical roots of NPM can be traced to the Chicago (Friedman, 1953) and Austrian (Hayek, 1978) schools of political economy, with their links to the New Right, in conjunction with the new institutional economics of Arrow (1963) and Niskanen (1971). The 'New Right' is distinguished from the traditional 'Right' in recognition of its attempts to incorporate normative concerns in what essentially remains the business philosophy of maximizing returns from public funds spent. This new ideology can also be referred to as the 'Enlightened Left' in recognition of the fact that it has been embraced by traditionally left-leaning governments in their attempts to amalgamate the imperatives of both business and society.

Labour governments in Australia, New Zealand and Britain have embraced the philosophy and implemented widespread reforms in the public sector at different times over the past 2 decades (Pollitt, 1993; Hood, 1995; Boston, et.al. 1996) based on the same model of maximising internal returns from the expenditures. Whether the new reform package is seen as the 'New Right' or the 'Enlightened Left', it is clear that both attempt to construct an approach, now widely referred to as New Public Management (NPM), that promises

to lead to greater efficiency, effectiveness and economy in management in the public sector. This is the popular appeal of NPM.

There is considerable controversy on exactly what constitutes NPM. But despite the fact that literature on NPM does not exhibit uniformity on exactly what it constitutes, the following ideas and initiatives appear to characterise NPM: use of hands-on professional management, managerial autonomy, decentralization, use of explicit measures of performance that are output-based, use of finance-based performance contracts and incentive systems, emphasis on discipline and parsimony in the use of resources, infusion of competition through disaggregation and delayering of government bureaus, use of contracts for public service provision by organizations external to the department/bureau in question, emphasis on citizen choice, and use of other private sector-type management practices (Hood, 1991, Pollitt, 1995, Boston, et al., 1996). On the other hand, there appears to be general unanimity on NPM's fundamental objectives of creating an innovative, flexible, problem-solving, and more entrepreneurial culture that is better adapted and more adaptable to a changing environment (Barzely, 1992; Kettl, 1997; Rosenbloom, 1998).

The emphasis of NPM on the use of *hands-on professional management*, where a successful manager with a proven track record is located and given active, visible, discretionary control over a public entity with clear allocation of responsibilities and corresponding accountability, appears to place total reliance on the professional manager to meet performance expectations. In line with the tenet of 'freedom to manage', the NPM manager can choose whatever approaches and techniques he considers appropriate in order to meet expectations. Control on managerial performance is exerted through explicit *standards and measures of performance* that are mutually agreed upon and set. And in a clear attempt to move away from the rules/procedures focus of traditional public sector management, the evaluation focus is on *output controls* with the need to stress results rather than procedures. Thus, like in most private sector approaches, managerial performance is gauged *ex post* on the basis of results that are evaluated against targets that have been mutually spelt out prior to commencement of duties. This is clearly an outright emulation of what happens in recruiting and evaluating managerial performance in the private sector.

NPM goes on to prescribe a greater use of private sector styles of management practices in the public sector. It specifically mentions short-term employment contracts, strategic planning, performance agreements, performance-based pay systems, new MIS

systems and a greater concern for corporate image (Hood, 1991; Boston, et al., 1996). These are clearly aimed at changing worker attitudes from a public sector type complacency and status quo orientation to a more private sector type vigorous and pro-active orientation. *Monetary incentives* rather than non-monetary ones are emphasized in order to elicit compliance and generate worker enthusiasm.¹ The use of employment contracts for performance evaluations as well as the removal of the career system of employment is supposed to complement the monetary incentives in the compliance system.

The prescriptions mentioned here are only a few in a whole range of options that the NPM manager is allowed to choose from in his/her efforts to deliver expected outcomes. Additionally, in order to reinforce the triple-E (economy, efficiency and effectiveness) bottom line, NPM exhorts greater *discipline* and *parsimony* in the use of resources. Prescriptions in this regard include cutting direct costs, raising labour discipline, resisting union demands, and limiting 'compliance costs' to business. These are clearly focused on cutting costs on all fronts (material, labour, utilities, compliance, etc.).

Furthermore, in an attempt to ensure the adaptability of private sector styles of management in the public sector, NPM proposes *disaggregating* large public sector organizations into 'corporatized units around products' funded separately and interacting with one another on an 'arms-length' basis. This is clearly aimed at streamlining and removing size complications from cumbersome public entities so that it becomes easier to manage them in a private sector manner. Furthermore, in order to complete the *simulation*, NPM proposes the introduction of more *competition* in the public sector. The use of competitive public tendering procedures, term contracts and devolution is seen as a means of providing market-type competitive stimulus so that costs are lowered and delivery standards improved.

NPM, therefore, places at the disposal of the manager a whole range of already disproved, discarded, proven, modified and used approaches to management. The only substantive departure from earlier approaches to management lies in its emphasis on contracting out of services that would improve overall performance. However, even this is not entirely novel as it has been widely used in materials management where the use of supplier contracts has been recommended repeatedly (Schonberger, 1997). Subcontract

¹ This was the primary source of motivation prescribed by Scientific Management which has a heavy influence on New Institutional Economics, which in turn, has informed NPM.

ing was highly recommended as an efficient means of sourcing parts and components for manufacturers in the 1980s and 1990s. Furthermore, a case might be made for disaggregation being a distinctively different proposal, but organizational restructuring has always involved disaggregation, aggregation, etc. The disaggregation proposed by NPM therefore, does have its precursors.

Viewed from this perspective of means and ends, it appears that NPM can comprise any combination of management techniques/practices and approaches from the private sector models so long as the prescribed aim of efficiency, effectiveness and economy is achieved in public sector organizations. Developments in the use of NPM in the public sector have taken a number of forms including increased privatisation, delegation to local governments, competition, promotion of enterprise, deregulation, focus on service quality, and curtailment of trade union powers. All of these have been encapsulated in the now widely used term 'New Public Management' or NPM (Aucoin, 1990; Hood, 1991; Pollitt, 1995).

Stark's (2002) assertion that the context of NPM reforms has primarily been political and ideological goes to some extent in explaining the paucity in proposing means to realising the ends that are clearly specified as the objectives of NPM. The financial institutions which initiated the idea (International Monetary Fund, World Bank, Asian Development Bank) had to convince governments on the desirability of the new approach before they could be adopted. These governments, in turn, had to convince the populace involved that NPM offered the solution to widely identified problems plaguing both the public service and public enterprises.

From the perspective of politics and ideology NPM's focus on better service, lower costs, innovation, profit-orientation, better pay, higher dividend payouts, etc., are highly attractive proposals for the public. It is in specifying the means to achieving these outcomes that NPM becomes opaque. Its answer to this lies in recruiting a professional manager and letting him negotiate the path to specified objectives, unencumbered by too many institutional obstacles. In plotting this path, NPM managers have almost invariably had to make decisions that have been unpopular with the general workforce. Spelling out the means to achieving the aims of NPM is obviously a difficult proposition when viewed from the perspective of political popularity. Perhaps it is for this very reason that NPM is silent on this issue. Alternatively, this silence could be attributed to the fact that NPM does not really have any specific proposal that qualifies as being markedly different from existing approaches in private sector management even though it has been proposed as an approach to management.

POLITICAL-ECONOMIC ENVIRONMENT FOR REFORMS IN FIJI

After gaining independence in October 1970, Fiji was governed, until May 1987, by the Alliance Party under the leadership of Ratu Sir Kamisese Mara. The widely used post-colonial model of socio-economic development and nation building, characterised by import substituting industrialisation policies and heavy reliance on the public sector to generate growth, also found its way into government policy in Fiji during this period.

After the initial economic upturn after independence, Fiji began entering a recessionary phase. Much of the 1980s saw weak economic growth, rising unemployment, and depressed investment levels. In this climate labour agitation began to gain momentum. The Tripartite Forum mechanism, based on the Singaporean model of cooperation between government, industry and labour, began to see cracks emerging. Established in 1976, the tripartite mechanism seemed to work for about 6 years. By the early 1980's unions increasingly found that their views were repeatedly being ignored. Leckie argues that in the 1980s, deliberations of the Tripartite Forum were often reduced to a level of servile consultation undertaken in an often paternalistic and autocratic framework (1990: 60-61). In 1984, the Alliance government imposed a wage freeze without any discussion in the Tripartite Forum. The announcement, during the presentation of the 1985 national budget in Parliament, shocked the unions, which then declared that the Tripartite Forum had ceased to exist. The trade unions mobilised their frustration and established a political party named the Fiji Labour Party (FLP).

The wage freeze, a first substantive step in the direction of public sector reforms, was seen to be part of a process required to improve efficiency and reduce burgeoning costs in the civil service. At the same time, the effects of the global trend towards deregulation could not be ignored. Thus 1985 marked an interest in aligning government policy with changes that had become a part of the worldwide phenomenon of globalisation. National policy in Fiji began being actively influenced by the push for an 'outward' focus. Mechanisms were put in place to attract foreign investment and encourage exports. This orientation was given greater impetus by the economic downturn due to the military coups in 1987. Increasing worker grievances, coupled with a strategic political alliance between the Fiji Labour Party (FLP) and the National Federation Party (NFP), led to the downfall of the Alliance government in April 1987. One month later, a coup d'etat deposed this government. The economy almost collapsed. Fiji was forced to undertake drastic measures to retain and attract much-needed investment. The panacea was Tax Free Zones

(TFZs). Established in 1989, these zones began attracting investments, mainly in the garment and footwear industries.

The period following the May 1987 coup is significant in the context of this paper because it disrupted government plans towards continuing economic reforms and restructuring in the public sector as visualised by the government earlier. A period of extreme political uncertainty followed the 1987 coups; it lasted well after the first post-coup election in 1992 under an ethnically weighted constitution promulgated in 1990. The election brought coup leader, Colonel Sitiveni Rabuka, to power for the first time as an elected Prime Minister. Political jockeying dominated the early stages of his Prime Ministership as he had barely out-manoeuvred Josevata Kamikamica, a Mara protégé, to the position. This rivalry led to the defeat of the 1994 budget and forced a snap election in 1994, which brought Rabuka, and his SVT (*Soqosoqo ni Vakavulewa ni Taukei*) government back to power. With internal bickering nipped out, the Rabuka government began consolidating itself. But it continued to face international condemnation as well as a continuing lack of investor and consumer confidence. A new institutional framework in the form of a new democratic constitution was deemed imperative for the country. The years to 1996 featured intense political lobbying to begin work on a new broad-based constitution that would be more reflective of the aspirations of the majority of the people of Fiji.

Within this backdrop of political instability following the 1987 coup and the assertive emergence of Rabuka as the democratically elected Prime Minister of Fiji in 1994, Fiji went through a period of extreme fluidity and unpredictability in public policy making and administration. Public accountability and principles of good governance were rapidly compromised as expectations of certain sections of the community as well as individuals had been raised; the easiest way to meet these expectations and tastes was through cronyism, nepotism, patronage, etc., which became the norm in the civil service (Lal and Vakatora, 1997). Political imperatives had tended to push restructuring into a position of secondary importance on the national agenda. Efficiency was not considered to be the prime objective, though public proclamations on the need for raising efficiency in the public sector were often made. The result was an onslaught of political, economic and financial crisis. The revelations of major corrupt deals at the state owned National Bank of Fiji (NBF), which had figured prominently in the government's efforts to meet and encourage the economic aspirations of certain preferred sections of the community (Grynberg, et al. 2002), began to show the gulf between the

rhetoric of reforms and its actual practice. The NBF was used as a vehicle to reward cronies of the regime. The Bank declared technical insolvency; by 1995, it was reported that the Bank was making a loss of some \$250m (*The Review*, November 1995). When the NBF scam became publicly acknowledged in late 1995, policy makers had begun to see the possibility of covering the resultant \$250m which was needed to bail out the bank via the sale of public assets proposed in government's public enterprise restructuring programs (Grynberg, et al., 2002). Thus the restructuring agenda resurfaced with urgency and finally, partly because of the NBF saga, in 1996 the Public Enterprise Act came into being. This was the first attempt at articulating Public Enterprise reforms in Fiji within the framework of NPM.

The structural adjustment policies of the SVT government from 1996 to May 1999 centred on private sector led development. Restructuring the public sector was given top priority. It also dominated the dialogue on economic development and growth. Restructuring involved corporatising public enterprises and selected government departments, and then aiming to sell shares in these corporations to the private sector. The Government embarked on a series of restructuring programs that led to the creation of Telecom Fiji Ltd, Post Fiji Ltd, Airports Fiji Ltd., Civil Aviation Authority of the Fiji Islands, etc. A total of 16 government departments and statutory bodies were reorganized during this period (Department of Public Enterprises, 1998).

With the SVT's defeat in the 1999 elections and subsequent coming of the Peoples' Coalition Government under the leadership of former unionist Mahendra Chaudhry, policy focus shifted to quasi-privatisation or corporatisation. Widely publicized industrial disputes at Airports Fiji Ltd and union struggles against the SVT government's reform program, had moved public opinion considerably against the SVT government as well as the public sector reform program as proposed by the Rabuka government. The new government's aim appeared to be to plug job losses that had accompanied restructuring, and to bring about a more professional approach to managing public enterprises before considering changes in ownership of the enterprises. The SVT government's restructuring programs were thus shelved during the Chaudhry reign. The buzzword was 'roll-back' (of the Rabuka era reforms). But the Peoples' Coalition Government was subsequently removed by another intriguing coup in May 2000. This had further implications for public enterprise reforms.

After the social and political upheavals of 2000, an interim administration took over for about a year before elections took place

in August 2001 The new government revived the Rabuka era public sector reforms and restructuring, and declared a renewed commitment to it. In his address to the Fiji Employers' Federation's AGM on 29 September 2001, for example, the Prime Minister Laisenia Qarase had the following to say:

We must have an intensive program of public sector reforms to improve the delivery of public goods and services and the allocation of resources. Under-performing public enterprises will be restructured and made more competitive and accountable. While the State will not privatize those public enterprises of national strategic importance like Airports Fiji Ltd, government will sell some of its shareholding in selected companies like ATH [Amalgamated Telecom Holdings] to broaden public ownership and create more investment opportunities for indigenous Fijians and Rotumans (*fijilive*, 30 September 2001).

Qarase's SDL (*Soqosoqo ni Duavata ni Lewenivanua*) government thus pledged that public sector reforms, in line with the prescriptions by the major proponents of reforms like the international financial institutions, were going to be pursued with renewed vigour, and public enterprise restructuring was going to be the focus of government policy. But to this was added the quest to raise the participation of ethnic Fijians in the reform process.

A major aim of the Qarase government's reform is to save \$95 million a year from civil servant salaries during 2003-2005 (*fijilive*, 3 April 2003). Presumably, some of this savings will accrue from public enterprise restructuring. Qarase has clearly stated his priority, and that is to cut down the size of the civil service. However, he has also stated that redundancies is not an option and that attempts would be made to ensure that minimum pain is caused due to the reforms (*fijilive*, 3 April 2003). This is an undertaking worth noting because earlier attempts by the Rabuka government to reform the public service and restructure public enterprises was widely equated with redundancies by the public.

Having discussed the environment within which public sector reforms were proposed and carried out, let us now see the content of the reforms in the different phases of their implementation.

PUBLIC ENTERPRISE REFORMS IN FIJI

Mention of public enterprise reforms began in the late 1980's. But as a part of government policy, the reforms were first introduced in 1992 during the government's 1993 budget address to

Parliament. This was 4 years before the Public Enterprise Act was put in place. Justifying the reforms, the government claimed that the public enterprises were operating at unacceptably low levels of efficiency and effectiveness. Some of the reasons identified for this included a lack of accountability, over-staffing, corruption, cronyism, etc. (Department of Public Enterprises, 1998: 6). It also claimed that a disproportionate share of domestic credit had been absorbed by malfunctioning public enterprises, presenting an unacceptably heavy burden on taxpayers.

By 1998, 16 government departments and statutory bodies had been re-organized or had undergone some sort of reform. Another 6 were identified for some form of restructuring and a further 8 had already been moved into (or were set to be moved) partly or wholly into the hands of the private sector (Department of Public Enterprises, 1998). At that point, government's investments in public enterprises totalled more than \$800m. Return on assets stood at 2.7% on average whereas government's cost of funds was 8.5%. The government set the required return on assets at 15%. Clearly, this target was far from being met and drastic measures had to be taken to change public enterprise performance, which was draining the government of an estimated \$25m a year in terms of tax losses and other opportunity costs (Department of Public Enterprises, 1998).

Apart from these *internal* pressures for reform, a number of *external* pressures also played a role in public sector reforms in Fiji. Globalisation had impacted on Fiji heavily. The public sector reform movement, which started in the West in the late 1970s, had swept the developing world as well (Turner and Hulme, 1997). The winds of change also reached Fiji. Furthermore, implementation in Australia, coupled with apparent widespread successes in neighbouring New Zealand (Duncan and Bollard, 1992), prompted a relook at the public sector in Fiji. Donor agencies, particularly the IMF, World Bank and the Asian Development Bank, had also begun to insist on reforms.

Because of the political and economic uncertainties and instability in the country, the implementation of the reforms can be clearly marked into various unique stages.

The First Stage (1989–95): The 'Muddling-Through' Stage

The 1989-1995 stage is broken into two components - the 1989-1992 component when a number of public enterprises were actually restructured; and 1993-1995 when there was no actual restructuring but two important policy documents were produced by

the Ministry of Finance and Public Enterprises.

By 1989, the military installed regime of Ratu Sir Kamisese Mara had begun to respond to the crippling economic crisis. In the absence of a Parliamentary opposition, the regime endorsed structural adjustment as the solution to the ills of the nation. The solution included trade liberalisation, liberalisation of the labour market, amending the tax system so as to increase reliance on indirect taxes, and, for the public sector, public sector reform. Public sector reforms included intentions to reduce the size of the government in the economy. This was to be achieved by reducing the size of the civil service as well as by carving out certain departments of the government and making them stand on their own feet. The latter was to be achieved through corporatisation of the departments. The ultimate aim of the reforms was to privatise the public enterprises.

The first step towards the reforms was taken by creating a separate unit within the government to deal with public enterprises. This unit, called the Public Enterprise Unit, was established in 1989 within the Ministry of Finance. By 1993, the unit had acquired the status of a Department.

The reforms incorporated policy making as well as management practices. Protective measures that had propped up some public enterprises and presented them with a competitive advantage in the market, or with monopoly status, were to be gradually eliminated. At least this was the proclaimed intention of the reforms. The earlier supportive measures had included subsidies, guaranteed access to credits under government bonds, and a monopoly status.

During 1989-92, four public enterprises were corporatised. These were the Post and Telecommunications Department which was corporatised into the Fiji Post and Telecommunications Ltd. (FPTL), the IKA Corporation, where accounting procedures were changed, the Fiji Pine Ltd, where together with the accounting procedures, the structure was also changed, and the National Marketing Authority which was corporatised into National Trading Corporation (NATCO).

This initial phase (1989-92) was followed by a hiatus (1993-95), as the desired outcomes of the reforms already undertaken had not materialised. Problems identified included multiple and often conflicting objectives; lack of commercial focus; lack of accountability on performance, leading to a lack of incentives for improved efficiency; government intervention in decision making; protection from competition; and continued reliance on financial support from government (Department of Public Enterprises,

1998). In the meantime, a Public Enterprise Reform Programme was developed and approved by cabinet in October 1993. The period 1992-95 can be seen as a policy-drafting phase. During this period, two other important policy documents were produced by the Public Enterprises Unit (1992) and the Ministry of Finance and Public Enterprise (1994). One of these was a precursor to the Public Enterprise Act 1996, and the other a precursor to the Public Finance Management Act 1999. Both these documents, however, lacked the thoroughness and the coverage scope which the Acts encompassed.

Reddy (1998) analyses the performance of the public enterprises in this first phase. He argues that one of the main reasons for the poor performance was that only the legal status of the organisation had changed leaving the work culture intact. Accountability measures were either inadequate or not used. There was also a lack of conceptual and legal framework for the reform process; and the traditional style of management still persisted.

The private sector also reacted to the structural adjustment package. There was vocal opposition by sections of the business community to trade liberalisation as for the first time, some of them felt the brunt of competition. In a paid advertisement in *The Fiji Times* (9 November 1995: 11), the Fiji Manufacturers' Association (FMA) specifically asked government to restore a balance in the government's deregulation policy, create employment and protect local jobs, enhance export of Fiji made products in line with government's export led growth objective, operate truly and fully within the provisions of the GATT/WTO treaty, and enforce and ensure fair trade practices within the ambit of the fair trade decree. Because the government was selling the reform policies as a package, the criticism against trade liberalisation was also seen as a criticism of the entire structural adjustment programme. This appeared to prompt the Public Enterprise Minister Isimeli Bose to question 'whether it is wise to open up deregulation and bring in things which undermine our own industry which employs our people' (*Fiji Times*, 21 October 1996). Complaints were also directed against other measures of public sector reform. But despite this, the reform process continued.

The Second Stage (1996–98): Legal and Administrative Framework

In October 1996, about ten years after the first serious attention by the government at public sector reform, a Public Enterprise Bill went through the Parliament to become a law. The Public En

terprise Act necessitated the establishment of a Ministry of Public Enterprises. It also provided the conceptual and legal framework for public sector reforms. The Act laid out 3 stages in the reform process. The first was to introduce measures to reorganize, commercialise and corporatise public enterprises and to improve their accountability. The second measure was to enhance competition in the market in which the public enterprises operate. The third measure was to privatise the restructured public enterprises.

The Public Enterprise Act, therefore, provided a clear mandate to commercialise, corporatise and privatise state owned enterprises. The objective was to increase economic efficiency and accountability in government commercial enterprises, and promote competition in markets by removing barriers to entry. A number of reasons were forwarded to justify the Public Enterprise Act.

First, in the traditional public administration model, the decision making process was often influenced by considerations other than organizational performance. It was thus hoped that management decisions free from bureaucratic interference would be more effective and efficient. Secondly, it was acknowledged that government services to customers needed quality improvements. Exposing public enterprises to the competitive forces of the market would hopefully lead to higher and more appropriate levels of service for customers. Thirdly, public enterprises had proven to be a considerable consumer of limited government funds. Losses from public enterprises over 1993-97 averaged \$11m a year. Government equity in the 21 public enterprises exceeded \$600m in 1995 (Department of Public Enterprises, 1999). Cutting the umbilical cord of reliance on government would both remove this financial burden and establish the possibility of realising dividends for taxpayers. This would bring a fourth advantage of releasing government to redirect its limited financial resources to high priority social areas. The potential dividend payouts from restructured public enterprises would also help boost the treasury. Poor returns had been seen in both dividends and tax payments by the enterprises. Return on Assets for public enterprises between 1992 and 1996 was only 2.7%. Government expectation was set at 15%. On the other hand, income tax on profits foregone between 1988-1995 was estimated to be around \$50m (Department of Public Enterprises, 1999). Restructuring was needed to change these unacceptable levels of performance. Fifthly, it was felt that the civil service-type career paths did not provide public enterprise employees with enough challenge and opportunities to develop to their full potential. The restructured public enterprises would provide more relevant and meaningful career paths for staff. And

finally, it was hoped that the introduction of public enterprises to the market would lead to a more competitive and vibrant economy. This would, in turn, lead to job creation in other industries through the contracting out of services previously supplied in-house and through other linkages.

There was widespread criticism on the issue of ministerial powers when the Public Enterprise Bill was first tabled. The Bill was referred to a parliamentary sub-committee, which highlighted and prepared guidelines for three potentially contentious areas. The first area was *consultation*: the Public Enterprise Minister must consult with the Finance Minister, the line ministry² and the cabinet on any issue affecting the industry in which the public enterprise operates. He was not legally required to consult unions, employers' federations, chambers of commerce's, etc., even though he/she could choose to do so. The second area focused on the power of the public enterprise minister in giving a *directive* to a public enterprise. The public enterprise Minister had the powers to give a directive to both the public enterprise in question as well as the industry as a whole. The third area focused on the question of *redundancy*. The Bill stated that redundancy should only be considered as a measure after exhausting all other avenues. In this regard government had special responsibilities as a shareholder as well as the custodian of public funds. The sub-committee was satisfied with the importance of these three contentious areas and left them in the Bill. The Bill became an Act. Restructuring of public enterprises thus finally had a legal policy framework. Restructuring, however, was stalled until 1998 as 1997 and part of 1998 were taken up in establishing an administrative mechanism for the reforms.

The Third Stage (1998–May 99): Implementation of Reforms

After the enactment of the Public Enterprise Act (1996), public enterprise restructuring did not feature prominently on the government's public agenda until 1998. In August that year, speaking at the Fiji Council of Social Services annual conference in Nadroga, the Permanent Secretary for National Planning, Robin Yarrow clarified the government's position on reforms saying that the targeted reduction in the size of the government was not to affect basic services provided to the people. A major aim of the reforms, he stated, was 'to create a more efficient and effective government that costs the taxpayer less' (*Fiji Times*, 18 August 1998: 5). The

² A line ministry is the ministry under which the restructured public enterprise operated prior to restructuring.

reduction in the size of government, therefore, was not to be at the expense of providing basic services like health, education, welfare, infrastructure and utilities. He reiterated that government would have a greater focus on general policy development and coordination, while reducing its involvement in service provision. Government envisaged that the reforms would encourage the private sector and NGOs to expand and develop to provide more economic opportunities and benefits for the people.

Later, the Finance and Public Enterprises Minister, Jim Ah Koy reiterated the official stance saying that government needed to work smarter. Therefore, he argued, it made sense to allocate resources to those areas that could use them more effectively, and to areas that promised the best returns. He proposed that the whole reform process was aimed at redefining the functions and roles of government and letting the private sector deal with non-core government businesses. Government would retain controlling majority ownership either on its own or with the people through the Fiji National Provident Fund Share Ownership Scheme. On an upbeat note he said that there was no weakness in the reform program: 'We have a win-win situation. We receive value for the portion of our assets sold, yet we will still enjoy higher returns on our remaining ownership, and as a bonus, retain those returns within Fiji for more capital developments', he argued (*The Fiji Times*, 7 November 1998: 3).

The Fourth Stage: The Roll Back Phase (May 1999–May 2000)

The restructuring process was both halted and turned back when the Fiji Labour Party (FLP) came into power after the 1999 general elections as the Peoples' Coalition Government. The main features of this process were the reinstatement of workers made redundant, re-centralization, and internal restructuring.

The FLP's close connection with trade unions and adherence to the general labour principles led it the new government, soon after it came into power in May 1999, to reinstate 400 workers sacked by Airports Fiji Ltd (AFL). This was also in accordance with a popularly publicised pre-election pledge (*The Fiji Times*, 19 June 1999). Soon after that, the Housing Minister ordered the Housing Authority (HA) to take back three workers who had been laid off in the process of implementing a performance based job contract system.

The previous SVT government had restructured Fiji Electricity Authority (FEA) into three separate entities: Powergen Fiji, Powerlines Fiji and Megapower Fiji. This process was reversed by the Labour government in 1999 with a re-consolidation of the 3 com

panies into FEA once more, with the directive that the companies seek internal efficiency. The creation of Fiji Water Corporation was reversed with the Ministry of Works' Public Works Department resuming all responsibility for water and sewerage in the interim, and the announced intention of splitting the Public Works Department into three specialist areas (Roads, Water and Construction/Maintenance). Furthermore, the Government Supplies Department and the Government Printing and Stationery Department, which were in the process of being corporatised and eventually privatised, were halted and internal restructuring promised. The government had also decided to not only take back the workers made redundant when the Department of Marine sold the shipbuilding operations under controversial circumstances, but it also re-acquired the shipbuilding business for the state. In the media industry, where the government owned the *Daily Post*, the government decided to bring about internal efficiency first before considering its fate.

The new government's approach was that instead of selling profitable and potentially profitable state owned enterprises, a better approach was to initiate internal restructuring so as to improve efficiency within the enterprises. This required appropriately qualified members to be appointed to the boards of the enterprises, and top quality management to be recruited. The results of this approach were clearly seen in the Housing Authority. With a change in the Board of the Authority and some senior management personnel, together with closer scrutiny of finances and projects by the government, not only did the Authority get rid of corruption and inefficiencies, but it also began implementing a policy of reducing the interest rates from 11.5% to 6% for low income earners. For other enterprises, results had begun flowing in, but the coup in May 2000 could not let the process produce the desired outcome.

The Fifth Stage: Reforms Recommence

In September 2001, the newly installed SDL government announced that it was recommencing with the reforms as started by the SVT government. In his address to the reconvening of the Parliament, the President Ratu Josefa Iloilo stated that the public sector reform program included reforms in the civil service, the financial management system and public enterprises. He highlighted that the essence of all these reform programs was to make the government and the public service more cost efficient, more accountable, transparent and effective in delivering targeted outcomes. Labour reforms were also highlighted. Government

would, it was announced, work through the Tripartite Forum to devise reward systems directly linked to productivity gains. In this regard, the government promised to promote enterprise bargaining, free access to skilled labour, provision of more training opportunities, and encouragement of multi-skilling as well as provision of re-skilling training programs and improvement of labour market information to assist job seekers and employees. Employment creation in the formal sector and creation of opportunities in the informal sector through assistance programs and initiatives were to be prioritised (Daily Post, 4 October 2001).

Consequently, the Public Service Financial Management Reform (FMR), which was earlier suspended because of doubts on whether it was feasible for Fiji, was reactivated. This targeted inefficiencies and wastage in public funds by introducing top of the range IT systems costing the government many millions of dollars. The suspension of the project, done by the People's Coalition Government, was on account of the irrelevance of the project design for the Fiji environment. Before the People's Coalition Government came into power, millions of dollars worth of computers were purchased in an environment where computer literacy was low. Licence for the world famous SAP software was acquired in 1998 for a \$2m annual fee; to date, the system has not been put in place though the government continues to pay the annual licence fee. An ADB review of the project in 1999 called for a slower pace of implementation of the project than a 1998 schedule. The Qarase government has since gone ahead to implement the project. It has also decided that the Public Finance Management Act (1999), sections of which were deferred in 1999, would also be put back on track. The Public Finance Management Act, however, continues to remain unaligned with the Public Enterprise Act (1996) and the laws currently governing public service operations and conduct.

In 2002, an IMF delegation recommended to the new government an acceleration in the pace of structural reforms. The delegation argued that an accelerated pace in the reforms would achieve fiscal consolidation, as well as efficiency in public sector management and government's financial management, as well as remove the obstacles to investment. It encouraged the dismantling of price controls and further privatisation of public enterprises (*Fijilive*, 13 September 2002). Public sector reforms and public enterprise restructuring are, therefore, very much a part of national policy agenda in Fiji at this point in time.

ANALYSIS AND DISCUSSION

Public Enterprise restructuring is part of the total public sector reform program that commenced in Fiji in 1985. In tracing the reforms, it can be seen that there have been phases in which public enterprises have been restructured, and phases where the processes have been halted or reversed. These phases have been dictated primarily by prevailing economic and political circumstances and agendas. In 1985, the Alliance government imposed a wage freeze, which has been recognized as a significant first attempt at public sector reform. This triggered the birth of the Fiji Labour Party (FLP), a political party that sprang from the consequently disgruntled trade union movement in Fiji. The FLP was to feature in a change of government less than two years later, in April 1987. This was followed by a coup d'état the very next month. The period May 1987 to 1990 was characterized by extreme political uncertainty. A constitution was promulgated in 1990 to bring about a constitutional government, but this did not have broad-based support within the country. The period 1990 to 1992 saw a further extension of political intrigue and lobbying until the 1992 elections brought the coup-maker Sitiveni Rabuka in as the elected Prime Minister. The years 1992 to 1995 involved attempts by Rabuka to consolidate his Prime Ministership. Given this background, it is not surprising that public sector reforms did not take priority on the national agenda during this period even though four public enterprises were restructured to various extents between 1989 and 1992.

Substantial changes to the government-public enterprise relations began to appear only after 1996 when the Public Enterprise Act came into force. The Act was based on the NPM model. The reform process finally had a conceptual and legal framework even though government utterances reflected considerable confusion on its acceptability and ramifications. In 1998 and part of 1999 public enterprise restructuring was carried out with vigour in Fiji. The privatisation attempt was clearly linked with the fiscal crisis in the country. With a very weak economy and lack of investor confidence, on the one hand, and the lack of a will by the government to curb expenditure on the other, a major fiscal crisis developed. Added to the above was the need to bail out the National Bank of Fiji, which had almost collapsed due to corruption and mismanagement. The government had to sell shares in state owned, now corporatised, enterprises. The sale of a considerable number of Telecom (Fiji) Ltd shares to FNPF, reportedly at inflated prices, was clearly linked to attempts to present an acceptable budget in light

of the \$250 million shortfall that had emanated from the demise of the National Bank of Fiji (Grynberg, et.al. 2002). This was followed by a rush to restructure other public enterprises and government departments. The Civil Aviation Authority was broken into two components, the Civil Aviation Authority of Fiji Islands (CAAFI) and the Airports Fiji Ltd (AFL). The government's marine department was split into two as well, the Maritime and Ports Authority of Fiji (MPAF) and the Ports Terminal Ltd (PTL).

These measures had attracted significant bad publicity because of job losses. The fall of the SVT government in 1999 has also been attributed to, at least in part, the escalating job losses due to public enterprise restructuring (Lal, 2000). The FLP-controlled Coalition Government that replaced the SVT government was mindful of this consideration when it rolled back the program and began internal restructuring.

Following the rise of the SDL government in 2001, public enterprise restructuring as introduced in the early stages of the reform era in Fiji, has come into focus once again. A major concern of this government has been to encourage and assist ethnic Fijians in participating more significantly in the country's commercial sector. In this regard, the government has drafted and implemented a 'Blueprint', a part of which mentions the inevitable commercial opportunities that are likely to arise as a result of public sector reforms and, in particular, public enterprise restructuring. The Blueprint has subsequently been adopted as government policy; in December 2002, the government took out regulations under which half of all Government contracts are now being reserved for companies where indigenous Fijians have majority shareholding.

It can be seen from the five stages discussed here that public enterprise restructuring has taken place amid a backdrop of political instability that has characterised Fiji for most of the time since 1987. This has not only impacted on the implementation process directly, but also served to distort its conception and formulation. On occasions when governments have embarked on it in a concerted manner, considerations other than a clear commitment to organizational efficiency, effectiveness and economy prescribed by NPM have been given greater priority. In 1998, the SVT government saw the restructuring of Telecom (Fiji) Ltd. as a means to balancing its upcoming budget. Later it seemed to be more concerned about starting the process in a number of enterprises before the upcoming elections in 1999 which it saw as a mere formality as its victory appeared assured. The rush towards this, however, led to suspicions that there were vested interests which were aiming to purchase chunks of the enterprises when they were put to sale

after the corporatisation process was completed. Following the SVT's defeat in the 1999 elections, the process was stalled by the Coalition Government as per a pre-election pledge. However, a number of useful questions were posed on the whole concept of public enterprise restructuring itself at this point in time. With the arrival of the SDL government in 2001, the process has been linked to the 'Blueprint' for ethnic Fijian progress where 50 per cent of all public contracts are set to be awarded to Fijian-controlled business concerns. This places a significant constraint on the efficiency and market-control concerns of NPM. The effects of this should become clearer as the process progresses further.

CONCLUDING REMARKS

It is clear that the conceptualisation of the approach to public enterprise reforms in Fiji has been founded on the New Public Management (NPM) model. This was made possible because of institutional support from international organisations like the World Bank, the IMF and the Asian Development Bank, all of which encouraged the government to engage in public enterprise reforms. The motivation for the reforms within Fiji, particularly within the decision making groups, however, seems to be varying. Objectives like raising funds for the state from the sale of public enterprises, or trying to sell sections of the enterprises to interest groups, seem to be the motivating factors within Fiji. Support for the reforms within the enterprises have also been because of the expectation of unfettered control over the organisation as well as the significant possibilities of improvements in remuneration and working condition packages for the higher management cadre. Therefore, both the process and the impacts of the reforms remained unclear because of the interplay of the unstable political environment and vested interests. The political and institutional environment gave rise to conditions where the main motivation for the reforms seemed to be the very opposite of those which motivated theorists to propose such reforms as a solution to the poor performing public enterprises and the state sector generally.

The absence of a conceptual and legal framework was considered to be a central problem prior to the enactment of the Public Enterprise Act in 1996. From the perspective of politics and ideology the new public management model's focus on better service, lower costs, better pay, higher dividend payouts, etc. seemed attractive proposals for the public. But in actual practice, there was a marked lack of achievement of these professed objectives over the

years. This, coupled with the general perception that restructuring leads to redundancies, has dimmed its political appeal for a considerable section of the Fijian public.

The NPM model's answer to realizing the objectives of efficiency lies in large part, in recruiting a professional manager and letting him negotiate the path to specified objectives, unencumbered by institutional obstacles. The problem of political interference, however, continues to plague public enterprise restructuring in the country. This is largely because concern for popular appeal has generally contradicted hardcore management decisions. The imposition of political objectives has created a significant distortion on expectations from the process. This has also tended to remove focus from the essential organizational performance and efficiency orientation of NPM. Thus NPM's fundamental objective of creating an innovative, flexible and more entrepreneurial culture within former public sector organizations remains largely unrealised in Fiji.

The imposition of unclear political objectives into the framework of public enterprise restructuring has partly been possible because NPM has gaps in prescriptions even though it has the popular focus of enhancing performance in sluggish public sector organizations. There is very little in the NPM model that acknowledges the peculiarities of the Fiji context. It is largely for these reasons that public sector reforms in general and public enterprise restructuring in particular, are likely to have mixed results in Fiji. Aligning political considerations with the performance concerns of public enterprise management has been a major challenge that has impacted negatively on public enterprise restructuring in Fiji. There appears to be room, therefore, for the development of alternative models for achieving performance improvements in the public sector.

References

- Arrow, K.J. (1963) *Social Choice and Individual Values*. New York: Wiley.
- Aucoin, P. (1990) 'Administrative Reform in Public Management: Paradigms, Principles, Paradoxes and Pendulums'. *Governance* 3 (2): 115-37.
- Barzely, M. (1992) *Breaking Through Bureaucracy: a new vision for managing in government*. Berkeley: University of California Press.
- Boston, J., J. Martin, J. Pallot, and P. Walsh (1996) *Public Management. The New Zealand Model*. Auckland: Oxford University Press.
- Daily Post*. Suva, Fiji.
- Department of Public Enterprises (1999) *Overhead Presentation Slides: Public Enterprise Reform Program*. Suva: Ministry of Commerce, Industry, Cooperatives and Public Enterprises.

- Duncan, I. and A. Bollard (1992) *Corporatization and Privatization: Lessons from New Zealand*. Auckland: Oxford University Press.
- Friedman, M. (1953) *Essays in Positive Economics*. Chicago: University of Chicago Press.
- Grynberg, R., D. Munro and M. White (2002) *Crisis: the Collapse of the National Bank of Fiji*. Suva, Fiji: The University of the South Pacific Book Centre.
- Hayek, F.A. von (1978) *New Studies in Philosophy, Politics, Economics and the History of Ideas*. London: Routledge and K. Paul.
- Hood, C. (1991) 'A Public Management for all Seasons'. *Public Administration* 69 (1): 3-19.
- Hood, C. (1995) 'The "New Public Management" in the 1980s: Variations on a Theme.' *Accounting, Organizations and Society* 20 (2/3): 93-109.
- Kettl, D.F. (1997). 'The Global Revolution in Public Management: Driving Themes, Missing Links'. *Journal of Policy Analysis and Management* 16 (3): 446-62.
- Lal, B.V. and T.R. Vakatora (ed) (1997) *Fiji in Transition*. Suva: School of Social and Economic Development, University of the South Pacific.
- Lal, B.V. (ed) (2000) *Fiji Before the Storm: elections and the politics of development*. Canberra: Asia Pacific Press at the Australian National University.
- Ministry of Public Enterprises and Public Sector Reform (2001) *Annual Report for the year 2000*. Parliamentary Paper No: 37, 2001. Suva, Fiji: Parliament of Fiji.
- Ministry of Public Enterprises and Public Sector Reform (2002) *Corporate Plan 2002*. Suva, Fiji.
- Niskanen, W.A. Jr. (1971) *Bureaucracy and Representative Government*. Chicago: Aldine Publishing Company.
- Osborne, D.E. and Gaebler, T (1992) *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. New York: Penguin Books.
- Pollitt, C. (1993) *Managerialism and the Public Services*. Cambridge, MA: Blackwell Publishers.
- Pollitt, C. (1995) 'Justification by works or by faith?' Evaluating the New Public Management'. *Evaluation* 1 (2).
- Rabuka, S. (2000) 'Fiji Islands in Transition: Personal Reflections'. In B.V. Lal (ed), *Fiji Before the Storm: elections and the politics of development*. Canberra: Asia Pacific Press at the Australian National University.
- Reddy, N. (1998) 'Culture Change in Corporatized Organizations in Fiji'. Paper presented at the Sietar Congress '98, on Dialogue for Creating a Global Vision, 20-24 November, Reitaku University, Japan.
- Reddy, N. (2001) 'Public Sector Reforms in Fiji Revisited: Policy Makers' Dilemma in an Environment of Political Uncertainty'. Paper presented at Pan Pacific Conference XVIII, May 2001, Chile.
- Review*, Suva, Fiji: Associated Media Ltd.
- Rosenbloom, (1998) *Public Administration: understanding management, politics, and law in the public sector* (4th ed). New York: McGraw-Hill

Companies.

- Savoie, D.J. (1995) 'What is Wrong with the New Public Management?' *Canadian Public Administration* 38: 119-20.
- Schonberger, R. and E.M. Knod, Jr. (1997) *Operations Management: customer-focused principles*. Chicago: Irwin.
- Stark, A. (2002) 'What Is the New Public Management?' *Journal of Public Administration Research and Theory* 12 (1): 137-51.
- The Department of Public Enterprises (1998). *Towards A Better Fiji*. Suva, Fiji: The Department of Public Enterprises.
- The Fiji Times*. Suva, Fiji.
- Turner, M. and Hulme, D. (1997). *Governance, Administration and Development*. London, Macmillan.
- World Bank (1993) *Pacific Island Economies: Towards Efficient and Sustainable Economic Growth – Volume 2: Fiji: Country Economic Memorandum*. Washington D.C. The World Bank.
- World Bank (1998) *Enhancing the Role of Government in Pacific Island Economies*. Washington D.C.: The World Bank.
- www.fijilive.com
- www.fijivillage.com

Subhash Appana is Lecturer in Management and Public Administration, The University of the South Pacific, Suva, Fiji. He is currently on leave completing his PhD at the Department of Management and Employment Relations, The University of Auckland, Private Mailbag 92019, Auckland, NZ. Email: s.appana@auckland.ac.nz