

## NEW PUBLIC MANAGEMENT (NPM) PARADIGM IN GEORGIA

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### Abstract

New Paradigm of the public administration, under the name of “new public management” acquired the actual importance in the late 70s and early 80s of the 20<sup>th</sup> century, while the new view on public administration finally opposed the traditional concept of public sector administration and started to find effective ways to solve the problem<sup>33</sup>. New public management concept is based on the classic theories of the public sector management and the synthesis of private sector management experience, it is closely linked to the quality and productivity problems in the government. The basic postulates of which is based on the essence of the New Public Management, in the implementation process of Public administration is focused on product, internal processes and customer service, decentralized responsibility and central management; employee qualification and motivation, teaching and and public impact-oriented administration. An attempt to implement new public management (npm) concept in Georgia started since the country gained its independence. However, since 2004 as a result of the governmental changes in the country radically changed the situation, conducted wide-scale reforms in the direction of improving and optimizing the public administration system in the public sector, where emerging the challenges and opportunities implementation of the basic postulates of New Public Management reform programme. Mentioned process is still actively underway in Georgia. The government is trying to establish the final version of social impact oriented public administration.

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**Keywords:** New public management (npm), Public Administration, the public sector, flexible state

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<sup>33</sup> Gernod Gruening, Origin and theoretical basis of New Public Management, International Public Management Journal, Hamburg, Germany, 4 (2001), p. 1.

## Introduction

Increasing of the new public management ideas significantly contributed to the criticism of economic policy pursued by Thatcher (UK) and Reagan (US), namely public discontent was growing along with the growth of state intervention in social processes, which led to the public to focus on the simplification of bureaucratic procedures, reduced government spendings, effective management processes and helped the formation and development of so called “Flexible state” idea, and then the New Public Management<sup>34</sup>. New Public Management is a combination of interdisciplinary reserch aspects about administration which means human resources, finances, physical capital, information and political resource management in the process of planning, organization and control functions using<sup>35</sup>. New public management is normative conceptualization of public administration which consists of several interrelated components: Supply of high quality goods and services for public purposes; increase of the autonomy for Public sector managers; Human and technology resource availability; Rewarding opportunities for organizations and individuals according to the pre-determined target indicators; Availability of healthy competition and more involvement of private sector Achieve public goals<sup>36</sup>. Despite the fact, that using the form of new public management in various countries are different, the reform program consistently tries to creat mission- oriented, decentralized and incentive-based organizations. Effectiveness of New Public Management concept has been proved by the experience of countries, such as: USA, New Zealand, UK, Canada etc<sup>37</sup>. In addition, it is known also that implementation of NPM paradigm could potentially lead the implementation of the State Administration in the old style at the initial stage. However, its implementation would require changes in the bureaucratic structures, in their attitudes and behaviors. The bureaucracy breaks the traditional boundaries of its power in NMP conditions. It is results-oriented instead of the Control-oriented and directs with the outdated role of Defender of the law. NMP should ensure more transparency and accountability in the prosess of State Administration. Georgia's public administration system is partly focused on the use of new public management paradigms. The country's public administration is gradually

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<sup>34</sup> L. Izoria, Tbilisi, The modern state and modern administration. 2009 . p. 95.

<sup>35</sup> G. David Garson, E. Samuel Overman, Public Management Research in the United States. New York: Praeger, 1983, p. 275.

<sup>36</sup> Sandford Borins, The new public management is here to stay, Canadian Public Administration, March 1995, 9. 12; Article first published online: 9 JAN 2008, DOI: 10.1111/j.1754-7121.1995.tb01133.

<sup>37</sup> Robert B. Denhart, Jennet V. Denhart, Public Management (management of performance), Ilia State University. Tbilisi 2012. p. 544

approaching the standards established in democratic countries. But often the process becomes under the influence of more complex foreign and domestic political, social and economic factors. This prevents it and hinders development of democratic processes. New Public Management concept could be considered as transitional stage of traditional public administration system, in establishing the principles Modern public administration system i.e so called” Good governance”. With the development of society, changes public tastes about the style of “Administrative governance”, forms and principles. Changes role of the state, which should ensure in modern conditions not only legal protection of the public, but also actively should seek to improve current situation, including social, legal, economic and civil intergovernmental issues.

Georgia gained its independence twice in XX century. At first time in 1918, however, soon the country was annexed by Russia in 1921. It also ended the first attempt of Public administration system formation and development in the country. In 1991, the country regained its independence for the second time and the formation of modern system of public administration is still ongoing in the country. The formation processes of public and state administration in Georgia is still continuing; the system is experiencing reforming, however, due to a variety of political and economic factors its resistance is very fragile. Since 1991, the country's public governance processes conventionally can be divided into several periods.

### **The First Period - 1991-1997.**

The mentioned period is characterized by a deep crisis in the public system. The country adopted first constitution in 1995, revealed the contours of the structure of public administration, however, the country was drawn into the various types of domestic and foreign conflicts, that caused a very negative impact on the state and public administration processes. At the given period between the country's public institutions were duplicating functions which inhibited their effective functioning. The country's administrative system did not focus on the public interest and the need for products (outcomes). State agencies were actively interfered in the functioning of the private sector, which in turn contributed the growth of corruption and criminality. The public sector became actually the only employer in the country, which in turn contributed nepotism and gross violations of human rights. The system was oriented partly internal processes, which mainly expressed in the internal political quarrels and in the last years of the given period the formal activation of the fight against crime, actually it was impossible to focus on the customers or citizens. Established delayed salaries and frozen pensions practice, which further aggravated the social situation. Management processes were mainly marked by centralized

style. And all the power was gathered with high levels of government, which in fact discarded the local authorities' decision-making mechanisms and accordance with, their work, became ineffective.

Since 1995 government more or less stabilized the situation, in the same year it introduced a new currency, carefully managed the money, eliminated price controls and reduced trade barriers. As a result of the previous year was significantly increased in almost all macroeconomic indicators and after the crisis of the 1992-1994 period the economy began to grow at a rapid pace<sup>38</sup>. In 1997 was adopted the law on “Public Service”, This law determined the legal basis of organising civil service in Georgia; regulated relations concerning the execution of civil service; defined the legal status of a civil servant<sup>39</sup>. Due to absence of a proper legal and normative basis, in the given period public services were not stable. Public officials were mainly exposed and infringed their rights; the system was primarily tailored to the individual persons and their exemption from specific positions caused being in vulnerable situation of ordinary civil servants. In accordance with their level of motivation, there were low recruitment rules for civil servants raising a lot of questions, which made a major influence on the functioning of public sector efficiency.

### **Second period – 1998 -2003**

Since 1998, begins a wave of reforms in the country, are established Legal documents and systems for public and private sector, first launched the tax system, started reform the judicial system, started reforming of the healthcare system, launched an international investment projects, in 2001 launched reforms in the field of education, started working on the national examination designed, to eliminate corruption in university entrance exams, however, progress in various areas of public life still was diverse, and the public still had a severe socio-economic condition<sup>40</sup>. Since 1997, started a massive privatization process in the country, which in turn is characterized by vagueness and unsystematic approach, which on the one hand reduced the number of people employed in the public sector, however, failed to create new jobs, which has also significantly increased the number of self-employed, in accordance with the state's social function was not developed<sup>41</sup>.

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<sup>38</sup> The World Bank, Fighting Corruption in Public Services Chronicling Georgia's Reforms, 2012 p. 2.

<sup>39</sup> Law of Georgia on “Civil Service” №1022-ІІ– October 30<sup>th</sup> 1997.

<sup>40</sup> The World Bank, Fighting Corruption in Public Services Chronicling Georgia's Reforms, 2012 p.4.

<sup>41</sup> European Initiative – Liberal Academy Tbilisi, The economic transformation of Georgia in its 20 years of

Independence, Summary of the discussion paper . Tbilisi 2012 , p. .23.

Since 1998, the decentralization of management processes starts functioning local authorities in the country, however their functioning due to insufficient financial and human resources was not very effective. They, as well as central government agencies were unable to be focused on internal processes and demands of the citizens. In most cases the qualification of employees was low in the public sector and Public Administration hardly reacted to public pressure. In the same period begins to intensify the civil sector, which were mostly organized by /with non-governmental organizations, for their activities and the main financial source were various international donors. In 2001, in parallel with the prevalence of corruption cases in the country's public sector, is established the Anti-Corruption Council by the government, the existence of which the first stage to curb/obtain and eventually eliminate such cases, however, this goal could not be achieved because the lack of proper will at high political echelons

High degree of centralization of management, the fear of decision-making , in fact, blocked the formation of the middle and lower level management initiatives and overall, fails to provide the basic principles of the new public management. Public displeasure reached its peak in late 2003, Revealed he requirements the existence of a modern democratic system. Where every citizen would have the opportunity to make self-realization within the system and improve their socio-economic status

### **Third Period - 2004 to present**

In November 2003, the government changed in Georgia. People have finally rejected the old government and the new team took over governance. In consequence of which the following issues were solved soon<sup>42</sup>:

- Started to optimize/optimization of the number of civil servants
- Improved motivation system for civil servants;
- Reduced opportunities corruption deals;
- Improved budget planning and spending mechanisms;
- Improved transparency level of government activities;
- Reduced from the government regulation of the private sector etc.

Since 2004 national reform became intense. Started and implemented internal institutional changes. In order to increase the flexibility of the public sector set up a new consolidated institutions, Causing reduced public on the optimal threshold, the number of servants in public agencies, Due to reforms undertaken increased budgetary revenues and structural changes led to significant budgetary funds economy, Therefore, it became possible to increase the salary of public servants, In the public service (2004-2005

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<sup>42</sup>csb.gov.ge/uploads/changes.doc – Civil Service Bureau

years), the average salary increased approximately 15-fold<sup>43</sup>, which in turn increased their motivation. That is low level of motivation linked Woodrow Wilson in 1887 in his famous essay on the US administration's ineffective work and the fabric of corruption<sup>44</sup>.

Implemented the restructuring of the executive structures, implemented system evaluation of functions and role of the public sector and the orientation of the product is made for citizens to raise the quality of goods and services supplied. In 2004 launched the Law of Georgia, on the Structure, Authority and Activity Rule", that a greater emphasis on the structural optimization of the public administration system. Reduced the number of ministries and the certain government departments, was carried out in some of the structure integration-reorganization, and finally was established 15 ministries instead of 18 ministries and 18 state departments. It is also actively started optimization of internal processes, namely, in order to increase the flexibility and effectiveness of the Institutions it was carried out internal restructuring of various government agencies, also improved Budgeting and managing process of the state funds. Has been introduced Medium Term Expenditure framework (MTEF) procedure, which significantly contributed effectiveness and transparency of budgetary spending. Public Service to facilitate the implementation unified policy and professional, career-based civil service development, Legislation optimization, Effective and transparent governance and ethical Standards implementations, also, in support of the anti-corruption policy was established "Civil Service Bureau" in 2004<sup>45</sup>. 2013-2014 years was set up/established Civil Service Reform Coordinating Council Defined public service reform objectives.

- Formation of Free of politics, open and efficient civil service;
- Public service, which will be based on a consistent and clear legal framework;
- Career-based Institute of a public official
- enable for civil/ public servants Constant development and training
- Establish system of fair remuneration and classification
- for the next steps towards European and Euro-Atlantic integration

In the public sector was carried out reforms Which resulted in the orientation of the system, not only for internal processes, but also the customer (citizen) In Public institutions were introduced,, one-stop shop "which significantly simplified and transparent process to citizen services,

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<sup>43</sup> [csb.gov.ge/uploads/changes.doc](http://csb.gov.ge/uploads/changes.doc) - Civil Service Bureau

<sup>44</sup> N. Zarnadze, D. Narmania; Public Administration Basics and Social administration in Georgia.- Tbilisi 2008 p. 18.

<sup>45</sup> [csb.gov.ge](http://csb.gov.ge) - Civil Service Bureau

established civil and public registry services. Set up the patrol police in the country which replaced the so-called Traffic police and virtually destroyed the corruption, Introduced electronic tax service system, which made taxation procedures simplified and transparent. In addition were carried out reforms in field of the labor legislation, Criminal justice system, human rights, to combat corruption, thus existing public administration system closer to public Impact-oriented administration model. In 2013 the government launched a wide consultation process, which caused to elaborate the Civil Service Reform Concept. This initiative was supported by USAID / Democratic Governance in Georgia (G3) Program and other donor organizations<sup>46</sup>. Under the program, actively started the training of civil servants in different directions in order to increase skills and knowledge in the governance fields the outgoing/in the recent years. Improved reimbursement procedure for public sector employees and in the provision of high-quality transparency, began to introduce pilot program about paying for data collection in the Public Service of Georgia. In 2014 was adopted new „ Local government code, Which was an important step toward self-government for more decentralization. Increased their authority and financial independence, Was implemented improvement of local self-regulatory normative acts. Local Self-Government Code set the participation mechanisms of local population in the strategic plan of the development and the budgeting of the municipal. In 2014 have also been developed the rule of bonuses determined in the Public institutions” according to which the bonuses were distributed on the basis of performance evaluation in the case, if in public institutions exist the job evaluation system.

## **Conclusioz**

The process of the realization of New Public Management paradigms occurs with difficult and slow pace. Since country's independence to the present numerous reforms have been implemented in the country, however, the public administration system is still in the process of formation and is still experiencing a reformation. At the initial stage due to heavy political and socio-economic situation in the country, the country's public administration system could not ensure not for the realization of the principles of New Public Management, but also the realization of the fundamental functions. During this period, the country drawn into a variety of internal and external confrontation. Public administration could not provide implementation of its obligations There was an nihilistic attitude

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<sup>46</sup> Ansi Shund , Democratic Governance in Georgia (G3); Program, Functional Review of the Civil Service Bureau of Georgia, Consultation Assessment Report and Recommendations., Tbilisi 2014, p.8.

towards the public sector in the society. Corruption captured the largest part of the public sector, businesses highlighted by heavy pressure, aggravated criminal situation in the country, which finally made the government less efficient. However, despite the current situation, public administration system with the help of various international organizations and developed countries still experienced a slight progress. In the first stage, started creation and perfection the necessary legal and normative basis for the functioning of a public system and for the development of democratic processes in the society, which by the way is still ongoing. The country was integrated in various international projects, which in fact brought a country function again and the issue about democratic development of Georgia re-emerged in the agenda of the world's developed democratic society. Since 1998, a new wave of reforms began in the country, however, the process of reforms were very hard and in some cases violations. Public administration system was still far from the desired condition.. The system could not ensure results-oriented, it was not oriented on the internal processes, Which in turn was due to inefficient spending of resources in the public sector, there was still a lot of corruption and nepotism facts, society hardly supplied the voice/connected to/of the public authorities, which ultimately contributed to the establishment of their irritation and antagonistic attitudes. In parallel with the development of such processes on the public agenda emerged the question of the legitimacy of the public administration system. Finally, in 2003 as a result of the famous Rose Revolution the government changed in the country and Started to build completely new construction of the system of public administration. Exactly from this period begins with the active use of the concept of New Public Management. It is carried out optimization of public agencies. Through their reorganization and restructuring greatly reduced bureaucratic procedures in the public sector. It is Being introduced "one-stop" principle , was implemented police reform, is established a new home of Justice, were being introduced tax and e-services for public, the facts of corruption were minimized in the public system. Mentioned changes were especially evident in the first 4 years after the new government came or so until 2008. Public administration system of the country turned out into crisis in 2008-2012 years. In 2008, the country suffered a serious war with the Russian Federation, which was actually a severe blow to the country's socio-economic and political development. In addition, the reaction of the system to community needs weakened. It became coarser and rough, consequently, there was a public demand for the existence of a Legal state. As a result, Government was handed over to the new political power through elections by Georgian society in 2012. In 2013 the government launched a wide consultation process, which led to develop the concept of the Civil Service Reform. In 2014, the local government adopted a new "Local Self-



Government Code” that was an important step taken toward self-government for more decentralization, increased their authority and financial independence, was carried out the perfection of Local self-regulatory normative acts.

Obviously, the formation of new public management is still going on in Georgia, improving forms of governance, the particular emphasis is place on the final outcome, The system is experiencing the decentralization, Large-scale training projects are carried out for civil servants. The administration is trying to learn as anyone else, as well as their mistakes. However, the fact remains that the process of development, appointment with a objective and subjective reasons due to undesirable social and economic conditions for the population. It makes a significant impediment to in the country the formation of a modern public administration system.

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