

**WHO IS THE OWNER OF THE PUBLIC
SERVICES?**

**Quality Improvement and Client Empowerment
in Era of Transition**

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CATALYTIC GOVERNMENT

1. Separate steering ('gubernare') from rowing the boat (doing the job)
2. Government sets in motion: others do the job!
3. Improvement of public service delivery: democratic control; effectiveness and efficiency!

BUREAUCRACY IS THE HEART OF THE MATTER

1. Neutral instrument (Max Weber!) in its origin!
2. Vertical hierarchy: pyramid
 - 2a. Top down chain of command
 - 2b. Bottom up flow of information
3. Internal hierarchy and external monopoly is killing combination!
4. 'Bureaucratisation' is problem not of sector but of of scale!!!

TWO RADICAL SOLUTIONS

1. Left: more bureaucratic control on bureaucracy: fighting the Devil with Beelzebub!
2. Right: elimination of bureaucracy by complete privatisation
3. Both solutions do not work: *etatism* versus *market-fetishism*!

**BETTER SOLUTION:
'PUBLIC ENTREPRENEURSHIP'**

1. Using (quasi-)market devices for public service delivery
2. 'Marketisation' of public services(Walsh!)
3. Market devices IN the public sector
4. Government uses the market for realising policy objectives!!!

FOUR MARKET DEVICES

1. User charges for public services (pricing)
2. Competition and contracts (contracting out)
3. Internal markets and shadow prices
4. Devolved control and accountability (steering on output but not on process)

ALL DEVICES HAVE PROS AND CONS!!!

Find the best combination of imperfect alternatives

FOUR FUNDAMENTAL QUESTIONS

1. Who Arranges (the A-question)
2. Who Produces? (the P-question)
3. Who Pays/Finances? (the F-question)
4. Who Uses/Consumes? (the C-question)

Depending on the answers, many institutional arrangements for public service delivery are available: *Institutional Variety!!!*

NECESSARY CONTINGIES

1. **IN THE PUBLIC SECTOR:** democratic constitution, rule of law, good governance, transparency and absence of corruption!
2. **IN THE PRIVATE SECTOR:** good working market system, good working financial and banking system, corporate governance!

ULTIMATE GOAL

1. Empowerment of Citizens over public services!
2. Who controls, who is the boss, who runs the Bureaucratic Elephant?
3. To Make Government Work Better!

LESSONS LEARNED THUSFAR

1. No top down but bottom up thinking and decision making!
2. Institutional variety: let 1000 flowers flourish!
There is NO unique solution!
3. Learning by doing, trial and error, experimenting!
4. Scaling down and not scaling up, small is beautiful (Schumacher)?
5. 'Economics of Decentralisation (Oates)': scale economies versus democratic control!

STEERING, NOT ROWING!

1. New role of government: facilitator, process architect and referee!
2. It is never your own money but it is always Tax Payer's money, you know! So be prudent in all respects!

CASE: ELECTRICITY SECTOR IN THE NETHERLANDS (EU-driven!)

1. Liberalisation and deregulation of the electricity market
- 2 . Economics of Network Industries: electricity, gas, water!
3. Separation of ownership and of usage of the electricity network!
4. Competition *for* versus competition *on*!
5. Independent Supervising Authority is important (DTe)
6. What about necessary over-capacity?
7. Strong market needs strong government!!!

Some Conclusions as Input for the Debate!

1. What about the Applicability of this approach in countries in transition (CEE)?
2. Are the Contingencies present?
3. The Problem of Institutional Import!
4. What about Culture (cf Hofstede)?
5. Do we have Sufficient Time for change?
6. Political Regime Volatility and Stop-Go Policies