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Effectiveness: the next frontier in New Zealand

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Abstract

Central agencies face a critical test on how to approach the resolution of issues and problems related to improving the New Zealand public sector management systems from the author's perspective. A decade has passed since the legislative changes were approved that initiated major financial management reform, and much of the initial reform energy has faded. It is time to assess what has and has not been achieved, and to search for ways to continue to move forward. There is a sense of anticipation, as well as some apprehension, across the New Zealand public sector, particularly in light of the election of a new Government. As New Zealand moves into a new phase of reform, one of the key challenges is to take advantage of what has already been achieved. New Zealand has one of the world's leading public sector management systems, and should take advantage of that foundation. The key issue focused on in this article is effectiveness. A critical part of raising effectiveness is enhancing information. Better information is needed on outcomes, and it should be packaged in more accessible and relevant ways. More disciplined evaluation of the effectiveness of what is done is necessary. Systems that encourage public servants to raise their horizons should be improved or put in place. Managers who understand what they are doing and why are critical to reform success. Purchase agreements—or output agreements—will play a pivotal role, but they need to be improved. A fresh approach to output specification to better accommodate the range of output relationships that exist is required. Central agencies can facilitate customization of output specifications by being clearer about the basic output framework, and more flexible about how that framework is applied. Outcome measures should be refined and used along with outputs where feasible. Better ways must be found for managing problems of inter-agency coordination. Technology offers a new set of tools, but IT facilitates rather than creates effective relationships. Other coordination mechanisms that help agencies to communicate and to make trade-offs must evolve. New Zealand can move into a new phase of building a "world's best" public sector. The public sector has an appetite for action at the moment, and a willingness to debate the issues. How this potential will be used is, to a great extent, the critical issue faced by the new Government. © 2000 Elsevier Science Inc. All rights reserved.

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1. Introduction

On Friday, 13 August, 1999 a small group gathered together to mark the 10th anniversary of the passage of the 1989 Public Finance Act. It was an interesting sort of occasion, a time to celebrate a quiet sense of achievement, but also a time for a degree of soul searching to question whether the New Zealand reforms had lived up to the expectations of the original architects. A few months later while attending the Public Sector Senior Managers Conference at Te Papa Museum I experienced a strong and growing sense of pending change among the participants, a sense of change that went beyond expectations of the coming election results. It has been becoming increasingly clear, from discussions within the Treasury and across the public sector, that all is not as stable and well as we would like in the New Zealand system of public sector management. It is time to review where we are, and where to go from here. This article provides a timely opportunity to analyze these issues, and to air ideas that are still under development.

Over the course of this article I try to set some of the context for moving forward by making my assessment of where we have come from. This is far from a negative picture. Without question, my view is that we have, in New Zealand, a solid foundation from which to work. We have already scaled some impressive heights of public sector management. It will also be clear, however, that we are not now sitting on the top of the mountain, perhaps a plateau, where we have flattened out for a while but have further to climb ahead.

One of the most important challenges ahead of us is improving the effectiveness of government actions. After sketching a quite general assessment of the public sector management system I will concentrate my analysis on effectiveness, attempting to work through the key elements of effectiveness, to flag possible opportunities for improvement, and to identify a number of areas for further work. Throughout this article I draw heavily on work undertaken in the Public Sector Management section of The Treasury. Most of the ideas I present have come from discussions within this group. These discussion, in turn, owe a lot to the ideas and provocations of others, others within Treasury and also the State Services Commission (SSC) and Office of the Auditor General. My intention is not to sketch out a final Treasury view. In fact, for many of these issues a final Treasury view does not yet exist. Rather, this is in large part my personal assessment of a very active debate.

2. Context

How far have we come and where are we now? How well does the New Zealand public sector management system deliver on objectives? The first step in answering this question is to be clear what we expect from a public sector management system. What were the key objectives of the reforms of the late 1980s and early 1990s, and have those objectives been achieved? One summary of the objectives of the reform can be found in the 1996 Treasury document "Putting it Together." (Treasury, 1996: pages?)

- assisting the Government to translate its strategy into action;
- promoting informed decision making and accountability; and

- encouraging a responsive and efficient public sector.

Clearly, all of these things are rather difficult to assess, and for the most part we fall back on a collection of subjective judgments. On the grounds that more subjective judgments are better than fewer, Treasury commissioned a short survey last year of as many reviews of the New Zealand public sector management system as we could find. Surprisingly, a somewhat rough consensus does seem to emerge around some of the system strengths and weaknesses.

On the strengths side, there is a reasonably widespread agreement that there have been real improvements in the information available to decision makers about what it is that departments do, and how much it costs. Associated with this has been a sharpening of managerial accountability. Performance requirements are more explicit and have generated improved results. Manager focus has shifted from complying with detailed input controls towards delivering tangible outputs. The greater flexibility that has come with this output focus has encouraged greater innovation. A number of commentators have suggested this has contributed to improved operational efficiency, and enabled better overall fiscal control. The demise of detailed Treasury instructions on matters not necessary to ensure prudent fiscal management and control is an unambiguously positive thing.

Against this, many reviewers suggest that some of this operational efficiency is poorly targeted. Generally speaking, departments have not tended to draw strong connections between the outputs they produce and the impact those outputs have on Government's policy objectives. There is a perception that in rigorously pursuing vertically negotiated output agreements, important cross agency and cross-sectoral dimensions have been lost. Of course, this picture varies across the broader public sector. The impact of reform has been felt most keenly in the state owned enterprises and departmental sectors. Until recently it has impacted in a very uneven and residual way in many Crown entities, and there remains some serious unfinished business here that is currently being addressed.

In sum, the public sector reforms have laid down a solid information foundation on which we should have built an efficient and effective public sector. This promise and potential has only been partially realized, however, and in recent years progress has flattened. In particular, progress on effectiveness has been disappointing. What can be done about this problem?

3. Effectiveness—what does it mean?

One of the simplest and best definitions for effectiveness is simply, "Doing the right things and doing them well, to achieve the right goals." For a public sector management system to be effective it needs to perform in three key areas:

- by providing a clear sense of direction. It needs to support Governments as they identify their desired outcomes and communicate those outcomes to the public sector and the community more generally;
- through intervention analysis. The public sector management system needs to generate the best range of alternative actions for Ministers to choose from to achieve their desired outcomes. Choices include direct purchase of outputs vs. regulations, public

sector production of outputs vs. private provision, and so on. Feedback on decisions needs to be built into subsequent decisions; and
- following through with responsive and coordinated action. The process of converting decisions about desired outcomes and appropriate interventions into action.

These demands will be considered in turn.

4. Direction setting

A key requirement for an effective public sector is that it needs to know what it is meant to be doing. Departments and entities delivering services for government need to know the direction the Government in power is going in if they are all to pull together. In public sector management terminology, direction setting is about agreeing on the desired outcomes the Government is going to work towards. To a large extent, direction setting is a political process and reflects the priorities and values of political parties. The main role for the public sector in the direction setting process is to provide empirical information about outcomes, and advice on what influences those outcomes. Public sector management has a limited or non-existent role when political parties decide their directions and priorities in the lead up to elections, but has a more prominent role advising Governments already in power, through specific briefings to Ministers and through the Budget process. The policy preference directions are then conveyed to public sector management in a range of ways. One obvious mechanism for conveying direction is through election manifestos. Away from elections, Governments can make policy announcements, or use specific opportunities such as the Budget Policy Statement.

How well are we doing on direction setting? To the extent direction setting is clearly the prerogative of the elected Government of the day then I do not propose to ask how well this Government, or the last, is doing or did. I do propose to ask how well the public sector management system supports this direction setting. I think the answer here is that we must do better. Two key responsibilities of public sector management are worth commenting on:

- providing useful information on the state of the nation to assist the Government set its objectives; and
- designing processes and mechanisms to support the Government in communicating its direction.

Providing useful information on the state of the nation is not, strictly speaking, about measuring and reporting on outcomes, as envisaged in the Public Finance Act. I am not addressing here the understanding of the impact of a particular policy or intervention—that will come later—but rather understanding the state of our world. Questions that need to be answered include: what is the literacy level of New Zealanders? How does literacy break down between Maori and non-Maori citizens? How wealthy are we as a nation? How is this wealth distributed?

This sort of information is published here and there and from time to time at the moment. Statistics New Zealand does some very helpful work, as do a range of other agencies in both the public and private sector. Some health reporting is also done relatively well, as is the reporting of fiscal management indicators as required by the Fiscal Responsibility Act. But, accessible, relevant and consistent reporting is the exception rather than the rule. It is worth asking whether we should move towards a more systematic, better packaged, set of snapshot information, a regularly published package of information that would allow Parliament and others to:

- assess the current state of New Zealand society and its environment across a range of dimensions of interest to a government; and
- judge progress made over time in shifting those states in desirable directions.

A selected set of indicators of New Zealand's economic, social and environmental health—indicators is needed that would catalyze broad debate about the direction and focus of government interventions. The Australian Productivity Commission publishes information along these lines. The "Oregon Shines" reports in the USA represent another interesting approach. If this information is to have value, it would need to be measured and reported in a consistent way across time. It does not, however, need to be converted into a comprehensive list of specific outcome targets. Indeed, outcome targets are likely to over-politicize the information. Even Governments struggle to control and influence outcomes, and too comprehensive a list of specific outcome targets could quickly become a counter-productive political embarrassment. Having better information is a good thing, as is the debate it fosters, but I am conscious that it will need to be provided in a careful way. If this information proved to be of interest to the public, it would create a dynamic that would soon lead a Government to relate its strategic priorities and goals to some of these measurable indicators. That would be definite progress.

Within the Executive, the Government needs to communicate its directions to the public sector. Over the last decade the public sector has come up with a range of ways of trying to sharpen its focus on the Government's priorities. We have had Strategic Result Areas (SRAs), and Key Result Areas (KRAs). We have had strategic goals and key priorities, and a range of different ways of attempting to link the outputs produced by departments to Government outcomes. Parts of this have been somewhat successful, but to date not a lot has been durable. Perhaps it is the nature of bureaucracies, but most of these attempts have been characterized by a gradual, or not so gradual, descent into mires of compliance cost. The need is as pressing as ever, however, so we should persevere.

The communication of Government directions to the public sector management system will be most effective when it is consistent, and when communication systems are simple. Any goals formally articulated by a Government need to reflect what really matters to the Government, as revealed by its actions. And, we need to avoid the temptation to burden this communication with complex systems and paraphernalia that sound good in concept but fall over in an unwieldy heap in practice. There are few substitutes for straight talk.

The communication challenge has been all the greater for Crown entities. Crown entities are legally separate from the Crown and independently configured, but are owned by the Crown and frequently have some sort of vague obligation to have regard for Government policy. They are a very significant part of the Crown, with approximately $18 billion of outputs provided per annum, Crown equity of $13 billion, and employing 180,000 staff.

Until recently, Government relationships with the Crown entity sector have been characterized by "*ad hocery*" and at times neglect. In a number of cases, entities and Ministers have had quite different views of how much notice the entities must take of Government policy. Communication channels have been confused, and Crown entity responsiveness to Government has been seriously undermined. Making fresh sense of these relationships is a key and current policy challenge.

5. Intervention analysis

Once the Government has decided and articulated its direction, or at least given some guidance in that regard, the challenge for public sector management is deciding how to respond. What outputs need to be produced? What regulations passed? What benefits paid? What tax regime? Intervention analysis is the core business of policy agencies, and an important part of the business of many operational agencies as well. It needs to be done well if Governments are to have any chance of reaching their outcome aspirations. Intervention analysis involves bringing analytical tools and theoretical frameworks to bear on problems, but also undertaking evaluative and empirical work on whether interventions are working.

It is fair to say we have developed the former, *ex ante*, set of intervention analysis skills in New Zealand to a more sophisticated level than we have the *ex post*. But we have not integrated even this *ex ante* analysis into the public sector management system to the extent envisaged by the original reformers. Contrary to the intent of the Public Finance Act 1989, the practice has been simply to assert in the Estimates that a link exists between an output class and some high level Government outcome(s), rather than outline the reasoning involved. What reporting there is relates mainly to outputs, with minimal attention given to other forms of intervention, including transfer payments, tax expenditures, as well as regulations.

The Treasury is looking at ways of enhancing the documentation associated with the Estimates to close some of these gaps. Requiring more disclosure of the reasons for particular governmental activities will hopefully encourage a more informed debate, and force more careful consideration of intervention decisions. Our intention is not to swamp Parliamentarians with information, however, so we need to proceed with care.

The other side of the intervention analysis coin is evaluation. The New Zealand public sector does not have a strong culture of evaluation [Ed. Note: See Boston in this issue], and arguably has suffered from unnecessarily frequent policy change as a result. We need to improve our ability to determine whether actual interventions are having the intended, or any, effects on desired outcomes. We need to give more careful consideration of how we will determine whether projects are successful before these projects proceed. I have no doubt that pointless projects are continuing across the spectrum of governmental activity, simply because no systems of evaluation are in place to demonstrate their impotence. Equally, I am sure that some worthwhile projects have been unfortunately stopped through the lack of an opportunity to demonstrate their merit. Clearly, common sense is required. Reliable evaluation can be more expensive than the project under evaluation. In some cases, reliable evaluation may be impossible.

Notwithstanding these cautions, my view is that there does need to be a shift in the public sector appetite for evaluation. The presumption should be that new projects do not go ahead until evaluation systems have at least been considered. There are real opportunities for more collaboration between the academic and bureaucratic communities in this area.

Raising the bar on direction setting is a necessity, as is the need for a quiet but steady culture change on evaluation. A range of specific enhancements to the public sector management system are in order, some of which need to be developed and considered further, some of which simply need to be done. I doubt whether these views have broached even modest levels of controversy. It is hard to disagree that being better informed about the society and economy we live in, and the effect Government decisions have on that society and economy, is not a good thing.

6. Responsiveness and coordination: inputs, outputs, outcomes and accountability

More controversial analysis may be found in the debate about "contractualism", and the reliance of specific and written contracts to guide behavior and performance. Some argue that departmental chief executives and other bureaucratic decision makers have become so focused on meeting their specific contractual obligations that they pay insufficient attention to those dimensions of public service that are not so easily reduced to specific performance measures. A low trust system leads to a compliance mentality.

Problems of this type are particularly acute where several departments or entities are tackling the same big problem, and need to coordinate to be effective. The argument runs that they do not coordinate effectively so opportunities to make real gains fall through the cracks. I have heard this malaise described as "silosis", i.e., concentrating solely on one's own business exclusive of effects on others. Even when specific targets set for chief executives in performance agreements and purchase agreements are met, a disquieting sense of under achievement by the public sector remains.

Others counter that contracts are necessary to make intentions clear, and to ensure delivery of the contracted services. Trust is not really the issue; incentives are the crux of the problem. Rational agents have incentives to avoid being held to account when failure is a possibility.

The key question to address is whether the public sector is under-performing? Do we think we have a "silosis" problem? My answer is, "Yes . . . sort of . . . " The sense of under-achievement is grounded in reality, and in part this is due to the ways in which the public sector management system has evolved.

A number of critics argue that a major problem lies in the New Zealand system's reliance on outputs rather than outcomes. The staunchest of these critics almost characterize outputs as mean spirited, lifeless things lacking in any higher meaning. Outcomes on the other hand are seen as vibrant and motivational, much sweeter smelling, and surely then a much better basis for an accountability system. One of the key ideas I am trying to stress in this article is that outcome analysis is underdone in the New Zealand public sector today. Much greater emphasis needs to be put on "why" policies are put in place, i.e. what effect a policy will have on states of the world, as well as what those policies are specifically. Public servants who understand the "why" will be more focused on what the Government actually wants to achieve.

We must not delude ourselves, however, that outcomes are a silver bullet. Generally speaking, they are problematic as a tool for accountability purposes for the well-understood reasons of measurement difficulty, multiple causality, and long time scales. An accountability system based solely on outcomes would leave Ministers exposed to much greater problems than they currently face. It is too hard to hold agencies to account for eventualities that in large part may have been due to the actions of others. Inevitably, an over-done outcome accountability system would find itself tracking back to input controls.

A basic requirement of outputs, on the other hand, is that they can be delivered, and that delivery can be assessed, i.e., that people can be held to account. It is this characteristic of outputs that allowed the public management system to move beyond strict input controls. Managers could be held accountable for the outputs they produced, a vast improvement from being held accountable for how much petrol or stationery they used in that production.

This is not to say that well-rehearsed problems with outcomes cannot, at times, be overcome. The distinction between outcomes and outputs is not clear-cut, and the concepts can certainly overlap. Some outcomes are measurable, and the influences on these outcomes may be reasonably controllable by one responsible agent. Where this occurs, these outcomes can sensibly be used as an accountability tool. The Reserve Bank output of controlling inflation is clearly outcome-based. Generally speaking, however, outcomes do not offer a broad application panacea to our accountability ills. However, I share the general sense of dissatisfaction with the current state of the output purchase system.

Over time, and through an implementation process where a tight system of output specification was imposed on lots of different people, there has been an over-reliance on rules and assertions. The output purchase system has become hidebound. To some extent we have lost sight of what we are really trying to achieve. Among the criticisms of the output purchase paradigm are that it:

- distorts or fails to reflect the true nature of the relationship between a Minister and provider;
- makes the unrealistic assumption that all Ministers are informed and discriminating purchasers who will actively seek to use the information provided to help manage their Vote efficiently and effectively;
- creates an unhelpful distinction or separation between the Crown's purchase and ownership interests in many public sector contexts;
- can reduce trust and motivation, where specifications are detailed;
- can promote a silo mentality; and
- can promote a focus on what is measurable at the expense of what is important.

There are some real problems here. Indeed, the uncomfortable moment for people like me who fundamentally like the design of the New Zealand system of public sector management is that many of these criticisms are valid.

How do we respond? For a start it is important to make sure we understand what we can legitimately expect from outputs, and what we cannot. Outputs are but one part of the public sector management system, not the be all and end all that critics, and some over enthusiasts, suggest. They are but one part of the relationship between Ministers and departments; they are not the entire relationship. Before Ministers and their advisers negotiate or agree on the set of outputs to be provided, they should have considered:

- what outcomes they want;
- how this differs from the current situation;
- what are the priorities for action; and
- what resource constraints they face.

They ought to have sought policy advice on:

- the potential interventions,
- any evidence that these interventions work,
- the likely interaction with other related interventions, and
- who might be best placed to provide the services required.

An important reason why outputs have come to loom larger than life over the public sector management system is that the other components of the system—the outcome and intervention analysis—have been under-done. I agree with the critics who complain that output discussions are too often barren of a view of "the big picture." The main fault is not with outputs, however, but that we have tended to rely on outputs alone.

Secondly, purchase agreements are not classical contracts, and an overtly legal approach to them is not helpful. In fact some outputs demanded by the Crown differ significantly from simple market transactions because they:

- have performance standards or expectations that are difficult to specify in advance or in an unbiased way; or are not readily verifiable after the event;
- involve high levels of information asymmetry between the parties;
- are not amenable to provision in a contestable market; or
- involve the exercise of a coercive power, a duty to act, or a duty to make independent findings or decisions.

Ministers purchase most of their outputs from departments, or from entities owned or controlled by the Crown, because ownership and control better aligns the interests of the parties, and reduces the incentive and potential for opportunistic behavior. Having control over the provider will affect the content of a purchase agreement because it reduces the need to identify and assign all risks at the outset.

The better alignment of interests arising from Crown ownership of agencies provides a lot of support to output purchase agreements. We should not expect agreements between a Minister and a department to look like a contract between arms-length parties. These issues are the reality of many public sector outputs. They will affect the level of detail that can be usefully put into any purchase agreement. They will and should affect the dynamic and form of the relationship between the parties. We should not be surprised that, in many cases, the provider may be better placed to take the lead in proposing the output mix and standards. We should expect output specifications to include provisions to vary as circumstances change. We should expect front-line professional social workers to be empowered to use their better professional judgment. As a consequence, some *ex post* reporting will need to be more descriptive than a mere "check box" approach.

The key to effective use of outputs is to remember the purpose they serve. Just as outputs and relationships vary by nature, so must our approach to their management. If the parties are committed to effective resource use, what matters is that the outputs they use:

- specify clearly their respective expectations and promises, rights and responsibilities; and
- permit a later determination of what was actually delivered.

The form this takes is a secondary consideration. The better output agreements will locate these expectations and promises, rights and expectations within a rich context of an overall outcome and intervention strategy.

What we want is to be able to tailor the form of the documents to the circumstances. At the same time, we want to make a commitment to high quality output specification and reporting that will enhance the ability of the parties to make efficient and effective resource use decisions, consistent with their role and responsibilities. This requires flexibility, but within a framework that provides some consistency of purpose, approach, and expectations. To turn these ideas into more than hand waving, a number of tangible steps are likely to be required. Central agencies probably need to refresh and restate the heart of the outputs message, clarifying what is essential so as to enable innovation about how those essential aspects can be presented. Within this constraint variation should be encouraged in both form and substance.

Further work is needed to develop new ways of specifying outputs that better deal with known problem areas. In particular, current guidance has not explicitly confronted the problem of how to formulate, or even whether to support, agreements in which the performance measures and standards relate to:

- integrated services, where a number of agencies combine to provide services as part of a package;
- a desired level of service capacity, rather than specific outputs; and
- outcomes.

Yet in practice we can observe cases of all three in the public sector at the moment, of variable quality. We ignore these issues at our peril, because they reflect how the parties view and seek to manage their relationship. It is probably time that we looked to clarify or extend our guidance on these issues so that we do not inadvertently discourage or stifle useful innovation.

7. Implications for output class appropriations

The focus in this article thus far has been on the use of outputs in the relationship between Ministers and departments. Many of these “gripes” also arise in the relationship between Ministers and Parliament. Parliament is also interested in the outputs provided by departments, and even more so in the choices Ministers make about the outputs they want. Purchase agreements are now routinely available to Parliament. These tend to be quite lengthy documents, however, and Parliamentarians regard this as something of a mixed blessing.

Improving the quality of output specification, and of purchase agreements between Ministers and agencies, can only be good news for Parliament. However, I am referring to improvements in quality and not quantity here.

One issue worth considering is whether better output specification might make it possible to broaden the scope of output class appropriations. In particular, it might no longer be necessary for all outputs in a class to share common performance measures as is currently required, because each output would have its own measures in a form available to Parliament. This may represent a way of combining output accountability with outcome budgeting.

Outputs in a class are required to be "similar" in nature, but this could potentially allow outputs to be grouped into a class simply by virtue of the fact that they share a similar goal or purpose. The description of the legal purpose of the appropriation might require careful framing to keep it focused, but an output class structured around a specific goal or outcome could have real, practical advantages. In particular, it could simplify the sensible management of Vote resources by:

- making it clear what sum (or sums) have been allocated to a particular outcome; and
- allowing the Minister to determine or vary the output mix without requiring transfers between output classes that might otherwise have been necessary simply because the output performance measures differed.

Across the system we see further opportunity for significant gains by improving our performance on outputs. Defining and reporting on outputs already represents one of the major gains of the last ten years, and is in large part responsible for our much greater understanding of what the public sector does than was the case a decade ago. Many of the failings of the public sector management system in the year 2000 probably arise from inappropriate and over-use of the outputs construct, and neglect of other components of the system. Still, we must not lose sight of the advantages that outputs convey, and the freedoms they enable. Better output specification, and a more systematic consideration of the impact of interventions on outcomes will improve decision making. As public sector managers raise their horizons, we can expect the public sector to become more responsive to the aspirations and objectives of the Government.

8. Organizational barriers

Apart from better specification of outputs and better understanding of outcomes, the most significant obstacles to achievement of enhanced effectiveness fit into the category of organizational barriers. Organizational barriers, cultures of "turf" protection and different mindsets can so easily undermine the best collaborative intentions. Unfortunately, we have a relatively limited range of levers to pull in central agencies to address such problems. We can start by thinking carefully about the scope and size of the organizations already in place—too narrow a scope can lead to too narrow a mindset.

We know that organizations work better when they share a united vision and a common focus. And achieving a united vision and common focus becomes progressively harder as organizations get bigger and accumulate more varied objectives. "Right sizing" organizations will always be a difficult balancing act. We will always end up with different agencies working towards some of the same objectives, e.g., the Police and the Ministry of Education both work to achieve lower rates of youth dislocation, and the activities of one of these agencies impacts on the other. In my view, this coordination challenge is one of the most difficult in public sector management. We need to look for ways of improving communication between different agencies working towards similar outcomes. A good place to start, as noted, is raising the level of inter-agency dialogue about outcomes. This could lead to a greater awareness of what else is going on, and the potential impacts of one agency on another.

The fact remains, however, that any inter-agency coordination, be it a dialogue on outcomes or joint programs, will struggle unless it is clearly mandated and encouraged by agency leadership. If leadership comes from Ministers, so much the better. If it is supported by formal inter-agency arrangements designed to coordinate policy development and funding decisions across groupings of government activity, so much the better again. This is an area where new technology really does hold promise. Information technology-based networks can bring agencies closer together and should enable new and innovative forms of the virtual project team.

9. Conclusions

Those of us working on issues and problems related to improving the New Zealand public sector management system find ourselves at something of a jumping off point. We are over a decade beyond the legislative change that kicked off financial management reform, and much of the initial reform energy has faded. It is time to take stock of what has and has not been achieved, and to look for ways to get going again. There is a sense of anticipation, as well as some apprehension, across the New Zealand public sector, particularly in light of the election of a new Government.

As we spring off into what I think will be a new and exciting leg of the reform journey, one of the key themes to keep firmly in mind is to take advantage of what has already been achieved. We have one of the world's leading public sector management systems, and we need to take advantage of that foundation. We need to raise our game rather than to change our game.

The key issue focused on in this article is effectiveness. A critical part of raising effectiveness is enhancing information. We need better information on outcomes, and we need it packaged in more accessible and relevant ways. We need to be more disciplined about evaluating the effectiveness of the things that Governments do. We need systems that encourage public servants to raise their horizons. We need managers who understand what they are doing and why. Where this is achieved we are much more likely to develop innovative approaches to solving problems.

Purchase agreements—or output agreements—will play a pivotal role, but they need to be improved along the lines indicated. We need to refresh our approach to output specification to better accommodate the range of output relationships that exist across the sector. Central agencies can facilitate customization of output specifications by being clearer about the basic output framework, and more flexible about how that framework is applied.

We need to keep working on better ways of dealing with the problem of inter-agency coordination. Technology offers a new set of tools, but IT facilitates rather than creates effective relationships. We need to keep developing other coordination mechanisms that help agencies communicate, and to make joint trade-offs. We embark on a new stage of building a "world's best" public sector in New Zealand. The public sector has an appetite for action at the moment, and a willingness to debate the issues. How this potential will be used is, to a great extent, the critical issue faced by the new Government.

Reference

Treasury Department. (1996). Putting it Together. Wellington, NZ: Treasury Department.