

BRIDGING THE GAP BETWEEN REFORM PRACTICES AND LITERATURES: NEW PUBLIC SERVICE DELIVERY OF JAPANESE LOCAL GOVERNMENTS

Hiroko Kudo

ABSTRACT

Many Japanese local governments introduced New Public Management (NPM) in the mid/late nineties. Most of them introduced performance measurement, programme evaluation, customer satisfaction surveys, outsourcing and/or contracting out to the private sector, revision of public service delivery, PFI, and PPP (Kudo, 2003). Local public services have been mostly outsourced to private and social sectors.

After a decade of these experiences, some municipalities have started to distance themselves from the NPM-driven managerial style. After monitoring and evaluating their performance and considering customer satisfaction, some decided not to renew contracts to their private partners, to bring the service back to public administration, or to introduce new forms of collaboration between public and private sectors, mainly based on proposals from the private sector.

The author has been taking part in a research group, which previously surveyed the financial situation of Japanese local governments and their managerial choices (Kudo, 2010) and recently conducted an extensive survey among municipalities to see if they were either in favour of NPM oriented managerial styles or if they were introducing New Public Governance (NPG) oriented (Osborne, 2006; Bovaird, 2007) approaches. Some ways to understand this shift are: 1) putting more importance on citizen participation than cost cutting; 2) preference of PPP to simple outsourcing; and 3) consideration of political accountability (Bakvis and Jarvis, 2012) in administrative implementations. The questioners turn to mayors and financial directors to understand the political as well as economic influences on these choices.

The results of the survey and some interviews conducted with mayors and public servants show that some municipalities have shifted from NPM-driven management to public service delivery based on NPG (Pestoff, 2011), although they are rarely aware of the theoretical transition. The examples are small in number, and do not necessary confirm

Copyright: © 2015 Hiroko Kudo. Copyright for this article is retained by the authors, with first publication rights granted to the International Public Management Review (IPMR). All journal content, except where otherwise noted, is licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Unported License. By virtue of their appearance in this open-access journal, articles are free to use, with proper attribution, in educational and other non-commercial settings.

Corresponding Author: hirokokd@tamacc.chuo-u.ac.jp

the theoretical framework of public service delivery under NPG (Hartley, 2005), since the reasons of these shifts vary among municipalities.

The experiences of Japanese local government would make an interesting lesson for many countries with late introduction of NPM. Japanese NPM demonstrates several characteristics: 1) its NPM has been introduced with some elements of public governance without being recognised; 2) very strong and still dominant attention on NPM; and 3) less attention on NPG, since NPM results in self-reform and learning process of public servants, especially at the local level (Kudo, 2010). The paper analyses the results of the survey in relation to the Japanese literatures on public governance.

Keywords – Accounting, Local Government, New Public Governance (NPG), New Public Service (NPS), Public Sector Reform, Public Service Delivery, Social Audit

INTRODUCTION

Many Japanese local governments introduced New Public Management (NPM) in the late nineties, prior to the national government and to its academic introduction. Most of them introduced performance measurement, programme evaluation, citizen-customer and employee satisfaction survey, outcome orientation, outsourcing and/or contracting out to private sector and/or social sector, revision of public service delivery, private finance initiative (PFI), and public and private partnership (PPP), following the Anglo-Saxon examples (Oosumi, 1999).

Public services, especially childcare, elderly care, and culture, sports and leisure related services have been mostly outsourced to private and social sectors (Yamamoto, 2008). However, after a decade of these experiences, some local governments are starting to distance themselves from the NPM-driven managerial style. After evaluating performance and considering consumer satisfaction, some decided not to renew contracts to the private sector, but to bring the service back into the hands of public administration, or to introduce new forms of collaboration between public and private sectors, mainly based on proposals from the private sector. There is evidence that some local governments have already shifted from NPM-driven management to post NPM or New Public Governance (NPG) orientation, while there is no domestic literature on NPG. In terms of practice, especially in case of childcare and elderly care, some local governments began to re-hire experts in order to develop internal personnel as managers and policy makers in the future. Culture, sports and leisure related services are still outsourced in many local governments; however, some are revising their relationship with contractors and are starting to impose their policies and strategies much more clearly on them (Ministry of Internal Affairs and Communications, 2013). So far, the examples are limited in number, and does not necessary confirm the theoretical frameworks of public governance, since the reasons of these shifts vary among local governments and also because there is almost no academic attention on NPG in Japan (Kudo, 2014).

The author surveyed the literature on domestic articles and publication in journals and annuals of societies for public administration, administrative law, public policy and public management since 1990, focusing on the terms (NPM, governance, public gov-

ernance, NPG, co-production, cooperation, collaboration, partnership, and their Japanese equivalents) used in the articles. While NPM was introduced also in the literature in late nineties with some years' delay to their Anglo-Saxon counterparts, there was no article/paper on NPG or citation of its major authors in its original context. NPG seems to have systematically ignored. One hypothesis is that since the late introduction of NPM allowed Japan to include NPG driven elements (stakeholder participation and co-production, trust and public value, etc.) in its NPM both in practice and in research, there was no strong motivation to launch NPG as a new theory. The other hypothesis is that the Japanese literature developed an original "governance" concept per se, which was distant from public governance theory in Anglo-Saxon context. The reason is still unclear, but the paper tries to understand it through cases and survey.

INTERNATIONAL LITERATURE REVIEW

From traditional Public Administration to NPM

The science of public administration developed first as kingcraft, and then in the 17th and 18th centuries as technique to govern countries and/or territories, in order to train Monarchs and their bureaucrats. This was known as "Kameralismus," and included public finance, administration, law, and economic policy meant to better serve the Monarchs and their bureaucrats. But the tradition of Kameralismus did not develop into the modern science of public administration, which was influenced mostly by administrative law. Indeed, in most Continental European countries, administrative and constitutional law has been most prominent, while in Anglo-Saxon countries, the influence of political science has been decisive.

The modern science of public administration was separated from political science and was formed through division of implementation from policy making in the late 19th century. Within the Welfare State, the policy areas which public administration dealt with were widened, causing its study and practice to involve many related disciplines. While Kameralismus tradition dealt only with defence, police, justice, taxation, and limited public works, modernisation brought commercial, agricultural, and industrial promotion as well as many other social issues as main objectives of the political leaders. Thus, the modern science of public administration has addressed challenges including infrastructure, housing, energy, transportation, education and social security.

Despite the introduction of "small government" in the 1980s and then dominating NPM, the disciplinary areas which science of public administration dealt with became wider rather than smaller. Although public administration's handling of service delivery may have become more efficient, the background involved became more and more multidisciplinary. Governments have been involved in law making, institutional organization, infrastructure construction, industry building and promotion, commercial activities protection and regulation, education delivery, science and culture promotion, economic and financial policy, and welfare policy. They are also dealing with environmental issues as well as energy issues. All these areas need particular knowledge and expertise, along with professional law making and managerial skill.

With New Public Management (NPM), the science of public administration introduced managerial techniques and instruments of the private sector. It introduced markets, managers and measurement (Ferlie, *et.al.*, 1996). Characteristics of NPM include decentralisation, management by objectives, contracting out, competition within government, and customer orientation (OECD, 2003). It also introduced ICT and the various expertise of new fields.

NPM was introduced into the traditional form of public administration and changed its managerial style through a series of techniques imported from business management (Olson, *et.al.*, 1998). Customer-oriented and/or outcome-oriented thinking has been introduced in policy making and implementation processes (Hood, 1995). Reform in public service delivery, influenced by these orientations, forced public sector organisations to outsource some functions, privatize enterprises, and revise the role of government in accordance with the role of private sector and civil society. Public and Private Partnership (PPP), the Private Finance Initiative (PFI), and other forms of collaborations became alternatives to traditional government restructuring. Renewal of public management and specially public service delivery has thus become an important trend in recent public sector reform. This trend is now evolving into the “(public) governance model”, with greater emphasis on integrating politics and management rather than relying merely on the introduction of management techniques.

Decentralisation for Public Services under NPM

Decentralisation is considered as one of the characteristics of NPM. Changing the decision-making structure as well as service delivery system is an important element of NPM. Decentralisation is also associated with multi-level-governance, another characteristic of NPM as well as of the policy strategy of modern States.

Many authors focused their research efforts on the analysis of decentralisation and devolution processes, following the public governance approach. They examined devolving activities and responsibilities from central to local governments and the relational features existing between and within the different institutional levels (Ongaro, 2006; Mussari, 2005; Hutchcroft, 2001; Christensen, 2000; Pollitt, *et al.*, 1998), but many of them neglected the organisational aspects. The completion of the devolution process and the increasing use of the public governance approach and the network theory have led to renewed interest on the part of scholars and practitioners in agglomeration and/or merger processes, especially those carried out by local governments (Agranoff and McGuire, 2004; Sancton, 2000; Bardach, 1998). Following the implementation of public sector reform based on NPM, the dimension of public administrations, especially at the local level, has prompted renewed both practical and academic interest. This dimension of local governments has become politically crucial for two reasons: regional competitiveness and the capacity to provide public services.

In terms of public services, it is important to highlight the impact of the devolution process, especially on public administrations at the local level (Fedele-Ongaro, 2008; Grossi-Mussari, 2008). First, the number of public services to be provided by local governments has increased. Secondly, the devolution process has also had an impact on the system of funding local governments, which has changed from an indirect to a direct

system: that is to say, local governments are increasingly financed directly by their citizens. As a consequence, many local governments do not have sufficient financial resources to fund the provision of the services needed. These changes are also accompanied by a demand for increasingly complex public services, which are very difficult for a single local government to provide. These single administrations therefore need to resort to agglomeration processes in order to exploit their financial, material and human resources more efficiently, with the aim of satisfying citizens' demand for increasingly complex services.

At academic level, the devolution process has confirmed a new interest in institutional models of governance among both public administrations operating at different levels¹ and public administrations operating at the same level. All this interest has grown within a theoretical framework known at an international level as "Public Governance" (Kettl, 2000; Peters-Savoie, 2000).

This growing attention to and interest in decentralisation processes at both academic and professional levels is due to the various advantages stated above. In particular, decentralisation processes have been considered capable of generating advantages at political, administrative and citizen-related levels.

At political level, working together is mainly able to generate more contractual and political power for the participants in the decentralisation process, in relation to other local governments, levels of government and private and public actors (Sancton, 2000; Bardach, 1998).

At administrative level, the advantages are both economic and organisational. On the economic side, the most important advantages are the economies of scale and scope. Furthermore, local public administrations have access to a greater amount of financial resources for the performance of their functions, with which to make investments that each individual local government would not previously have been able to afford (Blume and Blume, 2007; Zuffada, 2002). From organisational point of view, agglomeration and/or merger processes represent an opportunity to eliminate overlapping organisational structures and to specialise the workforce operating in the local public administrations involved (Blume and Blume, 2007; Zuffada, 2002; Bardach, 1998).

At citizen-related level, the most important advantage/objective is to have public services of a higher quality at lower cost (Sancton, 2000; Moore, 1995). Merger process in particular, should also generate a higher level of fiscal equivalence. In this case, all those who benefit from the provision of a public service pay for that service (Casella and Frey, 1992; Olson, 1969).

Alongside the abovementioned advantages, there are also some disadvantages in merging local governments. First, at administrative level the higher number of public administrations involved in the agglomeration and/or merger process, the more important coordination problems become (Barretta *et al.*, 2008; Goldsmith and Eggers, 2004). Furthermore, the optimal area for efficient management of one public service is not necessarily the most suitable area for another public service. Therefore, the jurisdictional area created through a process of merging local governments may not be the optimal area for efficient management of all the public services the new local authority is responsible for

(Casella and Frey, 1992). Political representativeness is another significant problem. In these cases there is a second order representativeness occurs: the politicians who govern the entities resulting from the agglomeration processes are not directly elected by citizens (Blume and Blume, 2007). Finally, some disadvantages may also exist for citizens, if the process entails the homogenization of local public services. Although they live within the territory of the local governments participating in the process, citizens may be characterised by distinct socio-economic features and therefore have different needs and require different public services.

NPM to post NPM or NPG

Attentions on public service delivery and the role of citizens and social sector in its process lead to NPG. It was also proposed as a critique of NPM, which merely stressed efficiency, effectiveness and managerial techniques.

Some authors started to point out issues of NPM and propose modifications to NPM. Because NPM emphasised too much the viewpoint of private management techniques in public sector, they said, citizen participation and other forms of democratic decision-making had been undermined. The contents and characteristics of accountability have, indeed, changed from the initial period of NPM, and social audit and accounting have been necessary to consider (Osborne and Ball, 2011). Some pointed out that since NPM concentrated on performance measurement and evaluation, monitoring, and auditing, it has barely considered the viewpoint of public policy in general and decision-making. This strengthened the short-term political interest, rather than the outcome of long-term and strategic policy and plans, creating situations contrary to what NPM originally aimed for.

These authors have tried to modify the concept of NPM, which stressed the viewpoint of private management in public administration, emphasised the importance of citizen participation and the role of the social sector in public service delivery, and focused on much broader public governance, including public and private partnership. They have focused on co-production between the citizen, the public and the social sector as service agent and stressed the importance of co-producing the services.

While NPM is based on neo-classical economics and particularly on rational/public choice theory, emphasizing the implementation by independent service units which are ideally in competition with each other and focus on economy and efficiency, NPG is rooted within organizational sociology and network theory. It acknowledges the increasingly fragmented and uncertain nature of public management (Pestoff, 2011).

Osborne (2006; 2010) ironically argues that NPM has actually been “a transitory stage in the evolution (from traditional public administration) towards New Public Governance”. He agrees that public administration and management has gone through three dominant stages or modes: a longer pre-eminent one of PA until the late 1970s/early 1980s; a second mode of NPM, until the start of the 21st Century; and an emergent third one, NPG since then. The time of NPM has thus been a relatively brief and transitory one between the statist and bureaucratic tradition of PA and the embryonic one of NPG (Osborne, 2006; Osborne, 2010).

Bovaird (2007) argues that the emergence of governance as a key concept in the public domain is relatively recent, and he traces the evolution of the concept in public administration. He suggests that “governance provides a set of balancing mechanisms in a network society, although it is still a contested concept, both in theory and in practice”. By the end of the 1990s various concerns about corporate governance, local governance and network society had crystallized into a wider focus on “public governance”, which he defines as “... the ways in which stakeholders interact with each other in order to influence the outcomes of public policies” (Bovaird, 2007). Co-production becomes a key concept and the importance attributed to it by Public Governance has two major implications for public administration. First, it “seriously questions the relevance of the basic assumptions of NPM that service delivery can be separated from service design, since service users now play key roles in both service design and delivery”. Second, “service users and professionals develop a mutual and interdependent relationship in which both parties take risks and need to trust each other” (Bovaird, 2007). Trust has thus become an important issue under NPG.

Bovaird also argues that there has been “radical reinterpretation of the role of policy making and service delivery in the public domain resulting in Public Governance”. Policy making is “no longer seen as a purely top-down process but rather as negotiation among many interacting policy systems”. Similarly, “services are no longer simply delivered by professional and managerial staff in public agencies, but they are co-produced by users and communities” (Bovaird, 2007). He presents a conceptual framework for understanding the emerging role of user and community co-production. Traditional conceptions of service planning and management are, therefore, outdated and need to be revised to account for co-production as an integrating mechanism and an incentive for resource mobilization – a potential that is still greatly underestimated (Bovaird, 2007).

NPG, which was proposed first as critiques to NPM, then, has introduced some new concepts and actors into public governance. Its attention on citizen participation and its leadership lead to “citizen-centric” governance; it guarantees active participation of stakeholders in decision-making as well as public service delivery through “joined-up governance”; that is based on democratic decision-making; its strong emphasis on public service delivery resulted in the concept of New Public Service (NPS); its stress on partnership in delivering public service lead to “co-production”; it is based on network governance; gives important role not only to private sector but also to social sector; and it introduced new issues such as public value and/or trust.

Pestoff defined NPG as the “central role attributed to citizen co-production and third sector provision of public services” (Pestoff, 2011), while Osborne said that NPG as “posits both a plural state where multiple interdependent actors contribute to the delivery of public services and a pluralist state, where multiple processes inform the public policy making system” (Osborne, 2006).

Examining public service delivery models, many recent models show characteristics of NPG: emphasising “citizen-centric” governance and democratic decision-making, the participation of stakeholders, “co-production”, the social sector and the introduction of public value and/or trust. Since NPG had to introduce some new principles in order to

contrast NPM and its efficiency, effectiveness, and value for money, many authors started to investigate into public value (Hartley, 2005) and trust (Bouckaert, 2012). Meanwhile, critics of NPM point out its lack in instruments/tools similar to NPM (Pollitt, 2014).

JAPANESE LITERATURE REVIEW AND PUBLIC ADMINISTRATION REFORM PRACTICE

At the national level, NPM has been taken from its Anglo-Saxon experiences and implemented in Japan in its own unique manner since the late 90's. The critical situation of public finance, urgent need for public sector reform and political instability led to two extreme options; one was the self-reforming effort of bureaucracy, and the other was citizen empowerment and its pressure on bureaucracy. The second has been struggling to receive public consensus, expertise for practice, and institutionalization, while the first managed to achieve the reorganisation and restructure of administrative institutions to a certain extent, as well as establishing a legal framework and operational system for performance measurement and policy evaluation (Kudo, 2002).

Renewal of public management and public service delivery has become an important trend in Japanese public sector reform since its introduction. NPM changed the managerial style of traditional public administration with its series of techniques delivered from business management. Reform in public service delivery forced public sector organizations to outsource some of their functions, privatise enterprise, and revise the role of government in accordance with the role of private sector and civil society. PPP, PFI, and other forms of collaborations became alternatives to traditional government restructuring; so far, the Japanese reform process followed the global reform trends as well as the international literature.

Public Service Delivery in Japanese Local Government under “Governance” Model

Meanwhile, some interesting efforts can be observed at local level. While the national government struggled in reaching a consensus, almost all prefectures and a major part of the municipalities introduced performance measurement systems. Some of these demonstrate ideas to realize co-governance (Kudo, 2003). Some introduce policy evaluation and/or programme evaluation. Some enacted special charters or regulations, while most issued guidelines in introducing their systems². Those charters showed efforts to introduce a citizen's charter and are one of the most interesting experiments among the local governments to realize NPM in its original sense, as they tried to guarantee the control of stakeholders and enable the advocacy of the citizen (Tsujiyama, 2002).

This nation-wide movement of experimenting with performance measurement and/or policy evaluation by local governments was mostly independent from the national effort to establish legal framework for evaluation system. It was these local government movements that actually led the nation's utilization of NPM and drew attention from academia³. Both national and local efforts for better governance in their different manners produced interesting results, though not always positive ones, on their reforms and also on governance in general.

One of these interesting experiments was that of introducing its unique governance model, or so-called “Atarashii Kokyo” (literary means “new public”), in a Japanese municipality (Imamura, 2002; Kudo, 2003; Tsujiyama, 2002; Yamamoto, 2002). This case represented governance models in local governments, introducing the concept of new public governance, redesigning the public domain and trying to establish a partnership in providing public services. The system, which was implemented in Setagaya Ward (municipality level local government) in Tokyo Metropolitan Government (sub-national level), can be considered as one of the Japanese examples of the public governance model. The system focused on reviewing the role of public sector and seeking its partnership with the private sector, NPOs, the social sector, and civil society in local public service delivery.

The system introduced the concept of public governance, or so-called “new public”. Its performance indicators consider the possibility of outsourcing, citizen participation, and different forms of partnership. Projects are thus classified into these criteria: 1) which need strong and direct public sector involvement also in the future; 2) which might be outsourced or need partnership; and 3) which have to be passed completely to private sector as soon as possible. This experiment was thus analysed from the points of view of public governance model as well as that of public service delivery reform. The municipality introduced this model, after implementing several projects of collaboration among the public sector, citizens, local business, the social sector and NPOs in providing its public services of specific fields. The concept of governance was: 1) to rationalise public sector performance; 2) to reduce cost; and 3) to empower citizen, local business, social sector and NPOs. The concept referred to the introduction of new patterns of partnership in public domain, including the reviewing of the “public domain” itself. The concept of governance in Japan⁴, thus, could be delivered from the reviewing of public domain. As the governance model was introduced to implement public sector reform, the performance information of this performance measurement system is expected to become an important resource in classifying performances through the use of criteria like “partnership” and “governance”.

The experience was one of the very first attempts at New Public Governance in Japan, although it was not recognised as NPG at that time. Rather, they thought of introducing an unique version of NPM (Imamura, 2002). The late introduction of Japanese NPM in its unique characteristics resulted in this interesting phenomena. NPM became one of the most important instruments to promote their public sector reform and, at the same time, as learning and self-reforming process of public servants/public sector (Kudo, 2003). The system, thus, was not, and has not been considered as NPG, but as NPM in practice as well as in academic debates. The former can be explained through the fact that NPM was already widely accepted as an instrument of reform, while the latter can be explained by the fact that there is almost no citation of NPG literatures among Japanese academic researchers (Kudo, 2014). NPM has been dominant as public sector management techniques and remains the major concept.

The restructuring of government institutions and public organizations is one of the most classic methods of reform and has been implemented extensively in Japan. Reorganization and/or restructuring does not only mean implementing a merger among different

institutions or rationalisation of organizations, but also includes the outsourcing and/or privatisation of certain function of public institutions, the creation of agencies, and the introduction of different forms of public-private partnership. Modernization of the budgeting process is another important reform for government and public institutions. Introduction of a more rational accounting system, including accrual accounting in the public sector has been combined with public management reform. Rationalisation of financial policy and its implementation has been recognized as crucial factor for more pragmatic and practical public sector management.

Social Accountability, Social Audit, and Accounting of Local Finance

Despite various attempts to strengthen the financial foundation of local governments, Yubari City, a municipality in northern Hokkaido Prefecture went bankrupt in March 2007 because of its long pointed out financial mismanagement. Amid severe financial conditions caused by such factors as the redemption of local bonds and the advancement of ageing society, local governments are required to conduct autonomous financial management that takes into account the needs of local residents. Furthermore, it is considered highly important to establish the financial discipline of local governments in order to promote decentralization.

The former system of local government financial reconstruction used only flow indexes for the real deficit, such as the general account. The system of local government financial reconstruction was thus drastically revised for the first time after half a century, and a law which introduced more rigorous reporting and controlling system of local financial situation (Law No. 94/2007, “Promotion of Soundness in Local Public Finance Act”) was enacted in June 22, 2007 as a new system to thoroughly establish and disclose financial indexes and to strive for the early soundness and rebuilding of financial affairs. The Ministry of Internal Affairs and Communications, which promoted the law, was keen to introduce some measures to prevent similar cases like Yubari City.

The Act has various objects. First, it introduces private sector oriented accounting tools into public finance documents. Accrual accounting systems, double book-keeping and a balance score card are among many newly introduced features. This has not been easy to implement, especially in small municipalities, since their managerial capacity are limited.

Second, guaranteeing accountability to the public was stressed throughout the law to inform residents of the real financial situation of their municipality. Through this procedure, residents are expected to exercise their right and duty to control the behaviour of the municipality. They are even expected to judge the future situation of their local governments from these figures and to make choices. Although the municipalities published the indicators on newsletters and websites of the municipalities, citizens have remained rather indifferent to these publications and their contents.

Third, measures should be taken in case of missing targets by the municipalities. Despite of many practical difficulties, the changes introduced into accounting system in local governments should change many aspects of the existing local public finance. This process has been slow; meanwhile the judgement of the financial situation for the mu-

municipalities which missed the targets already came along. There are the so-called red cards and yellow cards for municipalities which recorded certain figures (Ministry of Internal Affairs and Communications, 2009).

To measure the soundness of the financial situation, local governments should establish indexes and disclose related information. Three out of four indexes are flow indexes, one is stock index. Flow indexes include real deficit ratio, consolidated real deficit ratio, and real debt service ratio. Stock index is future burden ratio, which is of real liabilities, including public enterprises, third sector enterprises, etc. (Takada, 2008). These indicators and related information should be reported to local assembly and publicly announced with auditor inspection attached.

Finally, the Act defines the role of auditors and/or accountants in local governments. The inspectors (existing term by Local Government Act) examine and publish indicators decided by the Ministry and give advice and instruction to the mayors, if necessary.

Financial soundness should first be achieved by independent improvement efforts of each local government. If needed, local governments should formulate a financial soundness plan, which should be approved by local assembly, followed by an obligatory request for external auditing. Local governments should report the progress of implementation to the local assembly and announce to the public every fiscal year. If the early achievement of financial soundness is deemed to be strikingly difficult, the Minister or the prefectural governor makes necessary recommendations. If early attempts at self-improvement fail, the rebuilding of local finance would be carried through involvement of the central government. First, they should formulate a financial rebuilding plan, which should be approved by local assembly, followed by an obligatory request for external auditing. The financial rebuilding plan can seek consultations and agreement from the Minister. In the case of no agreement, there will be restrictions on the issue of local bonds, excluding disaster rehabilitation projects, etc. If there is an agreement, it is possible to issue local bonds (rebuilding transfer special bonds) whose redemption deadline comes within the plan period in order to transfer the balance shortfall. If financial management is deemed not to conform with the plan, budget changes and so on are recommended (Ministry of Internal Affairs and Communications, 2009).

The new system is aimed, first, to grasp the whole figure, including the future burden ratio. Second, it forces the local governments to take their own responsibilities to manage their financial situations. The results of fiscal year 2007 show that there are 33 local governments out of around 1,800 in alarm level for the real debt service ratio and 5 are in difficulties in terms of their future burden ratio (Takada, 2008).

The local governments have been coping with the new system since its introduction. According to the previous survey conducted by the research group, first of all, the obligation of collecting data and of publicising four indicators forced especially small local governments, which never elaborated on these data to work hard for it, sometimes leading to overcome the systematic and technical obstacles they used to have, and trying to develop necessary skills and abilities to do so. Large middle-sized municipalities had already developed a certain capacity in advance, but smaller municipalities usually lack the personnel and have difficulties in training necessary experts. This system, however,

forced even the smallest local governments to prepare for it. As a consequence, many point out the changing mentalities towards local finance in general.

Second, many municipalities started to recognize the “hidden” deficit they had accumulated within the municipalities owned public companies and other related institutions. This was made possible by the introduction of “future burden ratio”. In many municipalities, they were not aware of the financial condition of these public companies; however, the act forced them to face these realities.

Third, the obligation of publicising these indicators made them realize the importance and the difficulty of explaining the results to local councils and to citizens. It is not an easy task; these indicators are difficult to explain, calculations are complicated, and understanding these indicators requires certain interpretation.

Finally, standardization brought to the municipalities a clear framework for public finance. This made easier to compare the data among municipalities, which once utilised different measures and calculations (Takada, 2008).

The whole process has introduced the concepts of social accountability, social audit and accounting. The involvement of the citizens, private sector, and social sector, and the role of inspector has been built into the new system. This transformation can be observed as the implementation of NPM and then of NPG (Pestoff, 2011), but has yet to be recognized as such among Japanese literatures.

HOW THE JAPANESE LOCAL GOVERNMENTS ARE MANAGING THEIR SITUATION

The research group on Post-NPM (“Research on impact of public administration reform and development of Post-NPM”, JSPS Funding 2013-2016), in which the author took part, conducted an extended survey among Japanese municipalities. Questioners were sent to mayors of municipalities in the beginning of 2014 and we obtained 1129 answers (out of 1720 municipalities in total). Since the research group had done similar but slightly different surveys in the past (“Research on governance and system reform of local public finance”, JSPS Funding 2007-2010, and “International comparison on diversification of public service delivery under financial reform”, JSPS Funding 2004-2006), asking the major motivations for public administration reform and methods of public service delivery during and after the period of municipality merger, the last survey focused on the impact of public and finance reform, especially that of municipality merger on public service delivery.

28.0% of the respondents answered that the sound financial situation has the major priority in their local government, followed by the revitalisation of local economy (21.3%), and counter measure for declining population (17.9%). Other pointed out the importance of welfare policy for aged, and disabled, and counter measure for declining population. The answers vary from austerity measures to growth strategy, many pointing out the necessity to invest into crucial issues like ageing society and declining population. Most fear that in ten years their financial situation would be worse (75.9%), due to the change in subsidies (37.8%), the increase of social welfare related expenditure (23.1%), and the decrease of local tax revenue (21.5%).

37.8% agree to the principle of subsidiarity, while 31.3% think that the State has to decide and delivery on behalf of local governments; this means that the majority has completely opposite view. 67.7% think that it is better to increase their own financial resources from local tax revenue, which never succeeded in the past, despite various attempts with governmental policies, including that of “trinity reform”, or “three-in-one reform” (Kudo, 2008).

The evaluation of the impact of municipality merger varies: while 66.5% declare that it saved their expenditures; 45.5% think that it enabled administration of a wider area; 33.0% noticed that their policy-making capacity has improved; 27.6% believed that their service standard has improved; while 15.9% think their service standard has worsened; and 13.4% declared that their expenses has increased. To a certain extent, the results confirm the international literature review on decentralisation and agglomeration/merger in relation to service delivery. The evaluations are divided, especially in terms of service delivery. This might be the reason why many local governments have been concentrating their reforms on service delivery.

77.5% think that citizens should collaborate with public administration to resolve problems; while 9.8% think that issues should be resolved mainly by public administration. This is the sign that the Japanese local governments have followed the NPM driven reforms and believe in the importance of co-production. As the role of citizen, 80.8% of the mayors think that they behave as beneficially of public services, 63.5% see them as contributor, 49.0% as clients, and 73.9% as partners of collaboration. 16.2% do not see the citizen as clients in reality: while when they were asked how they see the citizen in carrying out their policy, 84.0% as beneficially of public services, 77.1% as contributor, 58.8% as clients, and 92.3% as partners. Again, role as clients gained fewer consensuses with 15.3%; however the co-production and partnership are recognised as important concepts by most mayors, confirming that the NPM and somehow NPG-driven concepts have rooted in municipalities.

From the examples cited in the questioners and follow-up interviews to the selected municipalities, it emerged that some decided not to renew contracts to the private sector, to bring service back into the hands of public administration, or to introduce new forms of collaboration between public and private sectors, mainly based on proposals from the private sector. In case of childcare and elderly care, some municipalities answered that they began once again to hire experts in order to develop internal personnel as managers and policy makers in the future. Culture, sports and leisure related services are still outsourced in many municipalities; however, some are revising their relationship with contractors and are starting to impose their policies and strategies, or in some cases, they restarted to manage directly.

There were no significant differences in their answer in relation to the size of the municipalities.

The survey shows that the concepts of NPM are recognised by most of the mayors, although how they perceive the reality vary, co-production and partnership are their policy priorities, although not yet realised to the extent they want. NPG-driven reforms have been introduced; also, they are not recognized as NPG.

ANALYSIS AND FINDINGS

NPM had introduced collaborative government and co-production in public service delivery. New Public Governance concepts explain the conditions of the stakeholders involved in these processes.

In case of decentralisation policy, it is a typical NPM strategy, in which traditional values like “territory” are strongly concerned, while many stakeholders are involved in crucial decision making. The Japanese merger experiences confirm the international literature on public governance and public service delivery, thus confirming to be an example of public governance driven reform process.

In case of local public finance policy, it was initiated as a NPM process; however the actual reform process shows that it has elements of NPG.

Examples and the results of the survey confirm the introduction of NPG aspects in public service delivery among Japanese local governments. Citizens and communities are invited to participate not only in the decision-making process, but also the service delivery process. They are redesigning the structure of local service delivery.

Despite the practice, there are few researches and literatures in Japan for the NPG in Japanese local government, probably because of: 1) late introduction of NPM; 2) introduction of NPM sometimes mixed up with NPG, which was already dominant in Anglo-Saxon countries; 3) too strong and still dominant attention on NPM; and 4) less attention on NPG, since NPM was a self-reform process by Japanese public servants, especially at the local level.

NOTES

- ¹ They include; municipalities, regions, central governments, etc.
- ² The Sumida Special Ward of Tokyo Metropolitan Government introduced the concept of co-governance in its Basic Concept in 2006, published a guidebook entitled “Co-Governance Guidebook” for its inhabitants in 2007, and finally enacted the “Charter to Promote Co-Governance” in 2011.
- ³ In 2001, one of the parallel sessions of the annual meeting of the Japanese Society for Public Administration was dedicated on “Various Aspects of Local Governance”. Two years later in 2003, another session was dedicated on “NPO and Local Governance”.
- ⁴ The word “governance” was first introduced in Japanese literature by Imamura (1993). He also used the term prior to this (1987) in a conference to express the need of new government system among local government.

Prof. Dr. Hiroko Kudo is a Visiting Research Fellow at the German Research Institute for Public Administration, University of Administrative Sciences Speyer, Germany, and Full Professor, Faculty of Law, Chuo University, Japan. Email: hirokod@tamacc.chuo-u.ac.jp

REFERENCES

- Agranoff, Robert and Michael McGuire (2004), *Collaborative Public Management: New Strategies for Local Governments*, Georgetown University Press, Washington.
- Bakvis, Herman. and Mark. D. Jarvis (eds.), (2012), *From New Public Management to New Political Governance*, McGill-Queen's University Press.
- Bardach, Eugene (1998), *Getting agencies to work together. The practice and theory of managerial craftsmanship*, Brookings, Washington.
- Barretta, Antonio, Busco, Cristiano and Pasquale Ruggiero. (2008), "Trust in Project Financing: An Italian Health Care Example", *Public Money and Management*, 28 (3): 179-184.
- Blume, Lorenz and Tillman Blume. (2007), "The economic effect of local authority mergers: empirical evidence for German city regions", *Annual Regional Science*, 41: 689-713.
- Bouckaert, Geert. (2012), "Trust and Public Administration", *Administration*, Vol. 60, no. 1, pp.91-115.
- Bovaird, Tony (2005), "Public governance: balancing stakeholder power in a network society", *International Review of Administrative Sciences*, Vol.71, no. 2, pp.217-228.
- Bovaird, Tony (2007), "Beyond Engagement & Participation: User & Community Co-Production of Public Services", *Public Administration Review*, Vol.67, no.5, pp.846-860.
- Casella, Alessandra and Bruno Frey. (1992), "Federalism and clubs. Towards an economic theory of overlapping jurisdictions", *European Economic Review*, 36: 639-646.
- Christensen, Jørgen G. (2000), "The Dynamics of Decentralization and Recentralization", *Public Administration*, 78 (2): 389-407.
- Dunleavy, Partick, Margetts, Helen, Bastow, Simon and Jane Tinkler (2006), *Digital Era Governance: IT Corporations, The State, and E-Government*, Oxford University Press, Oxford.
- Fedele, Paolo and Edoardo Ongaro (2008), "A Common Trend, Different Houses: Devolution in Italy, Spain and the UK", *Public Money and Management*, 28(2): 85-92.
- Ferlie, Ewan, Ashburner, Lynn, Fitzgerald, Louise and Andrew Pettinngrew (1996), *New Public Management in Action*, Oxford University Press, Oxford.
- Grossi, Giuseppe and Riccardo Mussari (2008), "Effects of Outsourcing on Performance Measurement and Reporting: The Experience of Italian Local Governments", *Public Budgeting and Finance*, 28 (1): 22-38.

- Hartley, Jean (2005), "Innovation in Governance and Public Services: Past and Present", *Public Money & Management*, Vol.25, Issue 1, pp.27-34.
- Hood, Christopher (1991), "A Public Management for All Seasons?", *Public Administration*, Vol.69, Issue 1, pp.3-19.
- Hood, Christopher (1995), "The 'New Public Management' in the 1980s: variations on a theme", *Accounting Organization and Society*, 20 (2/3): 93-109.
- Hutchcroft, Paul D. (2001), "Centralization and Decentralization in Administration and Politics: Assessing Territorial Dimensions of Authority and Power", *Governance*, 14 (1): 23-53.
- Imamura, Tsunao (1994), "Governance no Gainen (Concept of Governance)", *Kikan Gyosei Kanri Kenkyu (Administrative Control Research Quarterly)*, 68 (1)
- Imamura, Tsunao (2002), "Kokyo Kukan no Saihen (Restructure of Public Domain)", in Imamura, Tsunao (ed.). *Nihon no Seifu Taikei (Japanese Government System)*, Seibundo Publisher
- Imamura, Tsunao (2009), *Governance no Tankyu: Rouyama Masamichi wo yomu (Investigation on Governance: Reading Rouyama Masamichi)*, Keisou Shobou Publisher
- Kettl, Donald F. (2000), "The Transformation of Governance: Globalization, Devolution and the Role of Government", *Public Administration Review*, 60 (6): 488-497.
- Kudo, Hiroko (2002), "Performance Measurement for Governance: from TQM to Strategic Management and Programme Budgeting", in Bräunig, D. and P. Eichhorn (Eds.), *Evaluation and Accounting Standards in Public Management*, Nomos Verlagsgesellschaft
- Kudo, Hiroko (2003), "Between the 'Governance' Model and the Policy Evaluation Act: New Public Management in Japan", *International Review of Administrative Sciences*, 69, 483-504.
- Kudo, Hiroko (2010), "E-Governance as Strategy of Public Sector Reform: Peculiarity of Japanese IT Policy and its Institutional Origin", *Financial Accountability & Management*, 26 (1), 65-84.
- Kudo, Hiroko (2014), "NPG in okeru Seisaku: Post NPM Jidai no Seijiteki Ishikettei to Governance Model (Public Policy under NPG: Political Decision-making and Governance Model in post NPM Era), paper presented at the Annual Conference of the Japanese Society for Public Administration, Tokai University, May 2014
- Ministry of Internal Affairs and Communications. (2009), *Zaisei Kenzenka Hou (Promotion of Soundness in Local Public Finance Act)*, <http://www.soumu.go.jp/iken/zaisei/kenzenka/index.html> (access: 30.12.2014)
- Ministry of Internal Affairs and Communications (2013), Materials of the research group on the changing management of local governments and the future reform of

local government system: http://www.soumu.go.jp/main_content/000283778.pdf
(access: 30.12.2014)

- Moore, Mark (1995), *Creating public value. Strategic Management in government*, Harvard University Press, Cambridge.
- Mussari, Riccardo (2005), *Le performance dell'azienda pubblica locale*, Cedam, Padova.
- OECD (2003), *Managing Decentralisation: A New Role for Labour Market Policy*, Organisation for Economic Co-operation and Development, OECD Publishing.
- Olson, Mancur Jr. (1969), "The Principle of "Fiscal Equivalence": The Division of Responsibilities among Different Levels of Government", *The American Economic Review*, 59 (2): 479-487.
- Olson, Olov, Guthrie, James and Christopher Humphrey (1998), *Global Warning! Debating International Developments in New Public Financial Management*, Cap-pelen Akademisk Forlag
- Ongaro, Edoardo (2006), "The dynamics of devolution processes in legalistic countries: organizational change in the Italian public sector", *Public Administration*, 84 (3): 737-770.
- Oosumi, Soshiro (1999), *New Public Management: Rinen, Vision, Senryaku (New Public Management, Idea, Vision, and Strategy)*, Nihon Hyoron Sha Publisher
- Osborne, Stephen P. (2006), "The New Public Governance?", *Public Management Review*, Vol.8, no.3, pp.377-387.
- Osborne, Stephen P. (ed.) (2010), *The New Public Governance*, Routledge.
- Osborne, Stephen P. and Amanda Ball (eds.) (2010), *Social Accounting and Public Management: Accountability for the Public Good*, Routledge, London & New York.
- Pestoff, Victor (2011) "New Public Governance and Accountability: Some Jewels in a Treasure Chest", *CIES N.91*
- Peters, B. Guy and David J. Savoie (eds.) (2000), *Governance in the Twenty-first Century – Revitalizing the Public Service*, McGill-Queen's University Press, Canada.
- Pollitt, Christopher, Birchall, Johnston and Keith Putman (1998), *Decentralising Public Service Management*, Macmillan, London.
- Pollitt, Christopher. (2014), "Managerialism Redux?", Keynote Speech at 8th International EIASM Public Sector Conference, University of Edinburgh, September 2014
- Sancton, Andrew (2000), *Merger Mania. The Assault on Local Government*, McGill-Queen's, London.
- Takada, H. (2008). "Zaisei Kenzenka Hou to Kansa (Promotion of Soundness in Local Public Finance Act and Local Government Inspection)", presentation material at the annual meeting of municipality inspectors

- Tsujiyama, Takanobu (2002), “Jichi Kihon Jorei no Kousou (Perception of Local Government Charter)”, in Matsushita, K., Nishio, M. and Shindo, M. (eds.). *Jichitai no Kousou (4) Kikou (Perception of Local Government, vol.4, Institution)*, Iwanami Publisher
- Yamamoto, Hiraku (2002), “‘Atarashii Kokyo’ to Shimin no Governance (‘New Governance’ and Governance of the Citizen)”, *Gekkan Jichiken*, Vol.44. No.517.
- Yamamoto, Kiyoshi (2008), “Sekai to Nihon no NPM (NPM in the World and in Japan)”, in Muramatsu, Michio (ed.), *Koumu Kaikaku no Toppakou: Seisaku Hyoka to Jinji Gyosei (Breakthrough for the Public Service Reform: Policy Evaluation and Human Resource Administration)*, Toyo Keizai Sinpo Sha Publisher
- Zuffada, Elena. 2002. “La collaborazione interistituzionale per il miglioramento dell’economicità dei comuni di minori dimensioni”, *Azienda Pubblica*, 3: 231-257.

About IPMR

IPMR The International Public Management Review (IPMR) is the electronic journal of the International Public Management Network (IPMN). All work published in IPMR is double blind reviewed according to standard academic journal procedures.

The purpose of the International Public Management Review is to publish manuscripts reporting original, creative research in the field of public management. Theoretical, empirical and applied work including case studies of individual nations and governments, and comparative studies are given equal weight for publication consideration.

IPMN The mission of the International Public Management Network is to provide a forum for sharing ideas, concepts and results of research and practice in the field of public management, and to stimulate critical thinking about alternative approaches to problem solving and decision making in the public sector.

IPMN includes over 1300 members representing about one hundred different countries, both practitioners and scholars, working in all aspects of public management. IPMN is a voluntary non-profit network and membership is free.

ISSN 1662-1387