



Exporting new public management: performance agreements in a Pacific microstate

Performance agreements

615

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Abstract

Purpose – The purpose of this article is to explore the export of new public management (NPM) to developing countries and to describe and evaluate the introduction of these initiatives in very different environments from their origins.

Design/methodology/approach – The article traces the introduction of performance agreements into the public service of Vanuatu. Performance agreements are identified as an initiative typically promoted by NPM. The Vanuatu case is set within a review of the origin, use and record of performance agreements in countries such as Australia, the UK and the USA.

Findings – The adoption of performance agreements has been slow and has enjoyed limited success. Among the difficulties encountered are suspicion, lack of incentives, an unreceptive environment, and possible identification as being donor-driven. It is difficult to see performance agreements in their current form making an impact on performance improvement in the Vanuatu public service.

Practical implications – NPM initiatives must be carefully considered before being transferred to other countries. They may offer benefits but what has worked in one environment will often need considerable modification, certain preconditions and lengthy lead-in time to be effective in another environment.

Originality/value – There are few case studies of attempts to transfer NPM-style reforms to developing countries and none on performance agreements, yet many countries in the Pacific and elsewhere are becoming interested in this mode of performance management. This case study helps to fill this gap through description and analysis of the Vanuatu experience and provides practical lessons for others considering policy transfer of NPM initiatives such as performance agreements.

Keywords Public administration, Developing countries, Performance management, Performance contracts, Public policy

Paper type Case study

Introduction

A paradox of development management is that while governments have for many years declared their commitment to performance improvement they have demonstrated surprisingly little interest in performance management as a way to secure the desired improvement. They have engaged in reforms involving such initiatives as altering organizational structures, tinkering with work processes, introducing new technology and reducing staff numbers. Performance management



International Journal of Public Sector
Management
Vol. 18 No. 7, 2005
pp. 615-628
© Emerald Group Publishing Limited
0951-3558
DOI 10.1108/09513550510624077

has been evident in the form of performance appraisal of staff but this annual event has often assumed a routine or ritual character rather than being a genuine tool of performance management. But times may be changing as more developing country governments express interest in or actually experiment with performance management strategies. Initiatives such as the Clients' Charters in Malaysia, the orientation to results-based management in Thailand and the concern of the Lao civil service with performance management are indicative of this trend (Rahman, 1995; Vajrabhaya, 2003; Keopanya, 2004).

There have been internal imperatives pushing governments into doing something about performance. These are especially associated with demands from the citizenry for greater democratization and participation. Of equal importance have been strong external stimuli. Donors have become increasingly oriented to performance and accountability (Saltmarshe *et al.*, 2003; World Bank, 2003). This concern is transmitted to recipient governments and built into programs of public administration reform. For example, one of the World Bank's core principles for poverty reduction strategies is "results-orientation" while national poverty reduction strategy papers (PRPSs) should include "appropriate targets, indicators, and systems for measuring and evaluating progress" (PovertyNet, 2003). Further focus on performance is provided by the UN's globally endorsed Millennium Development Goals each of which is linked to at least one clear measurable target. The new public management (NPM) has given ideological backing for performance management and also contributed a set of tools which are available for transfer to new surroundings. NPM stresses targets and performance measurement rather than adherence to rules (Hughes, 1998; Hood, 1991). While NPM has not been fully embraced by the majority of developing countries it has alerted them to a wider range of initiatives which can be used in their reform programs (Manning, 2001; Turner, 2002). This is complemented by the push for good governance or democratic governance in which accountability plays such a prominent role. Specifying targets is often part of enhanced accountability.

This article examines one aspect of performance management, that is performance agreements. These devices which commit officials to achieving certain goals and targets are widely used in the original NPM countries but have rarely been transferred to developing countries. However, some of the island nations of the South Pacific have now adopted or are considering various forms of performance agreements and performance contracts (for example, see Luaiufi, 2004). This article examines the introduction of a performance agreement system in one of these countries – Vanuatu.

Public administration reform in Vanuatu

Vanuatu is a republic in the South Pacific comprised of 83 islands, three of which account for over half the land area and half the population of 200,000. The population is predominantly rural (78 percent in 2001) and engaged in agriculture often with a strong subsistence component. The country's record of economic development has been poor, GDP per capita actually showing negative annual growth (-0.1) between 1990 and 2002 (UNDP, 2004). Current expectations of economic growth are only marginally better in contrast to population growth which remains high at a predicted 2.2 percent per year between 2002 and 2015. Vanuatu is classified as a country of "medium human development" by the UNDP (2004) but is in the lower part of this category. Efforts to raise the citizens' welfare are inhibited by regular cyclones, low adult literacy (34

percent), poor infrastructure, vulnerability to world commodity prices and the vagaries of tourist preferences, geographic remoteness, political instability and low levels of job creation (ADB, 2002; AIDAB, 1994; UNDP, 2004).

The public sector has played a prominent role in the Vanuatu economy in terms of formal employment and share of GDP. In the early 1990s, government expenditure accounted for approximately 50 percent of GDP but public administration has been described as “inefficient” and “weak” (AIDAB, 1994; ADB, 1998, 2002). This in part derives from the awkward inheritance of having been jointly administered by Britain and France as a colonial territory until independence in 1980. Creating a unified system of public sector management from two sets of contrasting practices provided a major post-colonial challenge. This was exacerbated by a skills shortage. Only ten nationals had university degrees in 1980 (ADB, 1996). By the mid-1990s, donor agency reports were listing a range of public administration problems. These included weakness in policy development, coordination and monitoring; lack of prioritization in the policy process; absence of performance criteria; no systematic training or clear career structure; high turnover of public servants, including expatriate advisers; the appointment of poor quality political advisers and personal staff; declining executive accountability; and changing ministerial jurisdictions and mandates leading to a loss of organizational memory (AIDAB, 1994; ADB, 1996; Knapman and Saldanha, 1999). “Institutional fragility” characterized public administration and led to joint action by the Vanuatu government and donors in the form of a Comprehensive Reform Program (CRP). This was developed in “a participative and consultative approach” involving NGOs, the Council of Chiefs, church groups, trade unions and private business (Knapman and Saldanha, 1999).

The CRP was endorsed in June 1997 and at annual National Summits of stakeholders in following years. Its objectives sought “major improvements in service delivery, economic and public sector management as well as economic growth led by the private sector and increasing equity and access to income and economic opportunity by all members of the community” (AusAID, 2004). Public sector reform and good governance were awarded high priority and the Vanuatu government sought donor assistance to develop and implement policies in these fields. The Asian Development Bank (ADB) and the Australian Agency for International Development (AusAID) have been the leading donor agencies and have helped to design public sector reform initiatives some of which have an affinity with NPM practices from Australia and New Zealand (Boston *et al.*, 1996; Zifcak, 1994). Downsizing involving the retrenchment of 10-15 percent of the public sector workforce was an early step, and a conditionality of the ADB loan. This was somewhat surprising given that, of Pacific Island states, “Vanuatu has amongst the lowest number of Government employees per hundred country inhabitants . . . [and] does not necessarily have to start with, or have a compelling imperative to, immediately reduce the size of the public service” (Knapman and Saldanha, 1999, pp. 104-5). However, the rationalization seems to have been one of reducing the scope of government, a familiar tenet of NPM. Other initiatives included the reduction of the number of ministries from 28 to nine accompanied by some internal restructuring; decentralization of some personnel functions from the Public Service Commission (PSC) to ministries; a revised Public Service Staff Manual; new Guidelines for Corporate Plans and Annual Reports; and the development of a training program and training capacity (Pakoasongi, 2003). While there has been good progress

in implementing these reforms, there has been much less advance in another innovation – the introduction of performance agreements for senior public servants.

Performance agreements and NPM

Performance management systems are widely used in the public sectors of developed countries such as Australia, New Zealand, the UK and Canada to develop an organizational culture focused on results. A central component of such systems is the negotiation of a performance agreement that aims to foster a clear “line of sight” between the performance of individual public servants and the achievement of organizational goals (GAO, 2002). These agreements begin with the most senior management and are then cascaded down through the various layers of the public service hierarchy to ensure that the performance targets for staff at all levels are clearly aligned with corporate goals. The US General Accounting Office (GAO) claims that performance agreements offer a range of advantages for public sector agencies that include reinforcing a focus on delivering results as part of day-to-day activities, promoting cooperation across the organization and facilitating continuous improvements in program delivery (GAO, 2000, p. 4).

A commonly used approach to developing performance agreements is that of goal-setting (Locke and Latham, 1990). This involves developing performance objectives that are specific, clear, measurable, and that include key job responsibilities and competencies (Williams, 1998). This approach can be effective in clarifying expectations at the beginning of the performance management process (Bricker, 1992). Advocates of goal-setting also encourage a participative approach to the negotiation of performance agreements (Locke and Latham, 1990). The process can involve teams as well as individual employees and may begin with a discussion between the manager and team members of how the team can set objectives that are aligned with organizational goals (Bricker, 1992, p. 70). The US GAO found that a focus on ensuring employee and trade union involvement maximized employee ownership of the performance management process in the Canadian, New Zealand and UK public sectors (GAO, 2002, p. 6). A strong commitment to providing employees with performance feedback is also required if the performance management system is to be effective because “[t]he primary role of feedback is in behaviour regulation, where it helps employees to keep work-related activities directed towards desired goals” (Larson, 1989, p. 408).

There is a range of examples of performance management systems that emphasize a focus on performance agreements and the alignment of individual employee goals to organizational objectives. For example, the performance of senior executives in the Canadian public sector comes under the Performance Management Program (PMP) (Treasury Board of Canada Secretariat, 2000). A central element of this program is the alignment of executive results to agency business plans and a number of leadership competencies. Under the PMP, public sector executives negotiate two types of commitments with their manager at the beginning of the performance cycle. The first refers to “ongoing” commitments or goals that remain constant from year to year. These commitments are established in line with the tenets of goal-setting and are expected to be “results oriented, clearly stated, measurable and achievable” (Treasury Board of Canada Secretariat, 2000). This is followed by the negotiation of “key” commitments that resemble “stretch goals” for Canadian public sector executives.

These goals are viewed as “achievable with effort” and if achieved entitle the executive to a bonus payment. No lump sums are payable unless there is a signed performance agreement in place. The performance agreement documents both “ongoing” and “key” commitments (Treasury Board of Canada Secretariat, 2000). Performance agreements have also been widely used in the Australian Public Service (APS) for all employees from 1997 (O’Donnell and O’Brien, 2000). In the *State of the Service Report 2002-03* prepared by the Australian Public Service Commission (APSC, 2003), 72 per cent of employees surveyed agreed that their performance agreement made clear links between the work that they performed and the corporate goals of their agency and “[o]verall, 43 per cent of employees agreed that their most recent performance assessment would help them perform well” (APSC, 2003).

Alongside goal-setting, performance agreements for executive staff in the UK, Australia and New Zealand also focus on the competencies that these executives must demonstrate to achieve their objectives (GAO, 2002, p. 5). For example, in the UK a public service executive and their supervisor would include several leadership competencies such as “thinking strategically”, “getting the best from people”, or “focusing on delivery” in their performance agreement. Each competency was linked to a number of specific behaviours, with the competency of “getting the best from people” linked to behaviours such as “coaching individuals so they achieve their best” (GAO, 2002, p. 14). In addition, the Canadian PMP focused on developing leadership competencies that included strategic thinking and relationship building. Executives were expected to demonstrate how they had translated these competencies into specific leadership behaviours during the performance cycle when they were being formally assessed (Treasury Board of Canada Secretariat, 2000).

In the APS, leadership behaviours form one element of a broad focus on assessing staff against a range of APS-wide values and behaviours. Legislation in the form of the *Public Service Act 1999*, reports by the influential Management Advisory Committee (MAC, 2001) and guidelines disseminated by the Australian Public Service Commission on performance management all encourage agency management to measure the performance of individual employees against APS values and leadership behaviours. The employee survey conducted by the APSC as part of the *State of the Service Report 2002-03* found that some 67 per cent of staff perceived that their performance was being assessed against either agency-specific values and behaviours or the APS values (APSC, 2003, p. 31). For example, in the Department of Employment and Workplace Relations (DEWR) staff were assessed against DEWR’s values as well as against individual performance targets, with a 50 per cent weighting for the demonstration of agency-specific values and behaviours (MAC, 2001).

Performance agreements in Vanuatu

Performance agreements were introduced into the Vanuatu public service in 2002 for Directors General (DGs) and Directors, the top two ranks of public servants. The rationale for the performance agreements was “to improve the output or quality of work and/or the quality of the working relationship between the parties to the agreement” (PSC, n.d.). The PSC, the lead institution in many of the other public sector reforms, was given the task of introducing and supervising the agreements.

The suggested procedure was for the DGs and Directors to draft their own performance agreements which they would then present to their superiors for

negotiation and approval (PSC, n.d.). For DGs this entailed discussion with their ministers and for Directors it involved negotiation with their DGs. The agreements would be reviewed at six-monthly intervals to determine whether the objectives were being achieved. DGs were to provide written comments to the ministers on their performance against the set goals and then the minister would provide feedback, ideally at an interview. The PSC Chairman could also be brought in to give additional comments. The parties could then determine actions to improve the DG's performance if that was deemed necessary. This would be reflected in a revised performance agreement which should be signed by the minister, DG and the PSC Chairman. A similar procedure was suggested for the performance agreements of the Directors but the participation of the PSC Chairman was only if requested by the Director. It was "envisaged that the PSC (in the case of DGs) and the DG (in the case of Directors) would remind parties of their obligations" (PSC, n.d.). A standard letter was circulated to the parties to facilitate this process.

Progress in completing the performance agreements was slow. By December 2002, only one performance agreement had been signed between the Prime Minister, a keen proponent of performance agreements, and his DG. By the end of 2003 three more had been completed, leaving nine (69 percent) DGs and 35 (97 percent) Directors without performance agreements. The PSC attempted to accelerate the process with a training course run by external facilitators in late November 2003 with a follow-up course in March 2004. This boosted the completion rate of performance agreements but by March 2004, one and a half years after the introduction of performance agreements, there were still only 5 (38 percent) DGs and 11 (31 percent) Directors with performance agreements.

At least part of the reason for the inertia among senior politicians to signing performance agreements can be linked to their poor people management skills. A report into the professional development needs of DGs and directors completed in 2002 found that directors believed that DGs were unwilling to delegate responsibility as they "[f]eel bad if they have to delegate, means they don't know, so they adopt an authoritarian style" (Smith, 2002, p. 18). In addition, there was a range of comments from directors highlighting the minimal feedback they received from DGs regarding their performance. One Director noted that they had "[n]ot had [an] assessment in three years – doesn't matter whether you are good or terrible – no incentive – no sanctions!" (Smith, 2002, p. 19). The report highlighted a lack of integration between policy development undertaken by Ministers and DGs and the implementation of these policies by Directors. This could result in DGs becoming removed from the day to day activities of their Department. One Director contended that the "DG doesn't seem to know what we do – we set our own programs – left to our own devices" (Smith, 2002, p. 24). In addition, the report pointed to a lack of commitment to teamwork among DGs. The report's author concluded "[t]hey do not seem to be comfortable with, nor see the value in the team process, especially for delivering Ministry service delivery" (Smith, 2002, p. 5). One DG noted "[w]e are not a cohesive group. We work in our own camps where nobody else is allowed to tread" (Smith, 2002, p. 26). In the next section we review whether there was sufficient trust between Ministers, political advisers and senior public servants to encourage the latter to complete performance agreements.

Implementation issues

Suspicion and hostility

Caiden (1969, p. 8) defines public management reform as “an artificial inducement of administrative transformation against resistance”. Such resistance has characterized the introduction of performance agreements into the Vanuatu public service. It is reflected in the slow pace of completion of performance agreements. About 20 months after their introduction, only 38 percent of DGs and 31 percent of Directors had written and signed their performance agreements. The leading reason for this is that senior public servants are suspicious if not hostile towards this imported tool of public administration. They doubt the official rationale attaching to performance agreements, that they are instruments to improve service delivery and promote communication. Senior public servants suspect more sinister motivations attaching to performance agreements and performance management in general. As one consultant wrote of DGs’ perceptions of performance agreements, “[t]he purpose of performance management appears to be poorly understood and is seen more as an authoritarian control, disciplinary and punitive weapon than as a fundamental management, supervision and motivation tool” (Smith, 2002, p. 5). Over a year after the report had been completed it was evident that the same mistrust prevailed at a two-day training program where much of the first day was spent dealing with dissent and criticisms of performance agreements rather than on the intended purpose of the program, how to write performance agreements. Participants often perceived performance agreements as political instruments which could be used against them – for example to justify their sacking or demotion – despite assurances from the PSC and the Prime Minister that this was not the case.

Senior public servants know there are dangers in signing off on performance agreements in the political environment in which they operate. Vanuatu is characterized by political volatility and government instability. In the nine years leading up to 2004 there were nine governments. The political events of the year in which performance agreements were supposed to have been completed have been described as “turbulent and many are ongoing” (Jowitt, 2004.) The DGs, who are the fulcrums in the performance management system, are also insecure. Their posts were an early creation of the Comprehensive Reform Program whereby the number of ministries was reduced from 28 to nine and the new position of DG established to head each of the nine. There was some skepticism about the effect of DGs on organizational efficiency and effectiveness and, more recently, even a move to abolish the position of DG (*Vanuatu Daily Post*, 2004, 2005). A government spokesperson stated that the “DGs have long been perceived as bottlenecks to the implementation of government policies” (*Vanuatu Daily Post*, 2005). The DGs survived due to a change of government in early 2005. This new government was an alliance of 11 parties. For senior public servants such events mean regular adjustment to new governments, ministers and their political advisers. The incoming ministers may question the public servant’s political allegiances. Public servants, in turn, may resent the influence and accompanying policy demands initiated by the political advisers.

The 2002 report into the professional development needs of DGs and directors highlighted considerable animosity between Ministers, political advisers and senior public servants in Vanuatu. One DG noted that “I have most difficulty getting on with my Minister and political advisers”; another believed that “[t]here is too much political intrusiveness – why three political advisors?”; while a third DG agreed that “[t]he

problem is not so much with Ministers ... the fight is more with Political Advisers" (Smith, 2002, p. 22). On the other hand, Ministers were also highly suspicious of the role of DGs and the report documents this fundamental lack of trust: "Ministers still distrust DGs because of little things – they attend too many meetings and often are overseas". Further comments included that "[p]oliticians envy the power given to DGs by legislation – some want to do away with DGs" (Smith, 2002, p. 22). In such an environment it is not surprising that senior public servants view performance agreements negatively, as items which can be used against them in an environment which is already uncertain and threatening.

However, an organizational climate exhibiting high levels of trust and a shared understanding of both organizational goals and individual expectations represents a necessary condition for performance agreements to succeed (Ingraham, 1993, p. 351). As Risher notes in relation to the US public service context "employees need to trust their leadership, and they need to trust their managers ..." (Risher, 2002, p. 331). Such preconditions were not evident in Vanuatu. Indeed, senior public servants believed that the assessment of their performance against the goals contained in their performance agreements would not be undertaken in a procedurally fair manner by Ministers and their political advisers. Such findings mirror research undertaken in the UK and Australia where public servants frequently perceived that the performance appraisal system lacked procedural fairness and this led to a considerable reduction in their morale and motivation (Marsden and Richardson, 1994; O'Donnell, 1998). For example, Marsden and Richardson's (1994) study of civil servants employed by the Inland Revenue in the UK uncovered a high level of concern among these workers about favouritism in the allocation of performance evaluations. O'Donnell (1998) found similar concerns being expressed by employees in the Australian Public Service regarding subjectivity and supervisor bias during performance appraisal evaluations.

To improve the perceptions of public service managers and employees in relation to performance agreements their needs to be clear definitions of performance expectations. Employee perceptions of the fairness of the performance appraisal process can be further enhanced where there are accurate and consistent evaluations of performance, where employees are provided with timely and constructive feedback and where employees are able to voice their own concerns regarding their performance (Folger *et al.*, 1992; Greenberg, 1996).

Incentives

Performance agreements in other countries have often been associated with instrumental incentives such as salary bonuses or some improvement in terms and conditions of employment. The performance contracts introduced into neighbouring Pacific Islands countries such as Samoa, Fiji and Solomon Islands for senior public servants have all involved substantial increases in salaries and other allowances. DGs and Directors in Vanuatu had heard of these initiatives and wondered why they were not getting similar benefits. In Vanuatu there are no individual incentives attaching to performance agreements. When this is combined with the suspicion of public servants towards performance agreements, the low level of commitment to performance agreements is more readily understood. The lack of incentives in Vanuatu is exacerbated by the fact that there have been no public service salary increases for about ten years. Thus, the real value of salaries has been declining. This has resulted

from budgets becoming “progressively tighter” and a failure to achieve sustained economic growth, the outlook and experience for the early 2000s being described as “not good” (ADB, 2002, p. 2). An additional consequence of budgetary stringency and poor service delivery has been a reported deterioration in the physical condition of state-provided housing leading to complaints by senior public servants occupying such accommodation. As Ingraham (1993, p. 351) notes in relation to the US public sector: “Adequate financial resources, for example, are difficult to ensure – particularly in times of economic stress, when rewarding civil servants is not high on the priority list of most elected officials and is likely to draw public criticism if it does occur.”

The lack of incentives to sign off on performance agreements appears to be complemented by the inability of the PSC to enforce them. In theory the PSC as the lead agency human resource management in the public service should be able to enforce compliance with the government’s requirement for senior public servants to complete performance agreements. In practice it has been unable to do this. Exhortations from the PSC to complete the performance agreements have been ignored by many DGs and Directors. This indicates that the PSC does not in practice exercise authority over other public sector organizations. Authority is diffuse in Vanuatu and does not conform to expected bureaucratic behaviour. The formality of ideal-type bureaucracy is alien to Vanuatu culture and means that officials do not issue orders and impose sanctions when they are not carried out. Negotiation and “discretion” are the typical behaviours of bureaucrats. This means that if they find performance agreements an unattractive proposition they can easily resist the PSC’s overtures in the knowledge that the PSC will not enforce compliance.

Technical considerations

For those that have completed their performance agreements there are several technical considerations which will have an effect on the usefulness of these documents. Firstly, the template which has been utilized to construct the performance agreements can generate unnecessarily long and complex lists of performance targets. The general principle of performance agreements is to keep them focused on specific performance objectives that are clearly defined, measurable, and linked to key job responsibilities (Williams, 1998). Such performance goals need to be clearly explained to staff and bear a close relationship to their actual work tasks (Greenberg, 1996). To maximize success with this process also requires that supervisors be adequately trained to set performance expectations and to evaluate employee performance against these expectations. As Risher (2002, p. 330) notes, “[g]etting good at playing the role of performance evaluator will require practice . . . [but] . . . public employers often are not willing to invest adequately in developing the skills of supervisors.”

Many of the performance agreements we have seen in Vanuatu contained a multiplicity of objectives and sub-objectives accounting for all of the activities in which the individuals are involved. Such excess has the potential to make the review process a protracted and/or unsatisfactory affair as the interviewee has to collect data on all the objectives and the interviewer has to distinguish between what is important and unimportant. In addition, there appeared to be little flexibility in the range of goals included in the template and little room for public servants to negotiate which goals were relevant to them or to identify an alternative and perhaps more appropriate set of performance goals. To increase employee perceptions of fairness in the performance criteria, however, they need to be more actively

involved in the design, negotiation and implementation of the performance agreement (Greenberg, 1996; O'Donnell and O'Brien, 2000).

A second issue is whether six-monthly reviews of performance agreements are necessary. Elsewhere annual reviews are more normal. Doubling the number to two formal interviews each year in Vanuatu increases the amount of time spent by both interviewer and interviewee in dealing with performance agreements.

A third issue is whether existing plans and documents are already sufficient for tracking progress towards achieving development goals in a public service which is low on capacity. These include corporate plans and annual reports which contain targets against which the performance of a ministry or department can be measured.

A basic question arises as to whether performance agreements are an appropriate instrument for improving public sector performance in Vanuatu. The environment in which the public service operates in Vanuatu and the capacity and motivation of that service to achieve developmental goals are quite different to the rich countries, such as Australia and New Zealand, which are the regional originators and practitioners of performance agreements. Firstly, there are vast differences in resources between Vanuatu and its rich neighbours and greater uncertainty about their availability. Secondly, the cultural context of Vanuatu contrasts with those in Australia and New Zealand. For example, individual interests in Vanuatu are more likely to be subordinated to family and community than in Western nations (Tonkinson, 1982; Macdonald, 1998; Narokobi, 1980). Consensual decision-making and embarrassment avoidance are more evident. These and other cultural values which influence behaviour spill over from society into the organizations of the state. Thirdly, it seems possible that the organizational preconditions for performance agreements are not yet in place in Vanuatu. Informality characterizes much bureaucratic behaviour in Vanuatu and may not be the ideal incubator for performance agreements. Furthermore, government organizations need to demonstrate that they can control inputs before claiming to manage and control outputs (Schick, 1998).

The influence of donors

The introduction of performance agreements to Vanuatu can be viewed as a case of policy transfer from the rich countries of the region – Australia and New Zealand. As has already been demonstrated in this article, performance agreements in one form or another have been important components of NPM in these countries. They are not the domestic inventions of the Vanuatu government. The critical question is how far performance agreements are cases of coercive or voluntary policy transfer (Dolowitz and Marsh, 1998). Coercive transfer is less likely to lead to recipient ownership than voluntary transfer, but whatever the mode of transfer when aid recipients lack ownership then the chances of reform success and sustainability are greatly diminished (Polidano, 2001). In the case of Vanuatu, it would appear that the adoption of performance agreements as an element of public administration reform has been in the “middle ground” between coercive and voluntary (Dolowitz and Marsh, 1998). However, it is not clear as to how far such acceptance has been to placate donors or as Hirschmann (2003, p. 240) has observed of aid-dependent countries, “[l]ife is made a lot easier when you do what donors want”. The difficulty and apparent lack of urgency in securing the completion of all performance agreements raises doubts about how widespread are feelings of ownership for this reform.

Conclusion

The introduction of performance agreements to Vanuatu has proved to be a difficult exercise. They have been met with resistance, encountered technical problems and must accommodate to the unreceptive environment in Vanuatu. Public servants have been suspicious and confused about their true intent. Furthermore, it is not clear whether they will actually serve to fulfil their explicit aims of improving services and communications. There are also the issues of who will actually force compliance and who has the skills for performance reviews. Even if a reasonable degree of compliance is obtained there is the risk that the performance agreement process may become ritualized as has been the case with performance appraisal in many developing countries.

The basic question which needs to be addressed is whether performance agreements are the most appropriate instruments for improving performance in a country such as Vanuatu. There is no dispute that public service performance needs to be improved in order to make progress on raising human welfare across the country. The worry is that performance agreements could become simply a layer of red tape or a political tool for ousting unwanted public servants.

Our central finding is that there was a basic lack of trust between Ministers, political advisers and senior public servants in Vanuatu. For performance agreements to succeed there needs to be a clear understanding of organizational goals and how individual employees can contribute to the achievement of these goals. This requires regular and effective communication between supervisors and employees of performance objectives and employee acceptance of these goals. However, DGs experienced considerable job insecurity as incoming governments frequently questioned whether they were making an effective contribution to the development and implementation of government policy. In such an uncertain environment, DGs had little faith that Ministers, and their political advisers, would assess their performance objectively or in a procedurally fair manner. The DGs believed that performance agreements could be used to victimize them or to remove them from their positions.

Well-developed lines of communications and high trust relations among public service managers and employees are also required if performance agreements are to be successfully introduced and accepted. However, communications between DGs and Directors in the Vanuatu public service were often strained. Many Directors believed that DGs had little insight into their day-to-day activities and that they were reluctant to delegate decision-making responsibility to them. It is unlikely that the introduction of performance agreements will succeed in facilitating dialogue about organizational goals and individual employee expectations where there is such poor communication and lack of trust within the ranks of the public service, and between politicians, their advisers and senior public servants.

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