

Ken Warren

A rejoinder

I would like to thank Graham Scott for his comments and acknowledge his role in starting me on this journey as I sought to apply comparative institutional economics to the challenging problem of collaboration.

Geoff Bertram is critical of the provider–funder model, as indeed I am if contracting models are applied when performance

cannot be measured and when contractual expectations cannot be specified. That is a recipe for bad outcomes and dissatisfaction. I too prefer bureaucratic delivery where deep knowledge and experience are needed to guide performance, for the same reasons that Ronald Coase expounded in ‘The nature of the firm.’

However, unlike Bertram I believe government delivery brings its own problems. Bureaucracies, in New Zealand and internationally, have not proved up to the task of resolving wicked problems. To do that, we need to empower localised, agile, responsive networks.

Reading his comments, it would appear that Bertram wants the state to have nothing to do with NGOs and collectives seeking to address complex issues. In his view, such public policy issues should be left in the hands of specialists who can provide ‘fully informed advice and deep wisdom on which elected politicians ought to be able to rely in determining policy’. Ironically, that is precisely the role I occupy in government. I am a specialist with over 40 years’ experience with public sector accounting and accountability. That warrants rights in providing advice to governments and delivering financial reports, but it does not mean the government should be limited to hearing from me on such matters. In Bertram’s narrative, people like me do not exist; in my narrative, people like me cannot solve all the world’s complex problems.

The post-1987 reforms replaced public sector administration with public sector management. Bertram is clearly not a fan of management theories. Unfortunately for him, the facts keep on getting in the way of his story.

- Health, justice, education and social services are today delivered by government entities – the funder-provider split he so abhors is notable for its absence rather than its presence.
- It would be a surprise to the Ministry for the Environment, MBIE, the Ministry of Health and Oranga Tamariki to learn that they have been ‘stripped of deep professional knowledge’. That is both unfair to them, and ignores the mobility of the modern career policy professional (including between private and public sectors) as they gather experience.
- The objectives of the post-1987 public sector reforms were to manage rather than shrink the state. The Lange–Douglas government was seeking levers so they could put their strategies into action, as they themselves have often stated. Readers of the Treasury’s 1987 *Government Management* briefing will see that it spoke to that need. And the reforms delivered to the extent that ministers were clearer about the services they were getting from the state sector, and their cost.
- Privatisation and corporatisation removed commercial, rather than non-

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commercial, services from the government.

- *Government Management* argued that the practical and tacit knowledge of delivery agencies should be in the mix of policy views and proposals. It argued against exclusive advice. It is a quite different thing to say delivery agencies shouldn’t have a monopoly, than to say that they should be excluded.
- Pre-1984, some government departments produced no annual reports at all, let alone reports that provide audited service performance information as they do currently.

Most importantly, Bertram ignores the problems of the pre-1987 public sector that led to the reforms: inefficient monopoly suppliers, such as the Ministry of Works and Development, that could not contain their costs; turf protection that served neither ministers nor citizens, nor the departments themselves; and mixed and contradictory objectives, rendering accountability impossible.

Bertram continues to believe the choice is only between governments (wise professional public servants) and markets (contracted providers) and is concerned that there is too much of the latter. I can agree that there are often problems with contracting, but the solution to Hart’s incomplete contracting issue is not only ‘residual control rights’, but also a

recognition of the power of networks. That was Ostrom’s profound lesson.

Despite the commentators’ different perspectives, there is a shared concern about my proposal of a collective investment manager, on Scott’s part because of the temptation to micromanage, and on Bertram’s because of a supposed requirement for them to be ‘all-knowing, all-seeing, wise’ but ‘subject to the same structural constraints’ as at present. I acknowledge that the role is challenging. I am also conscious of a significant risk that an enthusiastic central collective investment function could call for the community to come together to collaborate and make a bid from a new collective fund. If the new funder goes through the usual procurement process and becomes nervous about transparency and probity issues, the result would be a divided community and a complex contract. It is precisely such a commissioning model that needs to be avoided, and that can be avoided if there is a dual system within government that proactively seeks out and supports those entities that have shown they can make a difference, and which uses a different accountability model.

Recognising that, I have placed great importance on earned respect, or mana, as the basis for forming relationships and for accountability. I have proposed an organisation rather than an individual, so that diverse skills can be brought together; I have proposed that the entity be at the centre so that it can be seen as independent from delivery entities. There will be mistakes, so I would propose it be held accountable for its portfolio, rather than getting every engagement right.

Heroic public servants are currently trying to operate collaboratively with Māori bodies and NGOs in the way I envisage, acting in a small way as collective investment managers by themselves. They are operating at some risk in the current system. The controls and accountabilities that make bureaucracies effective are precisely the controls that stifle such efforts. Hopefully, if my proposal is pursued, we can make it easier for them to succeed, easier for NGOs seeking to make a difference, and easier for New Zealand to address its wicked problems.