



Contents Lists Available at: <https://journal.stianasional.ac.id/index.php/humanis>

## ASIA-PACIFIC JOURNAL OF PUBLIC POLICY

ISSN (Online) 2775-9911



### The Challenges of Reducing the Public Service Size and Enhancing Good Governance: The Case of Fiji

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ARTICLE INFORMATION	ABSTRACT
<p>Received: 1 Feb 2023  Revised: 13 Feb 2023  Accepted: 15 Feb 2023  Available online: 29 Feb 2023</p>	<p>Fiji's public sector has experienced over 30 years of reforms following the adoption of structural reforms in the late 1980s. Despite three coup d'états in 1987, 2000 and 2006, the Fiji Government has continued to roll out the implementation of its public service reform program focusing on a reduction in the size of its public service with the adoption of the principles and practices of New Public Management (NPM). This paper posits the question whether a reduction in the size of Fiji's public service has been achieved using the recommended indicators by the International Monetary Fund (IMF). It then reviews the challenges faced by the Fiji public service in implementing key elements of NPM. Finally, it addresses the question whether Fiji's public policy lens should remain focused on reducing the size on the public service and should policy efforts be concentrated on enhancing good governance practices within Fiji's public service.</p>
KEYWORDS	
<p>New Public Management (NPM), Good Governance, Employment Contracts, Contracting Out, and Customer Service</p>	
TO CITE THIS ARTICLE (APA STYLE):	
<p>Sikivou., P. (2023). The Challenges of Reducing the Public Service Size and Enhancing Good Governance: The Case of Fiji, <i>Asia-Pacific Journal of Public Policy</i>, 9 (1), 1-22.</p>	

## INTRODUCTION

In the late 1980s, the Fiji government embarked on a significant reorientation in its public policy, dispensing with its import substitution policy inherited from the 1960s and 1970s and embracing a policy of export-oriented growth. A major component of the Fiji government's export-oriented economic growth policy was a focus on a reduced government, both in size and cost, and the promotion of the role of the private sector in the economy.

The purpose of this paper is to analyze whether the Fiji government's policy of reducing the size of the public sector under the New Public Management approach has been achieved after more than 30 years of reform experience. The paper uses the International Monetary Bank's proposed benchmarks for assessing the size and cost of the public sector as the basis of a comparative analysis with both developed and developing countries of similar predisposition to Fiji. The paper subsequently examines the challenges of NPM policy and practice and the rationale for a change in policy towards the enhancement of public sector efficiency and effectiveness, based on the challenges the country faces as a small and vulnerable economy. Doctrinal research and comparative analysis are used to address the research questions.

## LITERATURE REVIEW

The public sector's role and size have been a contentious subject of long-lasting international policy debate spanning over two decades. By the 1970s and 1980s, increased concerns were directed at the cost and size of the public sector in many developed and developing economies, consequently spurring international efforts to minimize the role of government via policies of structural and economic reforms to raise the role of market forces and the capacity of the private sector. The debate on the role of the public sector can be traced to the era of capitalist ideology in Adam Smith's classical economic theory in his publication "Wealth of Nation" in the late 18<sup>th</sup> century, later to the Welfare State in the mid-20<sup>th</sup> century, and neo-classical economic theory up to the late 1970s and early 1980s.

The traditional rationale for the role of the public sector in economic development is that market forces fail due to the theoretical justification of public goods, externalities, monopolies, and imperfect information or asymmetry (Tanzi, 2011; Scully, 1989; Ram, 1986; and Meltzer and Scott, 1981). Critiques of the role of the public sector gained momentum during the latter half of the 20<sup>th</sup> century, largely focusing on cumbersome bureaucratic structures that stemmed from the traditional public administration and Weberian models. This was contentiously proposed by pro-reform scholars and theorists as a strain on the growth pathways of many developed and developing economies. Government interventionist policies of the 1970s were removed, and market forces took on a more prominent role in leading and stimulating private investment and growth in many democracies.

The process of public sector reforms to address the effectiveness of the public sector or better serve the public was a primary preoccupation of many developed and developing countries in the 1980s, under the policy guidance of the World Bank and the International Monetary Fund. Both Bretton Woods institutions deemed the public sector to be overly bureaucratic and inefficient, and its

domineering role was perceived to be impeding the functions of market forces and the role of the private sector. Large bureaucracies incurred huge public debts and fiscal deficits, which were symptomatic of most developing countries in the 1960s and 1970s.

A major reorientation in the role of the state or public sector and its constituent arms and agencies became a high priority as pro-reform scholars and theorists fervently promoted the institution of private sector management disciplines and practices within the domain of the public sector. Hood (1991), Heckscher (1994), Borins (1995), Barzelay (2001), and Pollitt and Bouckaert (2011) established the conceptual foundation for the NPM paradigm. Hood (1991) contested that the public choice theory, the principal agent theory, and the transaction cost theory were theories and conceptual frameworks guiding the legitimacy of the NPM approach in most democracies. The public sector was reformed to reduce the rigid hierarchical bureaucracies prescribed by Weber under the well-known legal-rational authority of the bureaucracy. Hood (1991) further underlined that the use of more private sector styles of management within the public sector would generate high levels of efficiency and greater discipline and parsimony in resource use.

Public choice theory suggests that politicians and bureaucrats act in their own interests rather than the public interest (Buchanan, 1962). Hence, public sector bureaucracy restricted the freedom of individuals to exercise their rational choices. The theory proposes that a reduction in bureaucracy in favor of individuals' freedom of "choice" would enhance efficiency as individuals, being rational beings, have sets of well-informed preferences that they can perceive, rank, and compare (Ibid). Individuals are by nature maximizers of their personal utilities, purposely seeking to attain the biggest possible benefits at the least cost (Levin and Milgrom, 2004; Jacoby, 2000; and Michalos, 1973). Policy ideas such as minimizing the role of the state, reducing public monopolies, and encouraging competition and choice are all theoretically supported by the theory.

The second theoretical proposition arises from the principal-agent theory. Scholars such as Desmski and Fektham (1978), Spence and Zeckhauser (1971), Fama (1980), and others used the agency theory to justify reforms. The theory states that an agent should be appointed to act on behalf of a principal, be appropriately compensated to perform tasks that are beneficial to the principal, and be given the necessary decision space. Occasionally, principals are unaware of the extent to which agents are satisfied by their contracts and would require additional provisions of incentives to the agents as inducements to attain higher levels of efficiency, effectiveness, and profitability. In some instances, it has been observed that the agents have digressed from the specific requirements of the contract and pursued activities that do not serve the best interests of the principals. The principal agent theory establishes the conceptual framework for the use of employment contracting and service contracting by government or state-owned enterprises (Gutierrez, 2012; and Kauppi and van Raay, 2014). These theoretical propositions of NPM sought to promote managerial efficiency, focus on organizational restructuring, and introduce market or quasi-market principles in the delivery of public services.

The crowding-out theory also featured prominently during the post-reform era, where economic scholars and authors summarized and criticized the insidious economic effects of large public sector bureaucracies. Classical economists and Keynesian economists have been in debate for many decades on the impact of public sector spending. Classical economists argue that the crowding-out effect has a profound impact on economic activities due to the crowding out of private sector investment (Saeed et al., 2006), while Keynesian theorists contest that the multiplier effect negates potential negative impacts arising from the crowding out of private sector activity. The World Bank has been at the forefront of spearheading this reasoning, often cautioning that public sector resource use constrains private sector investment and productive capacity, thereby raising taxation or debt issuance and reducing the private sector's investible surplus (Carlson and Spencer, 1975). Large public sector bureaucracies and the high participation of state-owned enterprises in many economies crowd out the private sector.

Analysis of whether a large or small public sector is ideal for smaller island states, which do not have a large and robust private sector, does merit further conceptual analysis for public discourse. Smaller island states, by their unique nature, have experienced erratic growth and deserve to be rationally viewed from a different public policy lens in comparison to larger developed economies, which have well-developed financial systems, labor markets, and technical advancement, and most importantly, are ably positioned to fully utilize their economies of scale to raise productive capacities. Developed economies are uninhibited in their equal use of fiscal and monetary policies to influence growth and development. Duncan and Gilling (2005) warn that the geographic isolation and small size of Pacific Island Countries make it more difficult for them to achieve economic growth, and the impact of smallness on economic growth is not well researched empirically.

Smallness, by virtue of geographical size and economic vulnerabilities, is a compelling rationale for Pacific Island Countries (PICs) to be heavily dependent on the public sector to deliver services that a small and limited private sector is unable to deliver. In practice, the public sectors of small island states have faced substantial institutional and human resource constraints, which have impeded their ability to deliver publicly funded or donor-funded programs effectively over the years. Fiji faces the same dilemma.

### **The Size of Fiji Government Debate**

Conceptually, this paper posits the question of whether the size of Fiji's public sector has declined since the late 1980s, when reforms were initially introduced, relative to policy pronouncements in the late 1980s on a reduction in the size of government. The second question takes cognizance of the vulnerability and geographical dispersion of Fiji's islands, which constrains its private sector's ability to take advantage of economies of scale in production and compete internationally. Concern arises as to whether the size and cost of the public sector should continue to be the focus of Fiji's public policy lens in the future, or whether it would be more pragmatic to shift government policy

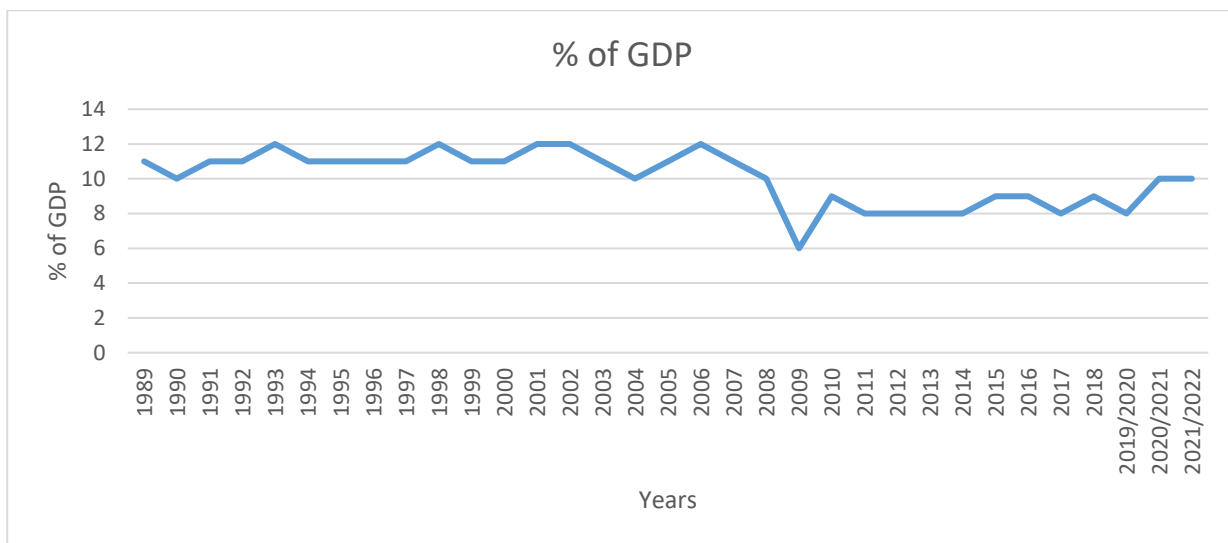
focus towards the efficient administrative processes, management, and governance of the public sector.

Cusack and Fuchs (2002) define public sector spending as comprising subsidies, social transfers, military expenditure, interest payments, and civilian consumption expenditure. The theory proposes that an increase in tax revenue to finance public consumption reduces private consumption by the same amount of the tax increase (Blais et al., 1996). A major part of consumption expenditure consists of wages and salaries to public employees, and public employment is another measure of the direct economic involvement of the public sector. Häge (2003) agrees that using consumption expenditure is most directly comparable to a non-monetary indicator of public sector size, namely, public sector employment, and that the use of two indicators for public sector size in the analysis and a comparative analysis of the results allow for judging the certainty with which the findings can be prescribed to the underlying concept. Based on this understanding, a review of the number of Fiji's public servants in employment pre-reforms and post-reforms relative to Fiji's population is analyzed and presented.

Rahn (2009) emphasizes that optimum public sector size is defined as the point just before the public sector becomes so large as to reduce the rate of economic growth and job creation. He further points out that studies on the optimum size of the public sector made by reputable scholars in recent decades have been directed towards total public sector spending (government plus state government plus local government) being no lower than 17 percent and no larger than about 30 percent of GDP.

The International Monetary Fund (IMF) Fiscal Affairs Department's methodological prescriptions and proposed indicators for measuring the size of the public sector are used as the basis for this review. IMF staff writers Clements, Gupta, Karpowicz, and Tareq (2010) state that the size of the public sector can be ascertained by examining a country's fiscal accounts: one, the compensation of public employees as a share of GDP; two, the compensation of employees as a share of total spending; three, the compensation of employees as a share of domestic revenue; and four, the compensation of employees compared to spending on non-wage outlays, which are operational expenditures excluding wages.

According to the IMF staff writers, public sector compensation as a share of domestic revenues is an ideal measure for determining the sustainability of wage outlays in the absence of donor assistance, while the fourth indicator establishes the extent to which public sector employment is adequate (or excessively generous) in relation to the provision of essential services to the population. These four variables are used as the basis of comparative analysis in this paper. The graph below shows the Fiji central government's compensation (wages and salaries) as a percent of GDP. It reveals a concerted effort by the government to reduce the ratio between 1989 and 2018.



**Figure 1.** The Fiji central government's compensation (wages and salaries) as a percent of GDP  
Source: Government of the Republic Fiji, Budget Supplements (2020/2021 and 2022)

Figure 1 depicts the Fiji government's compensation spending as a percentage of GDP from 1989 to the fiscal year 2020-2021, which ranged between 8% and 12% of GDP. The second indicator analyzes the compensation of public sector employees (CGE) as a share of total public sector spending (as the IMF staff writers prescribe above) for the period 1985–2018, which is then compared to the sizes of public sector CGE internationally. According to the findings, Fiji's CGE as a percentage of public spending was 31.7 percent on average between 1980 and 2018. Comparatively, the IMF (2016) reports that the CGE bill as a share of total public sector spending was higher at 27 percent in emerging markets and low-income developing countries (LIDCs), compared to 24 percent for advanced economies. Comparatively, Fiji's CGE was consistently higher than those of emerging countries and LIDCs.

A further comparison of Fiji's standing relative to countries of similar economic and geographical disposition provides a more realistic evaluation. Table 2 below draws from two key indicators proposed by the IMF staff writers to analyze the size of the public sector based on recent year's data. Public sector compensation (wages and salaries) relative to total public sector expenditure places Fiji at 30.6 percent (slightly lower than Mauritius and Trinidad and Tobago) in 2019 but significantly higher than the OECD countries: the United States of America, France, the United Kingdom, Germany, Australia, and New Zealand.

The share of public sector wages in Fiji or CGE relative to total public sector spending is particularly higher than emerging markets, LIDCs (lower income developing countries), and advanced economies, due in part to Fiji being an island economy, limited by economies of scale, geographical fragmentation, and distance from key export markets, which impede its ability to achieve international competitiveness. This is reinforced by Chand (1999) in relation to Pacific Island economies.

*“Several reasons have been postulated for the poor economic performance of the Pacific Island countries. These include having small domestic markets, a narrow production base, remoteness from major markets, and being dispersed over a large area (Chand, 1999, 15)”*

On public sector employment as a percent of total employment, Fiji was ranked lower by comparison to Trinidad and Tobago and Mauritius at 20% of total employment, but significantly higher than Jamaica at 12.1 percent. Fiji’s smallness as an island economy reinforces the logic of its public sector’s having a highly influential and dominant role in comparison to developed countries. Table 1 reveals that Trinidad and Tobago and Mauritius, of similar geographical and economic characteristics to Fiji, exhibit patterns of public sector employment as a percent of total employment that are much higher than in developed economies where private sector markets are relatively highly developed, active, and larger.

**Table 1.** Geographical and economic characteristics to Fiji

Country	Public sector compensation as Share as of Total Public sector Expenditure	Public sector employment as a percent of total employment
USA	6.7 (2020)	14.91
France	18.1 (2019)	5.89
UK	16.6 (2019)	15.98
Germany	5.8 (2019)	10.63
Australia	10.5 (2019)	17 <sup>1</sup>
New Zealand	24.7 (2019)	18 <sup>2</sup>
Trinidad and Tobago	32.9 (2018)	25.9 <sup>3</sup>
Jamaica	-	12.1
Mauritius	34.3 (2019)	22 <sup>4</sup>
Maldives	33.6 (2009)	NA
Fiji	30.6 (2019)	20 <sup>5</sup>

Source: The World Bank and selected source as in footnote.

Table 2 reviews government compensation (central government and general government) as a percent of government revenues. Compensation spending by the central government as a percentage of revenue stood at 18.6 percent for high-income countries, 24.8 percent for middle-income countries, and 23.1 percent for the Asia-Pacific region. The Asia-Pacific region, of which Fiji is a member, is ranked lower compared to middle-income countries.

<sup>1</sup> <https://atlasurbaneconomics.com/service/public-sector-employment-in-australia/>

<sup>2</sup> [https://www.publicservice.govt.nz/assets/Legacy/resources/2018-Public-Service-Workforce-Data\\_pdf\\_0-v2.pdf](https://www.publicservice.govt.nz/assets/Legacy/resources/2018-Public-Service-Workforce-Data_pdf_0-v2.pdf)

<sup>3</sup> <https://www.oecd-ilibrary.org/sites/b9bd53f6-en/index.html?itemId=/content/component/b9bd53f6-en>

<sup>4</sup> [https://www.ilo.org/public/english/bureau/stat/download/wp\\_pse\\_e.pdf](https://www.ilo.org/public/english/bureau/stat/download/wp_pse_e.pdf)

<sup>5</sup> Fiji Islands Bureau of Statistics

**Table 2.** Government Compensation of Public Employees<sup>1</sup>

	Central Government			General Government		
	Sample Size	% of GDP	Sample Size	% of GDP	Sample Size	% of GDP
Africa						
Asia and Pacific	41	6.5	29.5	9	9.8	30.7
Europe	18	5.1	23.1	11	6.6	22.9
Western Hemisphere	41	5.7	17.5	40	10.2	25.4
Middle East and Asia	24	8.2	29.6	15	9.2	33.2
European Union	19	7.1	24.8	11	8.3	26.4
Low Income Countries	27	5.2	16.3	27	9.9	25.3
Middle Income Countries	39	5.2	27.9	6	7.0	26.8
High Income Countries	68	7.3	26.0	44	8.7	28.2
	36	6.1	18.6	36	10.4	25.9

Sources: Government Finance Statistics database (IMF), and IMF staff estimates. <sup>1</sup>General government, consolidated central government, or budgetary central government, annual averages for 2000–08 depending on availability.

Table 3 illustrates that the share of Fiji's central government's compensation relative to total government revenue has hovered between 30 percent and 47.5 percent during the fiscal year 2016/2017 and the 2021/2021 budget, which is an average of 34 percent. A 34 percent average of central government compensation relative to total revenue is well above the share of central government compensation to government revenue for all the regions in Table 3, suggesting that Fiji's government's policy has deliberately maintained a dominant public sector role in cost and size. This reinforces Wagner's Law (1883), or the law of expanding state activities, which highlights that government spending on wages will rise as a percent of GDP due to increased demand for public services. Fiji's political policy choice of enabling public sector consumption and investment to influence its economic development is clear from the above.

**Table 3.** Fiji's central government's compensation

Year	Fiji Government Compensation of Employees as Percent of Government Revenue
2016/2017 (a)	30.0
2017/2018 (a)	30.0
2018/2019 (a)	32.0
2019/2020 (a)	36.3
2020/2021 (r)	44.2
2021/2022 (b)	47.5

Source: Fiji Government Supplements to the Budget Address, 1918/2019, 2019/2020, 2020/2021 and 2021/2022



The fourth measure of the size of government concerns the compensation of government employees compared to spending on non-wage outlays. This indicator measures the efficiency of public sector spending by establishing the input mix (i.e., wage vs. non-wage). Fiji recorded a 41.4 percent wage to non-wage costs (minus interest payments) ratio in the 2018/2019 fiscal year (Table 4), indicating wage costs being lower than non-wage costs, which intuitively implies that the Fiji government has purposefully opted to maintain a balance between wage and non-wage spending to avoid wage cuts, job losses, and increased poverty, whilst also avoiding compromising the operational and maintenance viability of government operations in recent years. The wage to non-wage ratio of 41.4 percent implies high maintenance spending by the Fiji Government on public infrastructure as the emphatic focus of public sector finance management generally since 2016. Slightly higher wage spending relative to the non-wage component, especially in key sectors such as health, education, and infrastructure, is important for a small island nation such as Fiji, as it ensures the operational viability of these priority ministries. Reductions in non-wage expenditure in these critical sectors can be counterproductive as the value of government national assets deteriorates, eventually negating any opportunity for Fiji to achieve sustainable development.

**Table 4.** Percent wage to non-wage costs (minus interest payments) ratio in the 2018/2019 fiscal year

2018-2019(Actual)	Wage Costs	Non-Wage Costs
<b>Payments</b>		
Personnel	1017	
Transfer Payments	719.9	719.9
Supplies and Consumables	277.4	277.4
Special Expenditures	87.4	87.4
Interest	322.8	322.8
Other Operating Payments	2404.5	1047.5

Source: Government of Fiji, Supplement to the Budget Address 2020/2021

Finally, the large ratio of wage to non-wage costs in the 2018/2019 fiscal year illustrates the importance of wages and salaries relative to maintenance costs as a deliberate policy choice of the Fiji government to influence economic growth through consumption spending. The level of Fiji's government's budget expenditure relative to GDP has been no lower than 17 percent and has been greater than about 30 percent of GDP since 2015, considering the proposition by Rahn (2009). Such a policy choice by the Fiji Government on sustaining a relatively bigger public sector (despite the IMF's advice) is evident through its dominant fiscal policy, often in response to external and/or internal economic shocks, namely flooding, the international recession, high fuel prices, the COVID-19 pandemic, and climate change challenges. Despite policy intentions for greater private sector involvement in the economy, Chand (1999) notes Fiji's private sector has been significantly constrained by the country's geographical isolation and major vulnerabilities, which limit the country's economies of scale in production, therefore compelling the government to play a prominent role in Fiji's economic development.

Chand (1999) suggests that the adoption of reforms in Fiji has achieved mixed results due in part to a failure to recognize the underpinning rationale and dynamics that guide the relative size of the state in the economy. Although neo-classical economic theory encourages the role of market forces and the private sector to take the lead in Fiji's economic development (implicitly limiting and confining the role and size of the public sector to facilitating private sector investment combined with the efficient provision of necessary public goods and regulating incidences of market failure as the "Washington Consensus" recommends), its impact in the context of Fiji's development experience remains ambiguous despite 30 years of reform experience.

As the above discussion suggests, small island developing countries have continued to record higher levels of compensation and a higher number of public sector employees in employment despite the World Bank and IMF's efforts to institute structural adjustment reforms and cut the size of the public sector. Hassal (2018) agrees that the public sector is the main employer in many SIDS and compensates for the low-capacity contribution towards the economy made by the private sectors of small island economies. Grydehj (2011) also states that due to the small populations and small economic size of microstates and SNIJs (sub-national island jurisdictions), their public sectors function differently as well, tending to be disproportionately large relative to their populations. Horscroft (2014) agrees with Grydehj (2011) that small states with populations that are extremely small, thinly dispersed, or territorially divided are likely to encounter a greater range of public functions in which they are unable to take advantage of scale economies than other small states.

Fiji possesses distinct disadvantages. Its islanders and geographical fragmentation and dispersal across the Pacific Ocean render its economy vulnerable to externally induced economic shocks (such as recession and international oil price hikes) and ecological shocks (such as cyclones and flooding), which are very destructive. The recent COVID-19 pandemic outbreak killed over 500 people, was devastating to Fiji's economy, and impacted the livelihoods of many who rely on the tourism industry. High dependency on the role of the private sector in elevating its level of investment and contribution to the economy (as public policy has reiterated for over 30 years) has been a significant challenge.

The Fijian government has frequently taken a more proactive fiscal policy stance to stimulate economic growth by incurring significant public sector taxable revenue and borrowing to compensate for an under-capacity performing private sector. Despite the neo-classical economic theory's presumption that a reduction in the size of government would increase the role of the private sector and generate economic growth and employment growth, experience suggests that this has been onerous to achieve during Fiji's 30 years of post-reform experience. A major disadvantage to Fiji's private sector growth were the political events of 1987, 2000, and 2006, which created significant uncertainties for the private sector and affected private sector growth immediately after these events.

Sepehri and Akram-Lodhi (2016) reveal Fiji's experience in relation to the policy presumption that reforms will stimulate a growth in investment, growth, and employment, noting that the adjustment program did little to reverse the declining trend in the rate of growth of investment, failed to achieve a reasonably high rate of growth of output, and did little to spur a generalized increase in job creation. A reduced public sector as a primary focus of NPM has also been cited as a source of concern in Fiji's public health service delivery quality. The World Bank (2017) reports that public spending on Fiji's health falls well below the levels of other Pacific Island countries. Everest-Phillips and Henry (2018) emphasize that small states incur significant investments in financial and human resources relative to their gross domestic product (GDP) to deliver public services to small populations.

### **Governance under the New Public Management (NPM) Approach within Fiji's Public Service**

Against the major challenge of reducing the size of Fiji's public service over 30 years, this section presents observations on good governance experience under the Fiji Government's New Public Management framework. There are many definitions of good governance, but of relevance to this article is UNDP's definition, which defines good governance as participatory, transparent, and accountable in decision-making and the utilization of resources, as well as the promotion of the rule of law (UNDP, 1997). The phase of NPM reform in government followed three distinct phases: first, the identification of a list of commercialized, corporatized, and privatized government entities; second, the associated parliamentary enactment of an enabling legislation (the Public Enterprise Act, 1996) and the establishment of a specific department to coordinate the public enterprise reform processes; and third, an extensive program of capacity building and training by the Public Service Commission (PSC) on the rationale of annual corporate planning (Government of the Republic of Fiji, 1993) and its linkage to the government's national strategic development;

During the early years of the reforms, strategic policy and planning became a major focus of the Fiji government, as the emphasis shifted to linking policy intentions to outputs and results to improve governance. The implementation of NPM private sector-oriented practices was heralded by the establishment of annual corporate plans within Fiji's ministries and departments, with goals and targets defined and measurable as indicators of success. But, in the early 2000s, many civil servants were often unable to translate divisional work plans into individual work plans and key performance indicators, as specific indicators such as the quality of policy advice were inherently difficult to measure. Decisions pertaining to the promotion of a public servant to the next point in the salary scale were contingent on the performance assessment, as an objective system of performance appraisal was nonexistent.

Further, Fiji faced a multitude of social development challenges during the initial years of NPM reforms (such as unemployment, increased poverty, and rural and urban inequality), as a reduced government meant reduced public goods and service delivery. This raised serious questions about whether the NPM approach had produced good governance and raised welfare gains for the populace. Notably, the government reduced its civil service numbers in the 1990s, with the

remaining staff whose employment status was unaffected being required to ensure the government's operational viability and having inherited additional tasks. Social costs rose as the private sector was unable to absorb redundant public sector employees. Redundant employees were required to undergo significant retraining and a change in mindset to gain employability in the private sector. Appana (2011) notes the weaknesses in NPM implementation relate to trials of inefficacy within institutions of democracy, lack of accountability for non-performance, a clear weakness in performance controls, disagreements with public service unions such as the Fiji Public Service Association (FPSA) on reform implementation, a lack of financial discipline, and the inculcation of a handout culture.

In the early 1990s, the Cabinet approved a list of government entities to be corporatized and commercialized. Airports Fiji Limited, the Department of Telecommunications, Roads, Water, and Construction and Maintenance, the Government Supplies Department, and the Government Printing and Stationery Department were all victims of early restructuring under the Public Enterprise Act (1996). Airport Fiji Limited's restructuring experience and industrial unrests in the late 1990s explain the Labor Government's policy position to minimize post-reform social consequences in 1999, as emphasized by Appana (2003).

*"The new government's aim appeared to be to plug job losses that had accompanied restructuring, and to bring about a more professional approach to managing public enterprises before considering changes in ownership of the enterprises (Appana, 2003, 58)"*

The negative experience of Fiji Post and Telecommunications corporatization in the early 1990s, as evidenced by union strike actions, reveals major political miscalculations and callous contradictions in the financial autonomy objectives of politics and the board (principals) and employee welfare maximization interests (agents). This unclear dichotomous relationship in the early years of public enterprise reforms, coupled with the lack of institutional and situational capacity in business and commerce of many board members, was a recipe for distrust between management and employees. Senior management, who a few months earlier in the 1990s were civil servants and subject to the culture of public service, rules and codes of conduct, and public ethos, were immediately thrust into the disciplines of business and commerce. Many were engineers and technicians (formerly civil servants) without formal business training and congregating as pressure groups against the reform process. The Board was comprised of mainly political appointees of the Rabuka government, including both businesspeople and indigenous Fijian chiefs (Sharma and Lawrence, 2015). The conflicting Fijian hidden customary reciprocal agenda (the political board appointment being payback for traditional political support for the SVT government), the corporate entity's profit objectives, and the union's welfare interests created uncertainty. At a lower tier, the monopolistic structure and power of Fiji Post and Telecom Limited propagated problems of information asymmetry between the company and customers, as information on prices and services was not initially transparent.

Since the introduction of the reforms in the late 1980s, the World Bank (2015) has emphasized that Fiji's poor infrastructure post-reforms has limited the public's access to basic services, particularly in rural areas where a large proportion of Fiji's population is poor. Observations on the deteriorating state of Fiji's road infrastructure and its impact on the traveling public are extensively documented (UN Habitat, 2012; The Fiji Times, 31 January 2021; Fiji village, 6 August 2017; and 1 April 2020; and the FRA (2020) and DRR Team Mission Report, 2019). The Fiji Road Authority (2019) reports,

*"There has been much comment in the media regarding the current condition of the roads; and residents and road-users, particularly around the Central Division, will no doubt have seen the proliferation of potholes in the roads following the recent heavy rains; and many are wondering why there are so many and why they cannot be eliminated.... The honest, and undeniable, truth of the situation is that we will not see wholesale improvements for 4 to 5 years. (FRA, 2019, 1)"*

Fiji's Infrastructure Minister, responding in Fiji's Parliament, states that poor quality materials and lack of maintenance in the past have been the cause of poor road conditions, underscoring the need to avoid past mistakes and further suggesting that the Fiji Road Authority (FRA) cease use of river gravel for road repairs and construction for the next few years (Fiji Broadcasting Commission, 2019). Poor quality road materials used for road maintenance, as admitted by Fiji's Infrastructure Minister, further reveal the fundamental necessity of increasing Fiji's public policy emphasis on strengthening public sector accountability and effectiveness in the utilization of tax funds. It is critical to improve the internal capacity and control mechanisms of Fiji's Infrastructure Ministry and other government ministries to reduce waste of public funds.

Outsourcing and contracting out of policy advice to the private sector (a key element of NPM) with sound conceptual justifications was meant to promote the private sector's role. However, problems arise when it fails to build Fiji's institutional and skill-base capacity, thereby perpetuating a culture of consolation. Contracting out or outsourcing of services faces further difficulties when contracts are not adhered to by the private sector companies engaged to deliver public sector infrastructure and services, as evident in the Report of the Auditor General of the Republic of Fiji (2014). The report reveals numerous instances of project contractor noncompliance, failure to complete work on time, or lax internal controls.

Employment performance contracting, a fundamental policy platform of NPM, is susceptible to political controls, particularly in relation to contract extensions. Uncertainties or delays in contract extensions cause insecurity. More problematic is the case of contract extensions for essential government services such as education and public health. Delays in teacher employment and contract renewals in Fiji's education sector create unnecessary anxiety and unpredictability in teachers' continued employment, ultimately harming Fiji's education service delivery. The Fiji Broadcasting Commission (2019) illustrates this point by citing the Fiji Teachers Union's concerns below.

*“Some received as little as \$5 dollars, some received \$32, some said they received \$1.50. There are numerous cases like that, and we believe that there would be about 1000 teachers who have been affected by this short payment. (Fiji Broadcasting Commission, 2019, 1)”*

The Fiji Teachers Union expressed concerns over some teachers facing delays in contract renewals by the Ministry of Education of delays,

*“... we have been assured in the past would be done as is required, three months before the expiry of the current contract of an officer. If that exercise is done than naturally there would be no stoppage of salary. So, the delay in the renewal of contract leads to stoppage of salaries. (Fiji Broadcasting Commission, 2019, 1)”*

A further dilemma in the application of the NPM approach in the Fiji government's context concerns the politicization of the recruitment process. Contract extensions of ministerial heads or Permanent Secretaries are endorsed by line ministers after the Public Service Commission completes its open merit recruitment system (OMRS) performance review process, and subsequent approval is granted by the Prime Minister prior to contract extension signing. A major lesson from this institutional process is that political influence on the contract determination of permanent secretaries often unduly undermines the fundamentals of non-partisan, neutral, and apolitical public service.

Comparatively, the Fiji government's permanent tenure system, which had operated under the conceptual model of traditional public administration in the 1970s, 1980s, and 1990s (post reforms), attempted to minimize political intervention in the recruitment of permanent secretaries as the basis for enhancing accountability and transparency in the recruitment process. Decisions pertaining to the appointment and recruitment of public employees were administered by an independent Public Service Commission (PSC). This system fostered the ability of public servants to exercise freedom by offering well-researched and technically based policy advice, even if the advice did not align with political expectations.

The provision of quality policy advice is another significantly challenging issue. Ketelaar and Turkisch (2007) emphatically raise this concern following an assessment of the OECD and other countries below.

*“Despite moves towards “harder” specification of targets, trust seems likely to remain the major determinant of continued employment at this level in the civil service. The principal may maintain trust in the agent, despite unfavorable performance information, and he/she may lose trust despite favorable performance. Performance information is likely to be just one factor among others which determines assessment and sanctioning (Ketelaar & Turkisch, 2007, 21).”*

Fiji Government Permanent Secretaries, as rational beings, often make decisions to increase their line ministers' performance approval, fully cognizant that ministers are significantly influential in contract determination and extension under the NPM approach. Operational actions of a Permanent Secretary inconsistent with the Minister's expectations, although based on objective, logical, and technically sound research, may not augur well for Permanent Secretaries in the context of their contract extension, as often political expediency precludes the preferred technical policy viability and rationalities. Despite NPM's well-intended performance contracting focus on having a clear separation of powers or political administrative dichotomy between politicians and administrators, this is often operationally impractical to achieve within Fiji's public service because political pre-determination of policy outcomes inherently supersedes objective research and technically sound policy-based advice.

Outsourcing, contracting out of services, or leasing arrangements (another concept that is the subject of analysis in this research) in terms of their process of implementation were first introduced in 2011 as a strategy to reduce government costs and increase the efficiency of delivery of public goods and services in Fiji's public service. The government's outsourcing policy was established as public policy in 2011, primarily in the context of taxpayers' timing, responsiveness, and value for money, in accordance with the NPM theory. Two areas were initially targeted for outsourcing, namely, infrastructure and works contracts and service contracts, and managed under a Central Coordinating and Administrative Committee on Outsourcing (CCACO) to oversee the formulation, execution, implementation, and monitoring aspects of the policy based on thorough cost-benefit analysis before any project is outsourced. This role had previously been undertaken by the Ministry of Public Works, with its staff providing administration and technical advice to the Public Works minor and major tender boards with respect to infrastructure projects. For other public service goods and services, the government's department of government supplies was previously entrusted with the responsibility of providing administrative and technical secretarial support to minor and major tender boards to appraise all bids utilizing the two-envelope system (financial and technical) in appraising tender documents (financial and technical envelopes). This role has been inherited by the Fiji Procurement Office under its subsidiary regulations.

NPM's prioritization of results and outcomes, especially in the issuance of contracts or outsourcing to the private sector, has also come under scrutiny as it affects government ministries' ability to manage internal controls and the accountability with which public funds are utilized. The Government of Fiji's Auditor General's Report of 2019 highlights grave uncertainties over the utilization of tax funds under the Ministry of Infrastructure and Transport's Department of Energy, raising caution on the following remedial management actions:

*“It should be noted that the current staff have inherited the anomalies in the Bank Reconciliations due to previous fraud case. ... Fiji Independent Commission Against Corruptions (FICAC) responded that large quantity of evidence was destroyed thus it was very difficult to determine the actual amount which was misused (Report of the Auditor General of the Republic of Fiji, 2019, 12).”*

The Auditor General's Report (2019) expressed similar observations towards the weak internal controls exercised by the Fiji Government's Transport and Water Department Operating Trust Fund. The Auditor General's 2019 report highlights major anomalies in the Operating Trust Fund of the Water Authority of Fiji, cautioning the key anomalies below:

*“Audit review noted the following anomalies: (i) The retention money reflected in the Operating Trust Fund account were not supported by actual cash to pay off these liabilities; and (ii) The Ministry does not have the details of contractors from whom retention monies were withheld and other supporting documents such as contract documents, completion certificates and progress certificates relating to the retention monies. (Report of the Auditor-General of the Republic of Fiji, 2019, 28)”*

Weak internal controls were evident in payroll, inventory, agency revenue, and journal vouchers. Consequently, emphasizing the fundamental need to strengthen internal controls so tax funds are not mismanaged or misappropriated (Report of the Auditor General of the Republic of Fiji, 2019), Conceptually, a fundamental shift in the *modus operandi* of public policy in Fiji's public sector from stringent inputs, processes, and internal controls under the traditional administration model of yesteryear to the prioritization of outcomes and results under NPM means that a stronger focus should indeed be centered on internal controls and financial accountability of project financial inputs and processes within government ministries, as the experience with Fiji's Ministry of Infrastructure and Transport above exemplifies.

Another significantly important concern relates to the de-politicization of the recruitment process of public officials. Ketelaar and Turkisch (2007) emphasize this point below.

*“Restricting politicians' involvement in administrative duties and restricting the political activities of civil servants is a precondition for making performance-based arrangements work. When political and administrative tasks and processes become indistinguishable, accountability for performance management becomes correspondingly difficult as the focus tends to become influencing the selection of performance targets rather than achieving them. (Ketelaar and Turkisch, 2007, 15)”*

Moreover, the Fiji government's Financial Management Act 2004 specifies the role of Permanent Secretaries as designated chief accounting officers, thus entrusted to judiciously manage their ministerial budgetary resources appropriated in the national budget by Parliament. Fulfilling mandatory commitments under the Act while simultaneously addressing the political expectations



of their ministers can be a challenging and onerous undertaking for permanent secretaries. Concerns over loss of employment under a performance contracting (OMRS) system influence a permanent secretary to rationally build a healthy relationship with their line ministers. Difficulties arise when they contravene the Fiji Government Financial Management Act 2006 (via non-adherence to procurement guidelines) as a deliberate act to appease the political aspirations of their line ministers. Revelation of misappropriation of funds in end-of-year audit reports, as evidenced in the Report of the Auditor General of the Republic of Fiji 2019, can seriously affect a Permanent Secretary's employability in the public service.

Painter (2002) examines the thought-provoking experience concerning the contracting out of policy advisory services by Australia's public sector. Painter observes that experienced personnel and institutional processes that had been immensely instrumental in policy development in the past were disbanded under the framework of public sector reforms' advocacy of downsizing and restructuring and consequently dismantled the government's policy capacity. Bakvis (1997) reinforces this observation, indicating that the higher reaches of Australia's public service were downgraded in favor of private management consultants, political staffers, and think tank gurus, who were used to providing one-dimensional advice. As a result, as market solutions and smaller governments become public policy priorities, the range of options deemed appropriate and legitimate for solving policy problems narrows, compromising the quality of public service advice. Fiji's public service is no exception.

### **Key Findings**

There is an observation that the Fijian government has not been able to reduce its costs relative to the IMF benchmarks. The review of the IMF's suggested indicators on Fiji's size and cost of government indicates that reducing its size has remained largely unrealized over 30 years of public sector reforms, with the role of the public sector being vastly prominent and substantially influential in driving the country's economic growth. First, the paper reveals that Fiji's government spending and GDP growth have remained relatively constant between 1989 and the 2020/21 fiscal year and have not fallen below developed country standards on all four criteria for measuring the size and cost of government as proposed by the IMF. Second, Fiji's public sector compensation (wages and salaries) relative to total public sector expenditure has been significantly higher than developed economies, which further implies that as a developing island country, the role of the state is fundamentally important. Thirdly, the Fiji Government's compensation of employees for the central government relative to government revenue places the country substantially higher than all country groups depicted in Table 2 above. The analysis of the implementation of three NPM key elements within the Fijian government reveals controversial results, as depicted in Table 5 below.

**Table 5.** NPM key elements within the Fijian government

<b>Three Key NPM Elements Implemented by the Fiji Government since late 1980s</b>	<b>Effects on Delivery of Fiji's Public Service</b>
Employment Contracts	<ul style="list-style-type: none"> <li>• Short-term contracts of 6 months and delays in the issuance of contracts, especially for teachers, have caused job uncertainties, insecurity, and low morale.</li> <li>• Contractual determination of the Permanent Secretary position jeopardizes the fundamentals of nonpartisan, neutral, and apolitical public service, as well as the need for political and administrative dichotomy, because political interests frequently take precedence over well-researched economic logics.</li> </ul>
Contracting Out and Outsourcing	<ul style="list-style-type: none"> <li>• Unsuitable road materials used by private contractors to maintain and tar sealed roads have led to poor public road conditions, bringing into question the need for clear specifications and enforcement of contracts.</li> <li>• Increased use of private sector consulting has weakened the technical and policy advisory capacities of government departments.</li> <li>• According to the 2019 Government of Fiji Auditor General's Report, internal government departmental and institutional overemphasis on outputs and results resulted in weak internal controls in payroll, inventory, agency revenue, and journal vouchers.</li> </ul>
Customer Service	<ul style="list-style-type: none"> <li>• Uncertainty in the employment contracts of teachers adversely impacts the timely delivery of Fiji's education service to students.</li> <li>• Poor road conditions due to a lack of stringent internal control mechanisms and contract enforcement have affected the quality of roads and the users of public roads.</li> <li>• Poor infrastructure post-reforms had constrained the public's access to basic services (The World Bank, 2015).</li> </ul>

This paper thus suggests that the Fiji government maintain its dominant role in the economy and adopt the 30-year public service size and cost that it has become accustomed to since the late 1980s or the post-NPM reform period. It is perceptibly advisable for the Fiji government to maintain a dominant public service to systematically engage in the development process due to its geographical dispersion and extreme vulnerability. However, a significant reorientation in public policy is required from a focus on a reduced public service towards improving accountability and transparency within government. Increased emphasis is required in developing the institutional machinery of the public sector to achieve effectiveness, efficiency, and fiscal savings while assisting the private sector in generating economic growth.

Finally, there is scope for further research in relation to the minimization of wasteful government expenditure, setting realistic valuations of government capital projects prior to implementation, efficiently allocating resources in the national budget to achieve realistic outputs and outcomes, and enhancing internal capacities and internal control mechanisms within each ministry to manage programs, projects, and public procurement. The paper reveals that prudently managing the performance employment contracting of public servants and de-politicizing the employment performance contracting modality within Fiji's public service is critical to engender fairness, equity, and the unimpeded provision of basic services.

## CONCLUSION

The article establishes that the Fiji government's policy choice of reducing the size of the public sector (relative to benchmarks of developed economies) has not been achieved, as the analysis above suggests. The second observation presented in this paper is the fundamental need for Fiji's public sector management focus to shift from a reduced role of the public sector to improving public sector governance, accountability, and transparency by constructing institutional machinery that would greatly benefit public service delivery, effectiveness, efficiency, and generate fiscal savings and fiscal space to support Fiji's developmental needs. This entails strengthening accountability mechanisms (internal controls) within ministries, reducing wasteful public sector spending, eliminating misappropriation of public funds, improving the overall operational efficacy of the government's institutional machinery, and depoliticizing Fiji's public servants' recruitment, selection, promotion/demotion, transfer, and contract extensions.

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