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Decentralization and New Public Management: An Alternative Approach to Administration

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ABSTRACT **Original Research Article**

Changes in public processes have imposed a new role on municipal administrations, shifting them from passive entities that merely receive resources, policies, and programs to active agents in generating and building their own development. This transition is achieved through decentralization, the design of specific public policies (tailored to the municipality's context), and the use of New Public Management (NPM) tools. Therefore, the objective of this study is to explore the main characteristics and limitations of NPM. This is fundamentally a qualitative documentary study with an exploratory-descriptive scope.

Keywords: Decentralization, Efficiency and Effectiveness, Local Public Administration, Privatization, New Public Management.

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Introduction

The growing rise in social demands, coupled with limited sources of fiscal revenue, triggered a severe fiscal crisis in both totalitarian and democratic states. This crisis compelled states to undertake financial and administrative restructuring along neoliberal lines, implementing the following reforms: Market reactivation—acting as an engine for growth and social welfare by promoting economic deregulation in favor of the market and privatizing enterprises. Fiscal reform—implementing mechanisms to reduce public spending and increase public revenue, thereby restoring the health of public finances. Downsizing—merging or eliminating agencies, programs, services, and personnel, all with the aim of slimming down the state apparatus and retaining only the government's substantive and priority functions (Aguilar, 2010).

In this context, NPM seeks to streamline administrative processes, making them more efficient, effective, and responsive to citizens. It prioritizes results over processes, emphasizes a government that steers and coordinates rather than "rows," and deepens the delegation and outsourcing of functions. This administrative approach is better suited to modern times, in which citizens are staunch advocates for their rights. However, despite New Public Management (NPM) being an important tool in the transition of local governments toward more efficient administrations, it also faces significant limitations related to political and sociocultural factors; it presupposes that these elements do not influence outcomes, placing its entire emphasis on rationality and economic hyper-efficiency.

Literature Review

From Decentralization to New Public Management

The territorial characteristics, culture, ideology, and social, economic, and political development needs of a country, state, or locality vary significantly. These factors are often diverse and heterogeneous, both in relation to one another and internally. Consequently, for a public policy to have a greater chance of success, the measures adopted must align with the specific needs of the territory in question. Within this logic, standardized public policies do not always work—particularly in a society that is increasingly dynamic, informed about its rights, participatory, and complex. Societies have moved toward higher levels of expectation.

Since 1980, various countries under authoritarian regimes have begun transitioning toward democracy; in this context, modern institutional frameworks have been established, creating norms and laws that delegate greater planning authority to municipalities. New policies for generating employment and income to foster territorial development are being implemented; thus, planning activities must be linked to policies that promote local productive initiatives. Historically, central governments showed little interest in territorial development, operating on the premise that such development was determined by exogenous factors and was therefore beyond their control. Today, this view has shifted; the endogenous economic development capacities of territorial entities are now acknowledged, recognizing the role of micro, small, and medium-sized enterprises as primary drivers of employment and income. Likewise, the importance of investing in intangible assets—such as education, research, and development—is now recognized.

From this perspective, local public management requires defining territorial structures to leverage the advantages of negotiation and collaborative strategies (associativism). Decentralization facilitates this process by creating self-governing structures where various actors can manage themselves and develop their own identities, thereby rebuilding their region. From this perspective, defining the territorial scope of local government is a prerequisite for promoting public management aimed at fostering the social participation of key actors and agents in solving their own problems (Alburquerque, 2004). Along these lines, Pollitt and Bouckaert (2017) argue that administrative decentralization enhances institutional responsiveness, as less centralized structures allow for more flexible management.

As for New Public Management (NPM), it entails a managerial transformation of the public administration's hierarchical-bureaucratic structure. It places economic efficiency at its core, adopting an entrepreneurial spirit focused on efficient production and outcomes that benefit citizens. Considered a revolution in public management, it emerged in the final quarter of the 20th century—initially in certain American cities and at the national level in New Zealand and Great Britain, followed by Mongolia and China. Its fundamental principles include a return to core government functions, the restoration of civil society, the adoption of market principles, decentralization and the delegation of powers, a focus on management, an optimally sized state, and the institutionalization of e-government and new technologies.

The two schools of thought that give rise to NPM are: that which comes from business schools and that which is generated in public policy schools. The first encourages the initial transformation and the second drives its development. León Corona (2007) points out that the first finds its support in business schools, its orientation is towards internal processes (organizational design, personnel management, budget), its analytical basis is found in the study of aggregate data for decision making and in experimental research. Regarding the second school, he points out that the emphasis is on policy development. The common elements are attention to inter-organizational processes, through internal management; integration of the public function into the administration; Prescriptive orientation and interest in improving administrative efficiency; Empiricism as a learning method.

Table 1. Key Differences

Managerial Approach	Public Policy Approach
More oriented towards research and theory	Public policy analysis is important for management
Multidisciplinary; theoretically, methodologically, and technically with comparative processes	Empirical method as the basis for recommendations
Orientation towards strategic management	Case-based prescription
Concern for process management	Promotion of dialogue among participants in the management process
More focused on the career manager than on the political executive	

Source of information: Prepared by the author

For his part, García (2007) points out that the schools of thought that support NPM are neo-institutionalism and professional management. Neo-institutionalism considers that institutions are relevant to explain and understand interactions between individuals, part of the theories, of public choice, transaction cost theory, and agency theory. They are theories that focus on competition, choice, transparency and control, focusing on the relationship between public and private property in the development of public activity, being the delegation of authority and divergences in the achievement of objectives, in the field of study of agencies and transaction costs. For its part, public choice theory criticizes the state monopoly, which is why it considers the convenience of introducing a market mechanism, always avoiding the formation of monopolies, whether public or private, which is why it emphasizes the need to outsource some government activities.

From this perspective, competition is seen as the panacea for the resolution of bureaucratic problems, but, in this regard, the theory of transaction costs indicates that there are expenses inherent to this process that must be allocated and that, the higher these external transaction costs are, the better it will be to produce within the administration, placing the limit of public intervention at the point where these are equal to those of contracting abroad. Regarding agency theory, the achievement of objectives depends on the actions carried out by the agent, which are affected by the information it possesses, in addition to the chains of citizen-political managers and the chain of inter-administration relations.

With respect to the professional management approach based on the principles of neo-Taylorism, it focuses its study on the internal bureaucratic organization of public administration, arguing that business administration or that applied to companies should be equal to public management. For this current, the cause of poor management is within the administration itself, the lack of an adequate management system and reliable information related to the costs of activities and the achievements achieved. Another very important aspect within NPM is innovation.

Digital transformation and organizational innovation are essential tools to improve government efficiency... information technologies allow the provision of public services to be modernized... electronic government facilitates transparency and improves the interaction between citizens and institutions... innovation must be accompanied by continuous evaluation processes... modern public management requires permanent monitoring and improvement mechanisms... administrative modernization strengthens citizen trust... innovative institutions generate greater social legitimacy and response capacity (Ramírez, 2019, pp.18, 29, 41 and 49).

For his part, Olías (2001) notes that New Public Management (NPM) serves as an alternative to both traditional administration and classical managerialism; while its foundations are diverse, the general aim is to build a body of knowledge and techniques for the public sector that orients it toward performance and results. He also outlines the main proposals of NPM: reducing the size of the public sector, decentralizing organizations, flattening hierarchies, breaking up monolithic structures and fostering specialization, reducing bureaucracy and promoting competition, dismantling statutory structures, adopting a client-oriented approach, implementing evaluation, and changing organizational culture.

Cabrero Mendoza (2018) points out that administrative modernization entails transforming traditional bureaucratic procedures into more flexible and efficient mechanisms. He emphasizes the need for continuous evaluation of public policies, as this allows for identifying the real impact of government programs and improving resource allocation, while also highlighting the importance of citizen participation in legitimizing government decisions.

Therefore, NPM implies not only a modification of the bureaucratic apparatus but also a shift in the attitudes of bureaucrats, administrators, and public officials; they are required to adopt a more proactive, dynamic, entrepreneurial, and responsible mindset, while both managers and public employees need to be empowered. Furthermore, citizens must be viewed as key clients whose demands require attention and satisfaction. Since citizens today are more critical of public affairs, public managers must also be skilled administrators who demonstrate leadership and the ability to foster better manager-employee relations, thereby paving the way for an optimal government-society relationship. Finally, NPM holds that public organizations require oversight and supports citizen participation once public program designs have been subjected to market mechanisms. In this regard, Cabrero Mendoza (2018) notes that public managers or executives first design the program; only after this design phase can citizens—viewed as customers—choose what best suits their needs and participate in the program's development. Thus, once meritocracy and market forces govern all government actions, rationality and justice emerge spontaneously, as rationality itself leads to ethical conduct; this rationality stems from market rules (with government and meritocracy guided by quasi-markets and results) and from citizen empowerment. However, citizen empowerment remains conditioned by market rules.

For his part, Arellano (2017) points out that strategic planning allows public resources to be directed toward priority objectives and verifiable results, thereby increasing administrative efficiency through evaluation systems; hence the importance of establishing performance metrics to help quantify goal achievement. Another fundamental element, the author notes, is institutional transparency achieved through accountability.

Along these same lines, Barzelay (2019) concludes that New Public Management (NPM) can be characterized as a set of administrative reforms and operational improvements within the executive branch's administrative institutions. In his view, NPM does not aim to transform public institutions, nor does it entail changes affecting the origin, distribution, or legitimation of political power; rather, its contribution lies primarily in improving the effectiveness and efficiency of the administrative apparatus, applying the logic of large-scale corporate enterprise. This logic rests on three pillars: the recognition of management subsystems; the strengthening of managerial authority—viewing managers as actors with their own sense of purpose and responsibility; and market control—which, in its competitive aspect, acts as the driving force behind the evolution of management practices, constantly spurring innovation in management techniques to boost organizational effectiveness and efficiency.

According to Guerrero (2016), this new form of administration promotes decentralization and results-based evaluation as essential elements of government performance; he concurs with previous authors regarding the importance of meeting goals, noting that institutional competitiveness is part of administrative modernization and that the citizen is no longer viewed merely as a subject of administration but becomes a user of public services. According to the author, New Public Governance (NPG) has evolved toward models centered on governance and institutional collaboration, where the triad of government, citizens, and social organizations drives this new form of administration. Furthermore, Osborne (2020) considers social changes to be relevant to this new process as well. Meanwhile, Pierre and Peters (2021) argue that contemporary governance entails a more horizontal relationship between public and private actors, as well as increased efficiency, reduced operating costs, government transparency, and accountability; in their view, governments must be dynamic and innovative.

Discussion and Analysis

What role does NPG play in local public administration? The significant development of local public administration is fundamentally based on and derived from NPG; it is only in recent years that this—and particularly local public management (LPM)—has gained special relevance, especially following the decentralization of competencies. The premise is that the closer governments are to citizens, the more effective they will be—defining effectiveness as government action that succeeds in increasing societal well-being. In other words, the government provides services that closely match public demand, while also possessing greater insight into citizens' needs, greater management agility, and enhanced accountability due to its proximity.

Traditional public administrations rely on hierarchical and centralized relationships—both between central and subnational governments and between those who govern and the governed. The new style of government and public administration is characterized by a higher degree of cooperation among governments, the state, and non-state organizations, set within a new context of networks and relationships involving various levels of government alongside social and private actors. Whereas the government was once the central hub of political power—holding a monopoly on coordination and the pursuit of the collective interest—we have transitioned to a situation where decisions are shaped by societal interaction and participation. This leads us to a new form of governing: governance. This involves a complex set of actors engaged in activities underpinned by shared goals.

According to Aguilar (2015), contemporary public management aims to incorporate performance assessment tools and accountability processes to improve government performance; it seeks to transform bureaucratic structures through administrative mechanisms derived from the private sector, focuses on achieving quantifiable and verifiable results, and includes citizen participation and ongoing evaluation.

In this context, the State's new role is redefined not only by structural reform processes linked to deregulation, privatization, fiscal changes, and decentralization in general, but is also—though not as an end in itself—shaped by the new mode of governance. Thus, subnational states—and the territory in particular—become the new locus where new social and political relations originate and are constructed, these relations, in turn, drive development. The local level becomes the pivotal space guiding this transformation while simultaneously serving as the condition for the reproduction of society itself. This implies that territory, as a constituent element of objects and processes, emerges as a set of social interactions situated in space among a heterogeneous array of public, private, institutional, and social actors.

Shifting corporate location patterns and enhanced global communication capabilities foster a landscape of heightened competition among cities, regions, and local actors; consequently, the nation-state loses regulatory capacity and sovereignty, tending to decentralize—if not all, then most of—its competencies to local entities. Decentralization serves as the fundamental tool of New Public Management (NPM) and manifests across several dimensions: functional decentralization, which entails creating an entity with its own legal personality, rules, and premises to carry out a specific sectoral activity or function; territorial decentralization, involving the creation of a multi-sectoral entity with jurisdiction over a specific territory; political decentralization, where the entity's creation stems from a democratic electoral process rather than a mere concession from the central level; and fiscal decentralization, occurring when the territorial government possesses autonomy regarding tax collection as well as revenue and expenditure matters (Aguilar, 2015).

Under NPM, decentralization is viewed as a prerequisite for achieving effectiveness, efficiency, and legitimacy in public management—and, by extension, governability—a goal more attainable in a mature democracy, as it presupposes a broad social distribution of political power. In this context, citizens become political and economic stakeholders in the administration and its outcomes. Furthermore, the optimal implementation of NPM principles requires a strong measure of democracy, solidarity, and citizen participation. The challenge facing municipalities entails a genuine transformation of political culture: society must shift from habits of making demands or seeking aid toward embracing entrepreneurship and institutional cooperation among the various levels of territorial administration and local public and private actors.

From this perspective, Aguilar (2015) notes that in any system of government, the budget constitutes the central axis of public management, encompassing aspects ranging from the political, legal, and managerial to the strictly economic. To this end, New Public Management (NPM) strengthens information and evaluation systems regarding government outcomes—covering policies, programs, organizations, and officials—with a focus on measuring operational efficiency and economy, service quality, and cost-effectiveness. In doing so, it provides the elements necessary to improve the quality of public administration management and enhance the political system's governability. However, while decentralization is a key pillar of NPM and its primary contribution to local public management, it is not enough on its own for local governments to achieve efficiency; other conditions must be met, such as autonomy in public spending, the principle of fiscal correspondence, and tax autonomy. Furthermore, municipalities or states must possess the capacity to carry out their newly acquired responsibilities.

Thus, NPM emerges as a response to governmental concerns regarding areas requiring change, such as eliminating cronyism and corruption and improving the management of public resources. It represents an innovation in public administration aimed at streamlining processes; it seeks to introduce organizational methods that are fresher and closer to public service users, while incorporating business concepts such as costs, investments, profitability, and productivity. In this context, measuring indicators is fundamental to establishing behavioral patterns.

The concept of NPM is closely linked to transparency and accountability; this new managerial approach to public administration aims to reach all levels of government. It is essential that those assuming office in our municipalities recognize that, beyond addressing society's basic needs, they must employ New Public Management practices and other forms of governance (such as "new governance"). Consequently, the development of local economies depends on factors such as natural resources, environmental conditions, the quality of human resources, access to financing and information, an entrepreneurial culture, and municipal management that fosters local economic promotion (including industrial location factors).

Traditional comparative advantages must be transformed into competitive advantages focused on quality, cost, distribution, market segmentation, and image. Under this new approach, local governments pursue a dual strategy: transforming public services into activities undertaken by large formal enterprises, micro-enterprises, and SMEs, thereby positively impacting the labor market through defined employment policies. Simultaneously, an environment conducive to economic promotion and business development must be fostered through a legal framework that enables the institutional development of business promotion initiatives (Olias, 2001).

In New Public Management (NPM), the phrase "the role of the state is to steer, not row" has become famous; the "rowing" function should be shifted outward, and many activities traditionally performed by the government should be outsourced, as the private sector increasingly invests in such areas—including cleaning services, cafeterias, waste collection, transportation, and courier services. According to Savas (1999), the fundamental principle guiding public administrations should be: "do what you do best and outsource the rest."

Thus, the decentralization of competencies, the outsourcing of services, the managerial mindset of public administrators, the deliberate pursuit of effectiveness, efficiency, and performance in management, and the conceptualization of the citizen as a customer are among the factors that have enabled governments—particularly local ones—to steer rather than row. Another important aspect to consider is the impact that societal evolution and changes in industry, technology, and services have on public administration. Information technology and electronics have replaced manual processes with intelligent systems capable of performing tasks—once reserved for high-level decision-makers—with greater speed, neatness, and precision; this integration of intelligence into decision-making processes entails a radical transformation of the workplace.

Results

Unresolved Aspects of New Public Management (NPM)

Amidst social changes and transformations—and facing a growing public demand for new ways of conducting politics that move away from traditional party practices toward alternative, unconventional approaches—governments are compelled to be more flexible and innovative. While NPM entails an overhaul of administrative management processes, it overlooks the political dimensions and the balance of power affecting governments. It fails to address issues related to the mode of governance itself, as it prioritizes execution efficiency over policy formulation and disregards the process's structural or normative aspects, focusing instead on planning and controlling outcomes. Furthermore, it fails to recognize that successful implementation requires a specific organizational culture within the public administration—a culture shaped by societal attitudes, customs, and values, which are in turn permeated by an ethics rooted in religious precepts. Nor does it consider the perspective of those on the receiving end of management (society—or "clients," as NPM terms them), particularly regarding the need to shift away from a culture of dependency—the notion that "Papa Government" must solve every problem. It fails to foster a more entrepreneurial and self-reliant attitude among the people (the clients).

Decentralization is not a magic wand for achieving administrative efficiency; in practice, there are several shortcomings that cannot be automatically overcome simply through decentralization. These include: insufficient resources (human, material, and financial) to handle newly transferred responsibilities; limited capacity to generate own-source revenue at the local level; an inability to integrate social demands into local, regional, and national objectives and strategies; duplication of functions among territorial administrations; persistent paternalistic attitudes—particularly toward vulnerable sectors—on the part of administrative bodies; the appropriation of local development resources by local elites (or "power capture" by specific groups); corruption among public administrators; and political clientelism.

Furthermore, training efficient managers—while crucial—is not enough; it is also essential that these managers become proactive and dynamic drivers of productive transformation and local job creation. Organizational theory holds that objectives are a fundamental requirement for any organization; without them, one is essentially adrift. In this regard, every manager across the various levels of government must have a clear understanding of the performance or results to be achieved and must clearly define the expected contributions from themselves and their teams—aspects that are often unclear to municipal officials and managers.

Public Policy in the Context of New Public Management

New local contexts demand extensive collaborative arrangements between public and private institutions—both within and outside the local cluster—to provide support to productive agents. In this context, the central objective of regional policies shifts toward creating an environment conducive to attracting investment and to developing and strengthening institutions (Tattara& Volpe, n.d.). Greater political freedom leads to greater interdependence in defining problems and selecting objectives and instruments, resulting in public policies that are more specific and tailored to the context. Conversely, the more autonomous individuals or groups are from large corporations and the government itself in their demands and initiatives, the more likely they are to successfully advocate for specific public policies (Aguilar, 1996:31).

If public policies significantly help boost investment, output, employment, income, education, and health—and are a feature of every government administration—we might ask: what determines why they are more effective in one country or region than in another? If we posit that the problem lies in their formulation, the question becomes: what goes wrong during that process? Empirically, one issue is that policies are often crafted within a generic framework, failing to account for the specific internal characteristics of a given area or territory (whether state, local, or regional). Today, local jurisdictions are moving beyond the traditional operational roles of municipal government; there is a shift toward expanding the local agenda and fostering more comprehensive, strategic participation, alongside higher-quality services for citizens.

Following this logic, territorial development policy objectives must stem from the specific strategies and needs of each territorial entity; consequently, no two policies are identical because municipalities and regions differ. However, broad guiding principles do prevail, such as stimulating and identifying productive initiatives, facilitating coordinated access to business services, establishing financing mechanisms for new ventures, providing appropriate support for micro-enterprises and SMEs, and incentivizing inter-business cooperation within the territory, among others.

According to Hood and Dixon (2015), administrative reforms transformed the relationship between the State and the citizenry; Denhardt et al. (2019) note that New Public Management (NPM) evolved into models centered on citizen service and democratic participation. For them, citizen participation strengthens governmental legitimacy, and trust hinges on institutional transparency and accountability; consequently, public institutions must adapt to increasingly complex societies (p. 53) and engage in organizational learning, as noted by Moynihan (2021). Along similar lines, Ferlie et al. (2015) assert that institutional transparency reinforces democratic legitimacy and that public institutions must adapt not only to changing environments but also to growing citizen demands.

For his part, Lynn (2016, p. 61) points out that performance-based management is a fundamental pillar of contemporary administration; decentralization fosters greater management efficiency, and administrative modernization requires continuous professionalization, given that technical capabilities are essential for institutional functioning. Moynihan (2021, p. 55) adds another component: results evaluation, which he views to improve the efficiency and effectiveness of public institutions.

Furthermore, Kettl (2018) highlights how public problems require solutions shared between government and society. He notes that technological innovation has transformed government management, as digital tools improve public service delivery and enhance institutional legitimacy by boosting the government's capacity to solve social problems (p. 62).

Conclusions

Traditionally, government decisions were explained from the outside, as if everything occurring within the government were determined by external factors. Consequently, there was no perceived need to analyze or study the decisions themselves; instead, research focused on their presumed causes—such as economic factors, class struggle, group interests, and the political system's social and cultural environment. Today, this approach has shifted; there is now recognition of the government's relative autonomy and the role of communities in local policies, decentralized public management, and the importance of state governments participating through policies specifically tailored to their circumstances (Aguilar, 1996).

Thus, the main findings of this research indicate that we are in a transitional phase where local governments strive to become more efficient and effective administrations—and, above all, governments committed to achieving results. Society demands responses to its needs; consequently, local administrations must prepare and build the capacity to steer the ship. However, despite New Public Management (NPM) being a highly useful tool for governments—and local governments in particular—to achieve efficiency through mechanisms such as decentralization of competencies, deregulation, magnification, managerialism, privatization, outsourcing, and horizontal governance, society continues to question it and often perceives it as ineffective. Where, then, does the problem lie? The greatest limitation—not only for NPM but also for the success of public policies, Intergovernmental Relations (IGR), and even governance itself—lies in the political realm. The political sphere's capture of individual behavior across all areas of action is a highly complex phenomenon that has historically been the Achilles' heel of various models, studies, and proposals. Outsourcing, for instance, has resulted in local governments becoming over-indebted on the one hand, and held captive by large companies or corporations on the other. Thus, the political element is and will remain a factor in individual behavior; no matter how sound a proposal or a government's intentions may be, any action taken will inevitably be conditioned by this element. Furthermore, New Public Management (NPM), by its very nature, disregards this component and naively assumes it can be easily eradicated, pinning all its hopes on economic efficiency.

Another issue NPM fails to consider is the low level of professionalization within certain public administrations. In countries like those in Latin America—and specifically in Mexico, across its states and municipalities—changes in the ruling party often lead to the replacement of nearly all public officials, or at least those at mid-level positions and above; the experience and knowledge of bureaucrats go to waste, and each new administration starts from scratch. A similar pattern applies to public policies: even when a policy is sound, a new government—particularly one from a different party—often decides to change it, resulting in what political scientists call the "Penelope effect." In this regard, Barzelay (2019) notes that administrative professionalization enhances state efficiency, as specialized training boosts the technical capacity of public institutions.

For New Public Management (NPM) to succeed, it is essential to have solid, reliable institutions; an administrative culture permeated by honesty, solidarity, and cooperation; municipalities and economic actors with competitive potential; and a mature society. In other words, half a century after its implementation, NPM remains useful and important; the goal should not be to eliminate it, but rather to make it more comprehensive by incorporating political and social dimensions into its analysis.

Thus, the conclusion drawn from theoretical contributions is that decentralization processes and territorial development policies are not a panacea, nor do they guarantee greater success or superior administration for local governments. Certain conditions must be met for both processes to effectively lead to successful administration, including genuine decision-making autonomy; true participation by territorial stakeholders in relevant policies; greater citizen engagement; the prevention of local elites from appropriating programs and resources; authentic democracy; and, crucially, financial autonomy—a state that remains far from reality for municipalities dependent on federal funds.

In conclusion, NPM provides local public administration with the key, essential elements needed to achieve efficient management; it is through this framework that local governments have transitioned from being mere spectators and implementers of policy to becoming proactive agents in shaping the development of their municipalities.

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