

**CONTRASTING NPM VS POST-NPM THROUGH FINANCIAL
PERFORMANCE. A CROSS SECTIONAL ANALYSIS OF SPANISH LOCAL
GOVERNMENTS**

Jose Luis Zafra-Gómez

jlzafra@ugr.es

Associate Professor

University of Granada

Manuel Pedro Rodríguez Bolívar

manuelp@ugr.es

Associate Professor

University of Granada

Andrés Navarro Galera

angalera@ugr.es

Associate Professor

University of Granada

Laura Alcaide Muñoz

lauraam@ugr.es

Lecturer in Accounting

University of Granada

Address:

Faculty of Economics & Business Studies

Department of Accounting and Finance

C/ Campus Universitario de Cartuja S/N

Post Code (BOX): 18071

Granada, Spain

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Abstract

NPM reform programmes may have produced a lack of cooperation and coordination, hampering effectiveness and efficiency. They have also generated the existing array of financial reports which in many cases provide an incomplete picture of government finances, provoking doubts about the relevance of current government financial statements to achieving financial accountability. Post-NPM reforms could help overcome this weakness through the use of aggregate financial measures. This paper focuses on the effects of the agencification process – a central postulate of NPM reforms – on the financial performance of public sector entities, analyzing the differences between individual and aggregate measures of government financial performance by means of a cross-sectional analysis for a sample of 4.000 of Spanish Local Government for 2002-2004. The two models were compared using non-parametric tests: the Mann-Whitney U independence test and the Wilcoxon paired-sample test. In general, the results show there is greater compliance with post-NPM postulates, although this does not mean that NPM and post-NPM management models cannot coexist. Nonetheless, to make this coexistence successful, it is necessary to introduce mechanisms that allow greater control over decentralized public entities. The use of aggregate performance measures could help bring about this improvement in controlling public agencies and, therefore, make public sector entities more efficient.

Keywords

Decentralisation, post-NPM, Financial performance, Whole of Government.

1. Introduction

Accountability is one of several concepts that have long been central to public administrative theory and practice and yet continue to elude satisfactory definition (Chan & Rosenbloom, 2010). NPM-type reforms, which have rendered governmental systems more complex and embody strong emphasis on managerial accountability (Day & Klein, 1987; Hughes, 1998), include the concepts of efficiency and the effective use of resources (Sinclair, 1995; Rutgers and van der Meer, 2010). The quest to enhance managerial accountability underlies processes of “agencification”, by which executives are made more directly and clearly accountable in terms of their ability to produce results, to run their organizations efficiently, and to produce increasingly measurable and tangible public value (Wallis and Gregory, 2009). Nonetheless, to perform well, organizations with expanded management autonomy need to be incentivized (Dunleavy, 1997). The aim of this process is to increase the effectiveness and efficiency of public entities and to make them more flexible and better able to achieve their objectives (Osborne & Gaebler, 1992; Hood, 1991; Hood, 1995; Connolly & Hyndman, 2000). In brief, decentralisation should help increase the responsiveness, effectiveness and efficiency of the public sector (Eckardt, 2008).

Nonetheless, decentralisation is now recognised to be a complex, multi-dimensional process (Smoke, 2003), which sets even more rigorous standards for governments (Dauda, 2006). In this regard, in the process of decentralisation or agencification, the model of accountability is not simple to determine. The complexity of governmental systems sometimes makes it difficult to see to whom and for what one is accountable (Robinson, 2003). In this context, the political and legal setting (Chan & Rosenbloom, 2010) and the situation of administrative and fiscal/financial autonomy are crucial to understanding the local government accountability (Yilmaz et al., 2008; Venugopal and Yilmaz, 2010). In this regard, prior research has demonstrated that NPM reforms have operated in different ways depending on the sociopolitical and ideological contexts in question (Chan & Rosenbloom, 2010). In this milieu, the simple straight-line model of accountability bears little resemblance to what actually happens (Sinclair, 1995). Thus, accountability must be broken down into smaller, more manageable topics using the principal-agent model (Hay, 2001) from citizens to politicians to bureaucratic subordinates and so on down the hierarchy to the lowest-level bureaucrats who actually deliver services to citizens (Moe, 1984).

The increased fragmentation caused by NPM reform programmes may have produced self-centred authorities and a lack of cooperation and coordination, thus hampering effectiveness and efficiency (Boston & Eichbaum, 2005). In addition, the multiplication of inter-organizational relations under such a framework could create problems of decreasing accountability as service provision moves from publicly accountable public service units to contractors or the 'new magistracy' (Stewart et al., 1992; Dunleavy & Hood, 1994). It could also encourage corruption, favouring the personal interests of top officials and further weakening accountability (Dunleavy & Hood, 1994).

As regards the effects of decentralization on the control of public sector agencies and its relationship with accountability, Maor (1999) indicates that the objective of assigning more direct responsibility for public service provision to appointed managers under NPM framework was to improve public service quality by 'depoliticizing' public management. The overriding aim was to free governmental executives and managers from the "dead weight of bureaucratic excess", to give them the freedom to manage, and to re-energize public employees in a quest for greater effectiveness (Gregory, 2009). Indeed, issues of accountability were central to the justificatory rhetoric that surrounded NPM reforms (Gregory, 2009), even more so than the achievement of efficiency (Maor, 1999; Hood & Lodge, 2006).

Nonetheless, in general, the outcomes of these endeavours have been somewhat paradoxical, producing important unintended consequences and even reverse effects (Maor 1999; Norman, 2003; Gregory, 2007; Hood & Peters, 2004). Thus, according to Maor (1999), the more authority and discretion public managers are given to implement programmes, the less secure political executives want them to be. Since investing in managerial capital implies giving managers more control, political executives wish to disinvest in public managers' political capital so as to resolve the problems of steering and accountability raised by NPM reforms.

This effect has deprived the political and administrative leadership of levers of control and influence, reducing information levels and eroding responsibility (Rhodes, 1996), and has also raised questions of accountability and capacity (Christensen & Laegreid, 2007a). In fact, it remains uncertain, and a matter for continuing academic debate and analysis, whether or not NPM has resulted in greater or less accountability in government (Gregory, 2009).

In this context, the provision of understandable information has become a main tool for fulfilling public sector accountability. Thus, a key role is played by accountability information, often focused on financial accountability (Wang 2002), leaving aside policies and any evaluation of their impact on society (United Nations, 2003: 97). Since the 1990s, government reforms have placed increasing emphasis on accountability regarding the use of tax receipts and the provision of quality goods and services, and financial reporting systems have been refocused accordingly (Brusca & Montesinos, 2006). In this respect, financial reports play a major role (Brusca & Montesinos, 2006), because they are used to assess financial performance and to enable economic, social and political decisions to be made by those who have the right and the need to be informed of the government's financial affairs (Allen, 2002: 19). Thus, the ultimate goal of government accounting is to help government discharge its public accountability (Chan, 2003).

Nonetheless, in decentralised governments, Ezzamel et al. (2004) suggest that the level of accountability is not satisfactory because politicians cannot adequately interpret the financial information provided, as the existing array of financial reports issued under NPM frameworks provides an incomplete picture of government finances (Barrett, 1997). Moreover, there is a significant lack of linkage (or there is misalignment) concerning the targets set out in the planning documents that are the basis for reporting, through the mechanism of the annual report (Hyndman & Eden, 2002). As noted by Kaseel (2008), "[the managers] often lose sight of the performance of their agencies and programs". Even in cities where there are high levels of governmental transparency, with sophisticated performance measurement systems, as is the case in Phoenix and Portland (USA), for example, deficiencies may appear, some of which are related to the lack of performance-based budgeting "even though agency performance measures are often included in the budget reports" (Sanger, 2008: S75). This shortcoming raises doubts as to the relevance of current government financial statements to the task of achieving financial accountability.

These limitations of NPM have given rise to a lively debate on a new trend in public sector management based on the concept of post-NPM reforms, which is a crucial category for the "second generation" reforms inspired by the transformations proposed under NPM (Christensen & Læg Reid, 2007b). Some authors indicate that this trend could be seen as a new wave of reforms to public administration because it

modifies the main characteristics of NPM, while others hold that it is not a rupture with the past but rather a rebalancing of the NPM model (Gregory, 2006; Halligan, 2006).

A key question under post-NPM reforms is how to achieve joint action, common standards and shared systems, on the one hand, and vertical accountability for individual agency performance, on the other (MAC, 2004). In this regard, the so-called “Whole of Government” (WG) accounts are the cornerstone of the move for greater financial transparency and accountability by government (Barrett, 1997). The idea underpinning WG reports is that by reporting to the public-at-large on agency activities, government agencies contribute to achieving an informed citizenry, which is an essential foundation of any democracy. This is all part not only of good government but also of good corporate governance, reflecting real accountability to all stakeholders (Barrett, 1997).

Although a number of recent reports have addressed the general area of post-NPM reforms (Martin & Boaz, 2000; Audit Commission, 2002 and 2004; National Audit Office, 2003a and 2003b; Goodwin et al., 2004; Moore & Keen, 2007), few have examined financial reporting in detail and none have analysed the effect of the agencification process – a central postulate of NPM reforms – on financial performance, which is the prime concern of this paper. Our aim is to examine the incidence of aggregate financial measures on financial accountability in public sector entities, and thus contribute new ideas to the post-NPM debate, and in particular, to study the repercussions of adopting WG with respect to the financial performance of public sector entities for the purposes of enhancing financial accountability. To achieve this aim, the article focuses on the NPM postulate of agencification and examines differences between the WG financial indicators proposed and those implemented in Spanish local government.

The remainder of this article is organized as follows. In the next section, the theoretical basis of the differences between NPM and post-NPM reforms is examined. Then, we discuss the trend from NPM to post-NPM and analyze measures of financial performance of public sector entities, in this respect, proposing those of Single Financial Performance (SFP) and Whole of Government Financial Performance (WGFP). Section 4 presents an empirical research study carried out in the context of Spanish local government, into differences between the WG financial indicators proposed and individual ones aimed at identifying financial performance differences among public sector entities, under NPM and post-NPM philosophies. The findings of

this study are detailed in the Empirical Results section. Finally, the main conclusions of the research are drawn and its potential implications highlighted.

2. Theoretical basis of the differences between Weberian bureaucracy, NPM and post-NPM reforms. Determining hypotheses.

Some decades ago, it was held that the larger an organization, the larger the economies of scale would be produced, the more efficient and better coordinated would be the services it provided, and the greater would be the facility for distributing professional services in the public interest, rather than for the sake of private gain (Boyne, 1996). In particular, in the area of local administration, the idea that "big is beautiful" (Weberian bureaucracy) prevailed as the desirable form of organisation for the provision of public services; it was argued that economies of scale could be obtained from a given size (Goodsell, 1994; Boyne, 1995), and there was a constant ambition to create larger units through the consolidation of metropolitan areas in order to obtain a better use of available resources (Warren, 1966; Ostrom et al, 1988, Boyne, 1995).

Nevertheless, the appearance of "public choice" introduced the market perspective into the public sector. Large, centralised bureaucracies were criticised for their monopolistic, inefficient nature, considered to be caused by the problems of coordination and control arising from their excessive size, together a lack of flexibility. It was then concluded that there is a size beyond which diseconomies of scale begin to appear, leading to a lack of agility in operations and to inflexibility in decision making (Tullock, 1965; Downs, 1967; Niskanen, 1971; Flynn, 1993). In the public sector, these ideas led to the appearance of a new concept: New Public Management (NPM).

According to the NPM philosophy, organisations that have decentralised the services they provide obtain better results than those that have not, being more flexible and providing a closer, more personalized service (Boyne, 1996). However, some authors have remarked that decentralised bodies might be characterized by a lack of coordination and control, and thus obtain worse results than those that do not create subsidiary agencies. These postulates have given rise to a new current in public management thinking, termed post-NPM. This approach emphasizes objectives shared across organizational boundaries, as opposed to working solely within an organization (NPM philosophy). The post-NPM philosophy, thus, encompasses the design and delivery of a wide variety of policies, programmes and services that cross organizational boundaries (MAC, 2004). Therefore, a vertical tightening of the system combined with increased horizontal collaboration may be more efficient than a more fragmented

system, focusing mainly on efficiency in service delivery (Christensen & Lægreid, 2006). Traditional decision making processes, accountability processes and performance management systems have been focused on vertical structures, which can inhibit shared outcomes and inter-organization responsibilities (Mulgan, 2005; Bartos, 2005; Lenihan & Valeri, 2003).

In view of this situation, a question that has been posed in recent years, and reported by Rosenbloom and Hahm (2010:4S), is “What can public administration theory tell us about how to promote optimal levels of performance and accountability?”

So far, conclusive findings have yet to be obtained on the relationship between performance and decentralisation. Indeed, research efforts have not been able to show conclusively whether there exists a relationship at all between performance and the forms of organization in the public sector (Andrews et al., 2009). The results obtained thus far have been, to say the least, contradictory. While studies by Ashmos et al. (1998), Fiedler & Gillo (1974), Holland (1973), Martín & Segal (1977), Maynard-Moody et al. (1990) and Wolf (1993) have reported an inverse relationship between performance and centralization – although some of these authors did not find the relation to be statistically significant (Andrews et al., 2009; Fiedler & Gillo, 1974; Wolf, 1993) – the work by Glisson and Martin (1980), Whetten (1978) and Ashmos et al. (1998) concluded this relation to be positive.

Nevertheless to date, no analysis has been made of the impact of decentralisation on financial performance. The use of this concept, as remarked by Lewis (1994), Carmeli (2002), Jansen (2008) and Zafra-Gómez et al. (2009c) enables us to obtain a broad overview as to whether the authority is managing effectively, thus simplifying the decision-making process and avoiding the need for more complex models of performance measurement. Accordingly, the use of financial performance provides an appropriate tool for determining which of the three models proposed – Weberian Bureaucracy, NPM or post-NPM – produces a better result.

Together with the issue of coordination, the problem of integration was a major concern underlying post-NPM reform initiatives (Mulgan 2005). WG under post-NPM approach is seen by some as an efficiency measure and an answer to budgetary pressure, contradictory though that may sound following the introduction of organized fragmentation in the name of efficiency under NPM reforms (Christensen & Lægreid, 2006). A WG account covering the whole of the public sector would therefore be needed for setting and monitoring fiscal policy, using the significantly improved

information from resource accounts and other accrual accounts for public sector bodies to obtain the best possible quality data (HM Treasury, 1998).

On the basis of these considerations (see Figure 1) if the administrations had ever created agencies and subsequently abolished them, it could be claimed that post-NPM philosophy postulates were being fulfilled, and that the decentralisation-financial performance relationship would then be an inverse one, taking into account the problems of coordination, integration and control encountered in the implementation of NPM models, as highlighted in previous studies (Tullock, 1965; Downs, 1967; Niskanen, 1971; Flynn, 1993). If administrations that at present have no agencies and have never created any presented a better level of financial performance than those that did have agencies, then the postulates of Weberian Bureaucracy would prevail. If, on the contrary, the financial performance of administrations that had decentralised were better than that of those that had not, then the NPM postulates would be fulfilled. On this basis, we propose Hypothesis 1.

H₁: The mean WGFP values of decentralised administration are (a) better or (b) worse than the corresponding values of non-decentralised administrations, and therefore (a) NPM postulates prevail or (b) Weberian Bureaucracy or post-NPM postulates prevail.

[INSERT FIGURE 1 HERE]

To analyze this financial performance, it is necessary to examine whether decentralised bodies obtain better or worse financial results when they incorporate the information from subsidiary agencies into that of the main organization (see Figure 2). With respect to decentralised organizations and on the basis of post-NPM postulates, it could be expected that decentralisation processes carried out by implementing NPM models would result in worse financial performance, due to problems of coordination and control among the different components of the municipal organization. This belief is supported by studies that have developed the philosophies of “Joined up government” (Pollit, 2003) and of WG (Christensen & Lægheid, 2007a). In this respect, Hypothesis 2 is proposed as follows.

H₂: The mean WGFP values (a) improve or (b) worsen when agency information is aggregated with that from the principal organisation, and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

Nevertheless, to test this hypothesis it would be necessary to determine whether the administrations that create larger numbers of agencies at the same time present a greater or lower degree of worsening of financial indicators when the information from these agencies is aggregated. Accordingly, we formulate Hypothesis 3.

H₃: The mean WGFP values (a) improve or (b) worsen when agency information is aggregated with that from the principal organisation, as the number of agencies created by administrations increases, and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

Finally, it is necessary to examine whether the creation of agencies can be considered the cause or the effect of worse or better financial performance, and therefore it is necessary to determine the effect provoked on financial indicators by the creation or abolition of agencies. Specifically, Hypothesis 4 is intended to measure the variation observed in each of the financial indicators when the number of agencies increases or decreases from one year to another. Accordingly, Hypothesis 4 is proposed with the purpose of analysing the variation experienced by each of the indicators from one year to the next.

H₄: The mean WGFP values (a) improve or (b) worsen when agency information is aggregated with that from the principal organisation, from one year to the next, as the number of agencies created in this period a) increases or b) decreases, and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

3. A model for measuring financial performance in public sector entities: Single Financial Performance (SFP) versus Whole of Government Financial Performance (WGFP)

NPM emphasizes management responsibility and continuous improvement in public administration, based on three fundamental pillars (Pollit, 1990): a) the accomplishment of a stable financial balance; b) the search for quality in service provision; and c) greater transparency of management and information. Under these assumptions, one of the precepts of NPM is the necessity for public organizations, when they grow beyond a given size, to create public agencies or other, decentralised, bodies capable of taking on the task of providing services. The aim of this was, among other aspects, to remedy the problems of large bureaucracies by splitting them up (Hening, 1989-1990; Osborne & Gaebler, 1992; Pollit, 1995; Savas, 2000; Radin, 2000; Pollit & Bouckaert 2000, 2004; Behn, 2003; Christensen & Lægheid, 2008).

However, various authors are beginning to question whether it is really possible to improve management via such organization-devolving tactics, because the latter, in turn, can provoke problems of insufficient coordination among structures, and hence reduced efficiency, problems relating to organization leadership and an erosion of responsibility (Rhodes, 1996).

The post-NPM approach arose with the ambition to correct the problems of inadequate coordination caused by the implementation of decentralisation processes as proposed in NPM models (Christensen & Lægheid, 2007a). Perhaps one of the most controversial aspects, and one that has yet to be fully developed, is that of measuring the effects of post-NPM reforms on performance. As observed by Pollit (2003), the different initiatives that have been proposed in this area, to date, all present severe shortcomings.

One instrument currently used for introducing a performance-oriented system is the employment of performance measures based on the government's financial condition; this is viewed as one of the best available functions by which financial accountability may be assessed (Ammons & Rivenbark, 2008). Indeed, the most commonly used means of obtaining a measurement of performance in local government involve the use of budgetary, economic and financial information, i.e., consideration of its financial performance (Lewis, 1994; Barton, 2009). With an appropriate system for measuring the financial performance under the post-NPM reforms, it would be easier to assess government's fulfilment of its duty of financial accountability, and to determine which of the various administrative reforms proposed for the public administration would best enable this goal to be achieved.

Currently, the evaluation of financial performance in countries such as the USA, Australia, Spain, Israel and the UK (Carmeli 2002, Honadle, 2003, Dollery et al. (2006, Audir Comission 2007, Zafra-Gómez et al., 2009c) is based on the concept of financial condition. In the USA and Spain, evaluation of financial performance is mainly based on the development and design of systems capable of evaluating and detecting financial crises (Khola, 2005a; Khola, 2005b; Coe, 2008; Zafra-Gómez et al, 2009a). In Australia, as observed by Dollery et al. (2006), local authorities are currently subject to fiscal tension, and in the United Kingdom, emphasis is placed on the fundamental necessity of solid financial management, to ensure the availability of the resources needed to maintain the priorities established by city halls and to improve the services provided (Audit Commission, 2007).

The above considerations lead us to define the financial condition of a public sector entity in a broad manner, associating it with a series of indicators concerning short-term solvency, flexibility, budgetary sustainability and financial independence (GASB, 1987, 1999; Greenberg & Hiller, 1995; CICA, 1997; Groves et al., 2003). In the present study, short-term solvency is defined as the entity's ability to generate sufficient liquidity to pay its short-term debts (Groves et al., 2003); flexibility is the organization's capability to respond to changes in the economy or in its financial circumstances, via modifications to public debt (Greenberg & Hiller, 1995; CICA, 1997); budgetary sustainability is an organization's ability to maintain, promote and protect the social welfare of the population, employing the resources at its disposal (Greenberg & Hiller, 1995; CICA, 1997; Groves et al., 2003) and, finally, financial independence is the level of dependence on external funding received via transfers and grants (Zafra-Gómez et al., 2009a).

Taking into account the above considerations, the indicators used to measure the different aspects of financial condition are shown in Annexe 1; these are fundamentally based on budgetary indicators, the principle element comprising the financial information published by local authorities, which is an essential instrument for assessing their financial accountability (Goddard, 2004).

Together with the indicators shown in Annexe 1, we propose two systems for measuring financial performance: the first is applied to the central administration of local government, and is termed Single Financial Performance (SFP); the second is applied to the consolidated financial information of the local authority as a whole, combining the financial information from the central administration of local government with that obtained from all the public agencies that are subsidiary to the latter and which were created for the provision of public services. This second instrument is called Whole of Government Financial Performance (WGFP). WGFP is one of the most important tools under post-NPM reforms to assess the financial performance of public sector entities through the use of financial aggregated measures (see Figure 2).

4. Applying the proposed model to the Spanish Local Government context

4.1. The concept of decentralisation. The case of local administration in Spain.

Decentralisation is an ambiguous word that can signify a dynamic process – decentralisation as a reform – or a static state point of view – decentralisation as a structure (Dubois and Fattore, 2009). In this paper, it is used in the sense of the creation

of specific units for the provision of given services, these units being granted an independent budget and having decision making powers, including the transfer of responsibility for planning and management, and the transfer of resources from the central government (regional or local) to other agencies (Rondinilli, 1981; Smith 1985; Chiriboga, 1994; Ribot, 2001). The goal of decentralisation is to create a broad diversity of practices, to increase responsibility, efficiency and effectiveness, to improve the provision of services and to reduce poverty levels (Lonti, 2005; World Bank, 2000, 2001).

In addition, decentralisation may take widely differing forms – fiscal, administrative, political, or a mixture of all of these – and it may be instigated in top-down fashion (a vertical movement) or laterally (a horizontal movement), in this latter case giving rise to the creation of what are termed agencies (Humphreys and O’Donnell, 2007), which may be formal or informal. The need to identify both the vertical and the horizontal dimensions is relevant to our understanding the structural shape of the State (Pollitt and Bouckaert, 2004; Roness, 2007) and to understand the changes introduced under post-NPM reforms. In the vertical dimension, post-NPM reforms reintegrate agencies or establish more controls and constraints on agencies (Christensen and Lægreid, 2008). In the horizontal dimension, more collaboration is introduced and cross-sectoral programmes, projects and networks are established, while there have even been some structural mergers (Gregory, 2003; Halligan, 2006).

However, decentralisation also has implications for informal power relations and it does not exist when formal authority is delegated, but informally public agencies just do what the decentralizing level of government wants (Dubois and Fattore, 2009). Indeed, there is also acknowledged to be a distinction between formal autonomy, and autonomy in practice or *de facto*, which implies both that autonomy becomes a multidimensional concept (Laegreid et al., 2006) and that there is a need for balance between autonomy and control (Christensen and Lægreid, 2008). Whereas NPM tipped the balance between control and autonomy in favor of the latter, the post-NPM reforms tipped the balance back somewhat towards more control, although it did not restore the former situation prevailing under the Weberian style of public administration (Christensen and Lægreid, 2007a). In fact, at first, under the NPM framework, statutory bodies were most popular but later, under post-NPM reforms, governments have favoured semi-autonomous agencies without legal independence (Van Thiel and CRIPO, 2009).

Although decentralisation has been a central tool to NPM-based reforms, experience has revealed certain contradictions or paradoxes. For example, although decentralisation of functions is intended to let the managers manage, particularly in areas such as human resources responsibilities and budgetary control (Hardiman and MacCárthaigh, 2008), a reaffirmation of central control is still necessary to achieve this (Christensen et al., 2007). In addition, it has been shown that a centralized government structure appears to be more conducive to public employees' access to training in democratic skills and values (Witesman and Wise, 2009).

In order to meet the goals for it, this paper focuses on Spanish public administration and on local governments in Spain. This approach is of interest in view of the politics of legislative reform to administrative structures in the 1990s (Gallego and Barzelay, 2010) and the managerial devolution process that has been implemented in this country (Bastida and Bernardino, 2006). Nonetheless, although the public sector in Spain is divided into Central Administration, Regional Governments and Local Administrations, and the decentralisation process has been implemented at all levels of public administration, the empirical research of this paper is focused on Spanish local governments because the local government context is a fundamental focus in many public sector reforms (Christiaens, 1999; Mussari, 1999; Ter Bogt and Van Helden, 2000; Pallot, 2001; Smith, 2004).

Therefore, it could be interesting to analyse the creation of agencies in Spanish municipalities that may implement decentralised decision making. These agencies are used mainly by the largest cities in Spain to manage the provision of services, whereas joint-management entities are used by small municipalities in Spain to achieve economies of scale (Bastida and Bernardino, 2006).

4.2. Characteristics of the sample selection

All the information used in this research study was compiled and provided by the Directorate General for Financial Coordination with Local Entities (Spanish Ministry of Economy and Finance, 2004). The sample comprised 4066 Spanish municipalities, taken examined from the total de 8119 in all of Spain, examined with respect to the period 2002-2004. This sample was utilised in its entirety to test Hypothesis 1, distinguishing between the local authorities that have decentralised by creating agencies (806 municipalities out of 4066) and the local authorities that did not create any agency during the study period. For the remaining hypotheses, we used only

the sample of 806 municipalities, which had created a total of 2331 agencies by the end of 2004.

In addition, we wished to obtain more information regarding the social, economic and political characteristics presented by the two types of local authority that constituted our sample group, that is, decentralised and non-decentralised authorities (see Table 1). This information was obtained by consulting the Social And Economic Yearbook published by La Caixa (2004) and the Spanish Interior Ministry, and it reflects population characteristics, the economic activity characterising the local economy and the political nature of the governing parties.

[INSERT TABLE 1 HERE]

As can be seen in Table 1, the mean values of the local authorities that had decentralised are higher than where this decision was not taken, with respect to population variations and in all the sectors on which their economy was based. Nevertheless, they presented a smaller number of scattered population centres, while there were no differences with respect to the political ideology, i.e., on average, left and right wing parties made equal use of agencies.

As regards the characteristics of the agencies assessed in this study, these agencies are independent bodies; they organize their work on their own initiative, they are entitled to hire their own employees, they manage their budget independently, and they have their own legal personality.

4.3. Research methodology

In order to achieve the goals of this study, we examined the application of two types of measure for each of the indicators proposed (see Annexe 1)ⁱ. Thus, we measured the four aspects by which financial condition has traditionally been characterized: short-term solvency, flexibility, budgetary sustainability and financial independence. These elements constitute both individual measures for each of the indicators (SFP) and measures that address the available data for the entire governmental body (WGFP). The latter include, moreover, information from the public agencies created by each municipality.

The two models were compared using non-parametric tests: the Mann-Whitney U independence test and the Wilcoxon paired-sample test. These methods are commonly used to test the hypothesis of the equality of two means, and are the most powerful tests available when the normality assumption for the differences is not satisfied (Wilks, 1962; Rohatgi, 1976; Hollander & Wolfe, 1999; Gibbons &

Chakraborti, 2003). Both nonparametric methods were used to test the differences between paired attributes of financial performance under WGFP and SFP financial information. In addition, the application of these methods was preceded by the use of a statistical methodology that enabled us to determine that the sample data did not meet the hypothesis of normality. The tools used for this purpose were the Kolmogorov-Smirnov test and Q-Q plotsⁱⁱ, the results of which show that the data obtained do not follow a normal distribution, because all the significance values are below 0.05. For this reason, the Mann-Whitney U independence test and the Wilcoxon paired-sample test were performed.

4.4. Analysis of the results

In the first part of this empirical study, we seek to identify possible effects of the application of decentralisation processes on the financial performance of local authorities as expressed in Hypothesis 1.

H₁: The mean WGFP values of decentralised administration are (a) better or (b) worse than the corresponding values of non-decentralised administrations, and therefore (a) NPM postulates prevail or (b) Weberian Bureaucracy or post-NPM postulates prevail.

Two samples were considered: the first one contained WGFP values for local public authorities that had no decentralised agencies, while the second included WGFP values for those local public authorities where at least one such agency had been created. Subsequently, the first sample was divided into two sub-samples: on the one hand, local authorities that had at some time created at least one agency, but which in the period 2002-2004 had none; and on the other, those which had never created any agencies.

[INSERT TABLE 2 HERE]

Table 2 shows the results obtained by applying the non-parametric test to the WGFP indicators, for the two types of local authority evaluated (decentralised and non-decentralised), for each of the relevant years. It also includes a summary for the entire period analyzed (2002-2004). The statistical tests used reveal the existence of significant differences between the different indicators of financial condition, except in the particular case of the fiscal revenue index (FRI). In general, during the period in question, the results obtained show that for the indicators of short-term solvency (CSI, LI), budgetary sustainability (NSI) and flexibility (FRFC), there are significant

differences between the mean values obtained for the decentralised and the non-decentralised municipalities.

With respect to the indicator of financial independence, the results show that at the beginning of the period examined, the values for the two types of municipality were quite similar, while significant differences between the two mean values appeared in 2004. The joint analysis of these three years (2002-2004) enables us to conclude there exist significant differences between the two types of municipality.

The NFBRI values also revealed certain differences between the municipalities that had created independent agencies and those that had not, during the period in question. In the years 2002 and 2004, and also for the three-year period as a whole, there were no significant differences between the mean values, but for the year 2003, these mean values may be considered different.

Let us now focus on which municipalities obtained the best financial performance (see Annexe 2). The results obtained show that the non-decentralised municipalities obtained better results for most of the indicators analyzed (SOL, LIQ, NSI, Flexibility). The sole element of financial condition for which the decentralised bodies presented better results was that of self-financing (FRI and FII). Finally, let us note that the NFBRI did not reveal a clear pattern of results; for the period in question, the best mean values were not always obtained by the same group of municipalities.

After confirming the better results in general obtained by non-decentralised municipalities, it is now necessary to determine whether there were authorities which had never carried out decentralisation processes, in which case the postulates of Weberian Bureaucracy would prevail, while if there did exist authorities that at some time had had agencies but which had subsequently abolished them, then post-NPM postulates would prevail. As remarked above, we utilised the two sub-samples into which the non-decentralised authorities can be divided, that is, those which had never decentralised and those which at some time had done so, but which during the study period did not have any agency. For the latter case, we identified 144 authorities (in 2002), 161 (in 2003) and 172 (in 2004) in our sample for the period 2002 to 2004, which prior to that date (either 2002, 2003 or 2004, respectively), had created an agency and, subsequently, had abolished it, that is fulfilling the post-NPM postulates.

At a secondary level of analysis, and with the aim of determining the possible repercussions of applying decentralisation processes carried out by NPM postulates to the financial condition of public organizations, we now focus on those municipalities

that had decentralised services to specialist agencies during the period 2002-2004, and seek to determine whether corresponding financial indicators (SFP) improve or worsen when agency information is aggregated (WGFP). To test these two management models, we examined Hypotheses 2, 3 and 4, using for this purpose the sample of 806 local authorities that had had at least one agency during the period 2002-2004.

H₂ The mean WGFP values of decentralised local authorities (a) improve or (b) worsen when agency information (AFP) is aggregated with that from the principal organisation (SFP), and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

The results obtained are shown in Table 2, with the mean values of the differences between the SFP and the WGFP for the municipalities that had created agencies. Table 3 shows the statistical analysis results and the levels of significance of the Wilcoxon paired sample tests applied.

[INSERT TABLE 3 HERE]

Table 2 shows that when agency information is aggregated, there is a different pattern of behaviour for each of the indicators evaluated. With respect to short-term solvency, there is an evident improvement in the mean values, and as can be seen from the comparison of the means in Table 3, the means can be considered statistically different, with the hypothesis of equality being rejected for all the years evaluated.

As regards the indicator of budgetary sustainability and flexibility (NSI), we see that when agency information is aggregated, the mean values obtained worsen. The statistical test associated with this indicator confirmed the existence of these differences, with a zero level of significance. As for the level of global sustainability (NFBRI), the results obtained are similar for both SFP and WGFP, a situation that was confirmed by application of the Wilcoxon test, which showed that the hypothesis of the equality of the means could be accepted.

Regarding the organization's level of financial independence (FII and FRI), the pattern was very similar for the two indicators evaluated. While in 2002 and 2003 both indices presented similar mean values, in 2004 there were positive differences in favour of the WGFP values. The Wilcoxon test confirmed the non-existence of significant differences during 2002 and 2003. In both cases, the levels of significance obtained were higher than 0.5, and so the hypothesis of the equality of the means was not rejected.

Finally, the parameter referring to the organization's flexibility provided the clearest differences of all the indicators proposed. The SFP presented very high mean margins, but when the agency information was aggregated these values worsened very considerably. This situation might be accounted for by the increase in the ratio denominator, as the fiscal revenues remain constant, irrespective of whether or not public agencies are aggregated. These results suggest that the public agencies possess and amortize a large proportion of municipal debt. The Wilcoxon statistics show that SFP and WGFP present significantly different mean values.

[INSERT TABLE 4 HERE]

H₃. The mean WGFP values of decentralised local authorities (a) improve or (b) worsen when agency information (AFP) is aggregated with that from the principal organisation (SFP), as the number of agencies created by administrations increases, and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

The principal results obtained from application of the non-parametric tests and the corresponding mean values are shown in Table 4 and Figure 3. There are significant differences in the results obtained for the mean values of the indicators when the number of agencies varied. The indicator presenting the largest significant changes was that of the Fiscal Revenues per Financial Charge Index index (FRFC), as shown in Figure 1, when the number of agencies increased above six, the mean value of the WGFP worsened. A similar behaviour pattern was apparent for the NFBRI indicator, which showed that the WGFP value was, in most of the cases analysed, negative, and worsened with higher numbers of agencies. Another noteworthy indicator is the NSI, which in general showed worse mean values for all levels of agencies. Finally, let us note the behaviour of the LI variable, for which the aggregation of financial information from agencies increased the WGFP value and, in general, this improvement was greater as the number of agencies increased. These results agree with those achieved with Hypothesis 2.

[INSERT FIGURE 3 HERE]

[INSERT TABLE 5 HERE]

H₄. The mean WGFP values of decentralised local authorities (a) improve or (b) worsen when agency information (AFP) is aggregated with that from the principal organisation (SFP), from one year to the next, as the number of

agencies created in this period a) increases or b) decreases, and therefore (a) NPM postulates prevail or (b) post-NPM postulates prevail.

The results of the final hypothesis tested are shown in Table 6. Firstly, it can be seen that most of the changes are not statistically significant, which means that the variations, as the number of agencies increased or decreased, did not affect financial performance. These results may be due to the fact that the variation in the number of agencies from one year to another was not significant with respect to measuring the improvement or worsening of financial performance. In this sense, let us recall the results obtained concerning Hypothesis 3, which indicated that the large variations in financial performance would appear when there were large numbers of agencies. In this case, the variation in the number of agencies was a maximum of three being created or three being abolished from one year to the next, with the variation in most cases corresponding to one or two agencies. The only indicator that presented significant changes for all the years analysed was that of FRFC. As can be seen, when the number of agencies increased from one year to the next, there was a worsening in the municipalities' levels of flexibility for all increases in the number of agencies (an increase of one, two or three agencies). These results corroborate the post-NPM postulates and the results obtained from our analysis of Hypotheses 2 and 3.

[INSERT TABLE 6 HERE]

5. Discussion and Conclusions

The improvements made in meeting obligations of financial accountability have given rise to the existence of diverse models of public sector reforms, such as Weberian Bureaucracy, Public Choice, NPM and, most recently, the post-NPM approach. These standpoints have contributed different solutions to the problem of efficiently organizing the provision of public services.

Currently, the postulate of decentralisation, as proposed under NPM, is presenting problems of coordination and control among the diverse bodies that constitute the public administration, producing worse performance and thus provoking a second generation of NPM reforms, which have been termed post-NPM reforms. In this respect, there is ongoing debate in the specialized literature as to whether the post-NPM approach should be considered a complement to or a radical variation of NPM.

With the aim of shedding light on this question, we propose an analysis of the financial performance of local government bodies by testing four hypotheses. In these tests, we made use of both single-centre measures of financial information (SFP) and

aggregate measures incorporating information from decentralised agencies (WGFP), spanning a period of three years. We conclude that, in general, the organizations that do not create such agencies present better financial results than those that do, which corroborates post-NPM postulates for those municipalities that had at some time created an agency but which had subsequently abolished it, or the Weberian Bureaucracy postulates, for those local authorities that had never created agencies.

Taking into account that, in Spain, agencies are autonomous, independent organisations, from the standpoint of decentralisation, these results confirm that, of the different forms of decentralisation to be found, the one providing continuing control over the agencies, rather than allowing their autonomy, seems to have a greater impact on financial performance. Perhaps the fundamental reason for this is the need to exercise greater control in order to establish better coordination among agencies, which thus produces better financial results.

Our comparison of the mean values produced, on the one hand, by local authorities that provide services via agencies, and on the other, by those that have no such devolved bodies, over the three years analyzed, revealed that a consistent advantage was enjoyed by the municipalities that did not decentralize. In five of the seven indicators, the differences presented were always in favour of the latter municipalities, and there were no changes in this respect from one year to another. Therefore, in this respect, the results seem to show that the non application of decentralisation processes, as indicated by post-NPM postulates in some cases, and the Weberian administration, in others, has a positive effect on the financial condition of local public authorities, which might lead us to consider whether the much-lauded decentralisation proposed under NPM postulates does actually produce an improvement in financial performance for public entities, or whether, in contrast, the problems of coordination and control arising from this initiative might prejudice matters.

These findings seem to indicate that, of the above two problems encountered with the application of the NPM postulate of decentralisation, the variable *control* is of greater significance, as it is in the municipal authorities where either agencies have never been created (Weberian approach) or in those where agencies have subsequently been reintegrated into the municipal administration or where the latter exercises greater direct control over them (post-NPM reforms), in which a substantial improvement in financial performance has been recorded. The variable *coordination*, which is more directly related to obtaining better financial performance among local administrations,

seems to be a consequence of the variable *control* as, otherwise, the results obtained in our study would have been very diverse and, as we have shown, most of the indicators tested using Hypothesis 1 reflected a higher degree of performance among the non-decentralised municipalities.

As well as comparing the information derived from SFP and WGFP in the municipalities that have created agencies, we observed that in most of the indicators evaluated, the mean values obtained differ significantly, except in the case of the indicators related to financial independence, where the values are similar in both cases. Furthermore, this difference between SFP and WGFP is in most cases positive when the agency information is aggregated for the short-term solvency indicators (CSI and LI) and negative for the case of short-term budgetary sustainability and flexibility (NSI) indicators. This is taken to mean that the agencies present better treasury positions than does the general municipal administration; moreover, they present lower fixed operating costs (such as salaries and expenditure on goods and services).

On the other hand, the aggregation of information from the agencies worsens municipal flexibility. This finding suggests that it is the agencies that mainly hold and amortize the bulk of municipal debt, and thus serve as an instrument for diverting attention from the principal entity's level of indebtedness. These conclusions are supported by our finding that the indicators related to flexibility (NSI and, above all, FRFC) worsen as the number of agencies possessed by the local authority increases and when the authority increases the number of agencies from one year to the next. This result illustrates the greater capacity of formal decentralisation to trigger worse financial performance.

Can the two models coexist? Our results indicate that this is indeed so. For this to be the case, it is necessary to establish mechanisms of communication between these forms of public sector management to identify the actions that are failing, enabling managers to improve the coordination and control of public entities. In this respect, the results seem to show that a higher level of control is needed over the agencies created by municipal authorities, as this enables the latter to improve the coordination of the agencies' activities. This control is not only exercised in a formal way, but also informally; the communication of information could be an essential factor in achieving greater control and monitoring of the activities of the agencies created. Therefore, the appearance of new management models such as the post-NPM approach should not be aimed at replacing the postulates established under NPM, but rather at complementing

them, in order to constitute an instrument capable of achieving the integration of the principal entity and its decentralised agencies.

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TABLES, ANNEXES AND FIGURES

Annexe 1. Budgetary and financial variables of SFP and WGFP.

Elements of Financial Condition		Indicators	Definition
Short-term solvency		Cash Surplus Index (CSI)	Difference between net short-term receivables, liquidity and net short-term liabilities.
		Liquidity Index (LI)	Liquidity divided by net short-term liabilities.
Budgetary solvency	Flexibility	Net Savings Index (NSI)	Difference between the receivables from current budget resources and the budget obligations from non-financial current expenditures, reduced by annual amortization payment –including interest and principal.
		Fiscal Revenues per Financial Charge Index (FRFC)	Fiscal revenues between Annual amortization payment – interest and principal
	Independence	Financial Independence Index (FII)	Budgetary payables divided by budgetary receivables except grants.
		Fiscal Revenues Index (FRI)	Fiscal receivables divided by net current budgetary receivables.
	Sustainability	Non-financial Budgetary Result Index (NFBRI)	Current budgetary payables, non-financial capital budgetary payables divided by non-financial current budgetary receivables, non-financial capital budgetary receivables.

Annexe 2. Descriptive statistics.

			2004	2003	2002				2004	2003	2002
CSI	ND	Mean	11.700	5.476	7.498	LI	ND	Mean	10.376	4.078	5.582
		5% Trimmed Mean	2.459	2.410	2.658			5% Trimmed Mean	1.345	1.248	1.369
		Std. Deviation	384.295	28.565	66.256			Std. Deviation	384.164	27.760	53.188
	D	Mean	2.072	2.211	2.214		D	Mean	0.964	0.970	0.901
		5% Trimmed Mean	1.720	1.663	1.782			5% Trimmed Mean	0.676	0.572	0.621
		Std. Deviation	3.908	5.887	4.453			Std. Deviation	2.777	4.591	2.892
NSI	ND	Mean	0.161	0.142	0.167	FII	ND	Mean	0.522	0.474	0.506
		5% Trimmed Mean	0.165	0.148	0.170			5% Trimmed Mean	0.504	0.461	0.487
		Std. Deviation	0.187	0.202	0.190			Std. Deviation	0.264	0.220	0.252
	D	Mean	0.153	0.128	0.151		D	Mean	0.659	0.600	0.647
		5% Trimmed Mean	0.150	0.128	0.148			5% Trimmed Mean	0.652	0.593	0.644
		Std. Deviation	0.144	0.138	0.123			Std. Deviation	0.208	0.190	0.191
NFBRI	ND	Mean	1.066	1.012	1.031	FRFC	ND	Mean	830.153	878.349	902.897
		5% Trimmed Mean	1.039	1.000	1.012			5% Trimmed Mean	63.052	52.961	49.011
		Std. Deviation	0.414	0.207	0.245			Std. Deviation	12811.053	15217.154	25114.772
	D	Mean	1.058	0.999	1.021		D	Mean	126.919	50.321	62.319
		5% Trimmed Mean	1.049	0.988	1.014			5% Trimmed Mean	12.004	10.630	10.031
		Std. Deviation	0.175	0.172	0.156			Std. Deviation	2050.668	777.453	888.726
FRI	ND	Mean	0.517	0.510	0.517						
		5% Trimmed Mean	0.519	0.511	0.519						
		Std. Deviation	0.161	0.158	0.155						
	D	Mean	0.621	0.605	0.616						
		5% Trimmed Mean	0.625	0.609	0.621						
		Std. Deviation	0.136	0.133	0.133						

D: Decentralized; ND: Non decentralized

TABLES

Table 1ⁱⁱⁱ.- Social, economic and political characteristics of decentralised and non-decentralised authorities

	Decentralised	Non-Decentralised
Scattered population centres	4,475	7,211
Unemployment rate	4,084	3,890
Population variation 2000-2004 (absolute)	1173,033	670,948
Wealth (0 to 10)	5,168	4,496
Mining extraction and transformation; energy and subproducts; chemical industry	10,085	7,878
Metal transformation industries	33,467	20,498
Manufacturing industries	66,894	43,731
Construction	162,982	111,244
Index of tourist industry activities	37,967	22,605
Political ideology (1= right; 0=left)	42.78% right wing, the rest, left wing	48.13% right wing, the rest, left wing

Table 2. Mann-Whitney U tests for the WGFP of municipalities with and without agencies.

2002	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mann-Whitney U	1190043.00	1049893.00	1029193.00	1388055.50	1381798.00	788826.00	1370642.00
Z	-11.51	-19.50	-20.49	-0.36	-0.71	-35.48	-1.35
Sig. Level	0.00	0.00	0.00	0.72	0.48	0.00	0.18
2003	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mann-Whitney U	1125180	966210	1170766	1376738	1346733	825112.5	1390389.5
Z	-15.57	-24.81	-12.86	-1.02	-2.74	-33.84	-0.23
Sig. Level	0.00	0.00	0.00	0.31	0.01	0.00	0.82
2004	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mann-Whitney U	1215260.5	1215006.5	1244564.5	1317346	1382936	803020	1394378.5
Z	-10.12	-10.16	-8.59	-4.38	-0.65	-34.85	0.00
Sig. Level	0.00	0.00	0.00	0.00	0.51	0.00	1.00
2002-2004	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mann-Whitney U	10591836.5	9694411	10333815.5	12283984.5	12409952	7250870	12466191
Z	-21.46	-31.46	-24.30	-2.90	-1.53	-60.15	-0.92
Sig. Level	0.00	0.00	0.00	0.00	0.13	0.00	0.36

Table3. Mean values of the difference between WGFP and SFP.

SFP	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mean 2002	2.208	0.890	0.155	0.647	1.022	131.667	0.616
Std. Deviation	4.490	2.911	0.126	0.194	0.161	2153.735	0.134
Mean 2003	2.083	0.924	0.129	0.599	0.999	54.383	0.605
Std. Deviation	5.515	4.572	0.154	0.194	0.177	897.024	0.134
Mean 2004	2.070	0.957	0.154	0.655	1.058	134.574	0.619
Std. Deviation	3.898	2.758	0.151	0.208	0.178	2134.985	0.136
Media 2002-2004	2.120	0.924	0.146	0.634	1.026	106.875	0.613
Std. Deviation	4.681	3.510	0.145	0.200	0.174	1825.491	0.135
WGFP	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Mean 2002	2.214	0.901	0.151	0.647	1.021	62.319	0.616

Std. Deviation	4.453	2.892	0.123	0.191	0.156	888.726	0.133
Mean 2003	2.211	0.970	0.128	0.600	0.999	50.321	0.605
Std. Deviation	5.887	4.591	0.138	0.190	0.172	777.453	0.133
Mean 2004	2.072	0.964	0.153	0.659	1.058	126.919	0.621
Std. Deviation	3.908	2.777	0.144	0.208	0.175	2050.668	0.136
Mean 2002-2004	2.166	0.945	0.144	0.635	1.026	79.853	0.614
Std. Deviation	4.821	3.518	0.136	0.198	0.169	1366.049	0.134

Table 4. Wilcoxon paired sample test.

	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Z 2002	-4.946	-8.925	-9.997	-0.588	-1.082	-15.532	-0.647
Sig. Level	0.000	0.000	0.000	0.557	0.279	0.000	0.517
Z 2003	-6.595	-10.992	-6.739	-0.309	-0.957	-15.306	-0.484
Sig. Level	0.000	0.000	0.000	0.757	0.338	0.000	0.628
Z 2004	-4.185	-4.335	-5.128	-1.950	-0.159	-14.497	-0.977
Sig. Level	0.000	0.000	0.000	0.051	0.874	0.000	0.328
Z 2002-2004	-9.075	-13.978	-12.669	-0.938	-0.209	-26.352	-0.193
Sig. Level	0.000	0.000	0.000	0.348	0.835	0.000	0.847

Table 5. Kruskal-Wallis test.

2002	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
X ₂	15,997	45,325	11,596	17,971	17,792	44,179	16,330
Degrees of freedom	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Asymptotic sign	0,191	0,000	0,479	0,117	0,122	0,000	0,177
2003	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Chi-squared	24,624	39,838	16,883	15,281	26,423	42,200	13,718
gl	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Asymptotic sign	0,010	0,000	0,111	0,170	0,006	0,000	0,249
2004	CSI	LI	NSI	FII	NFBRI	FRFC	FRI
Chi-squared	17,229	16,966	28,175	20,496	29,253	56,754	11,237
gl	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Asymptotic sign	0,141	0,151	0,005	0,058	0,004	0,000	0,509

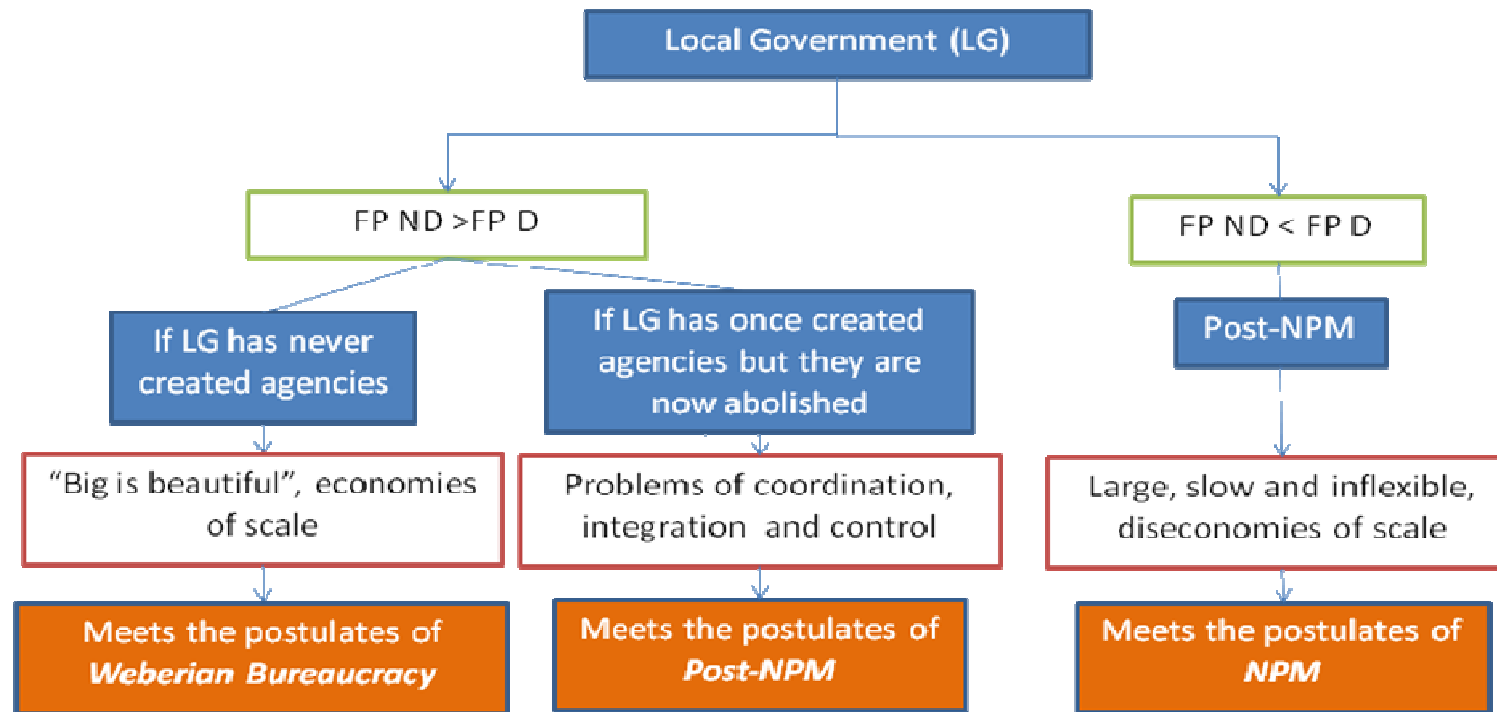
Table 6. Variation in the mean values of the financial indicators when the number of agencies changed

CSI								NFBRI							
Variation in agencies	-2	-1	0	1	2	3	Sig level	Variation in agencies	-2	-1	0	1	2	3	Sig level
2002-2003	0,084	0,164	0,165	-0,03	0,016		0,677	2002-2003	0,044	0,02	0	-0,01	0,016		0,289
2003-2004		-0,01	-0,16	-0,18		-0,01	0,96	2003-2004		0,001	0,003	-0,02		0,001	0,885
LI								FRFC							
Variation in agencies	-2	-1	0	1	2	3	Sig level	Variation in agencies	-2	-1	0	1	2	3	Sig level
2002-2003	-0,02	0,121	0,047	-0	0,009		0,586	2002-2003	0,007	0,166	91,69	-0,1	-0,02		0,051
2003-2004		-0,02	-0,04	-0,14		0,015	0,513	2003-2004		-0	-3,64	-0,36		-0,4	0,024
NSI								FRI							

Variation in agencies	-2	-1	0	1	2	3	Sig level	Variation in agencies	-2	-1	0	1	2	3	Sig level
2002-2003	0,022	0,054	0,002	0,015	0,011		0,375	2002-2003	0	0,02	-0	0,007	-0,01		0,056
2003-2004		-0	0,003	-0,07		-0,02	0,664	2003-2004		0,006	0,002	0,01		0,027	0,207
FII															
Variation in agencies	-2	-1	0	1	2	3	Sig level								
2002-2003	-0	0,024	0	0,004	0,004		0,578								
2003-2004		0,003	0,002	0,01		0,024	0,136								

FIGURES

Figure 1. Weberian Bureaucracy, NPM and post-NPM: the relationship with financial performance



FP ND = Financial performance of non-decentralised municipalities; FP D = Financial performance of decentralised municipalities

Figure 2. SFP vs WGFP and its effects on public sector reforms

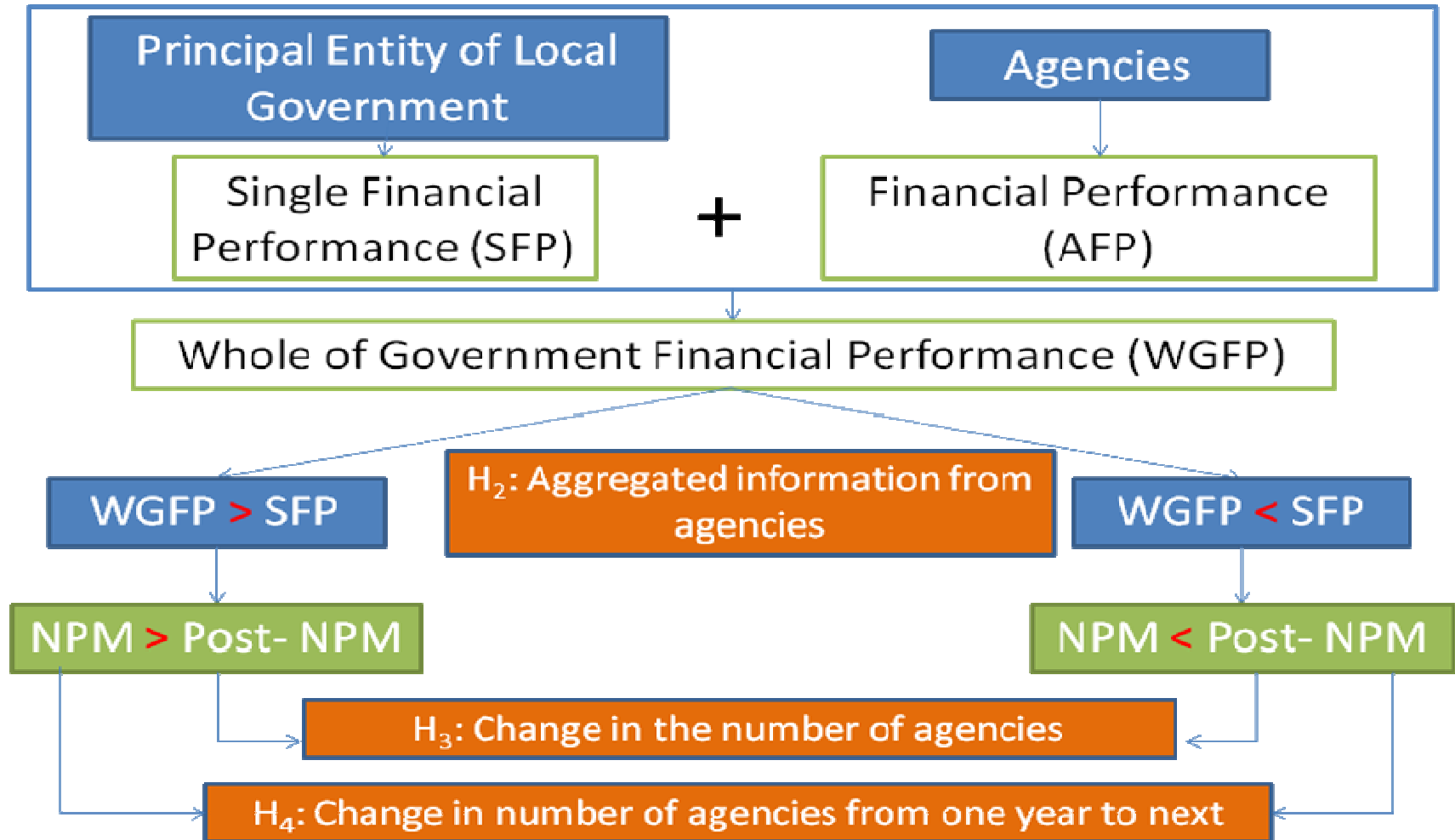
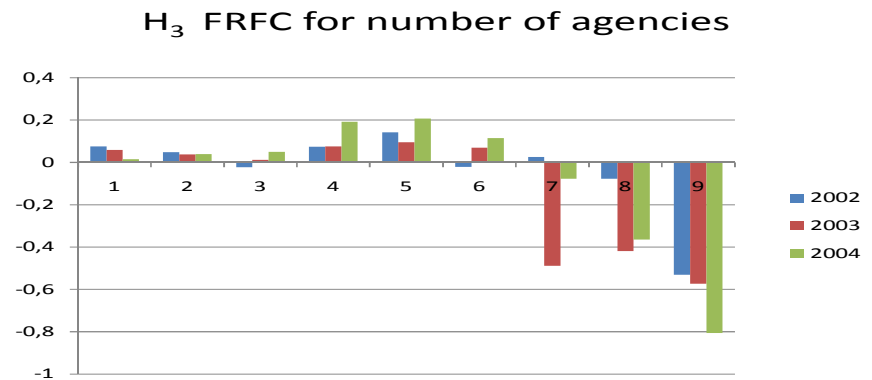
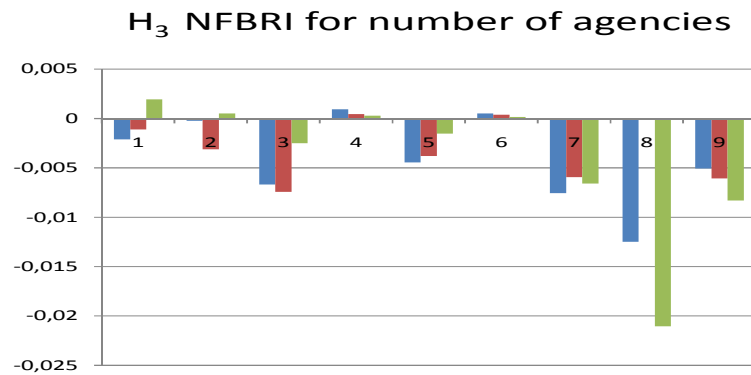
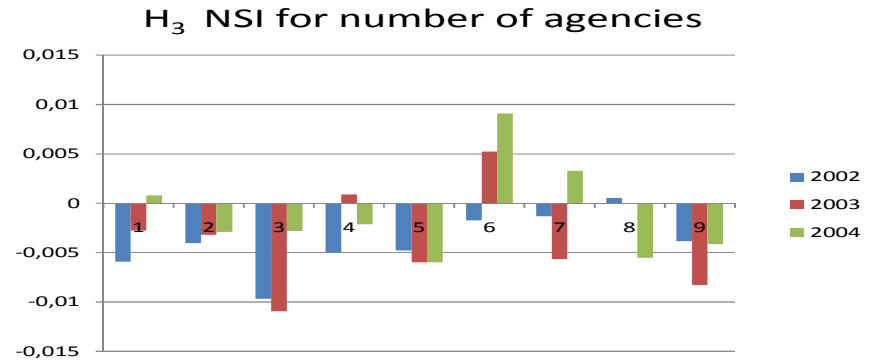
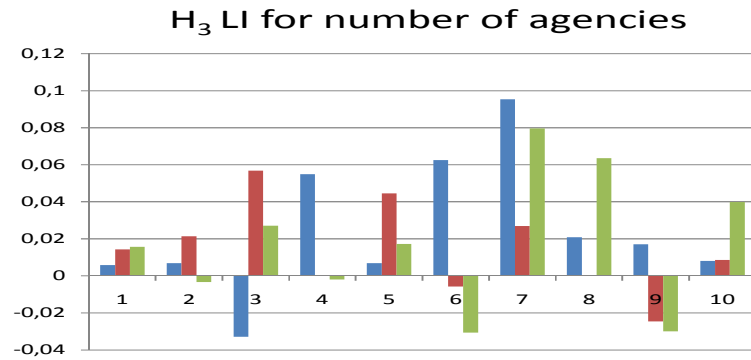


Figure 3. Mean values for indicators for number of agencies



ⁱ These indicators have been used by Zafra-Gómez et al. (2009c) and constitute an adaptation to the case of Spanish municipalities of the indicators used by Groves et al. (2003) and Greenberg & Hiller (1997).

ⁱⁱ Due to the large volume of results obtained, these data may be obtained from the author on request.