

# **Is New Public Management Irrelevant to Developing Countries?**

Written by Abdelfatah Ibrahim

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ABDELFATAH IBRAHIM, OCT 19 2012

### **Introduction**

After the Second World War, the decolonization era started, when many developing countries gained their independence but found out they faced several critical problems, not least weak and impoverishment economies (Haynes, 2008). The governments of these countries recognized that actions should be taken in order to improve their economies and improve living conditions. They thus became responsible for implementing many activities because of the absence of a private sector due to its being regarded as a tool of increasing inequality between rich and poor. This meant that the activities of developing countries' governments expanded from building up the country, developing infrastructure, and providing services to managing different sectors of the country such as agriculture, industry, trade, and banking (Sharma, 2007).

In the 1980s, developing countries recognized that continued weak economic performance and a lack of development were due to over-reliance on their governments to undertake activities that did not match their capabilities. Moreover, these governments were characterized by the prevalence of different forms of corruption, nepotism, and bureaucracy. International donors recommended the introduction of economic and political reforms in developing countries with the aim of promoting decentralization and eliminating bureaucracy, and also encouraging private sector growth through public private partnership (PPP) schemes, privatization and market-orientation in order to improve the economic performance and alleviate poverty (Sharma, 2007). These reforms later became known as New Public Management (NPM).

This paper will investigate to what extent the New Public Management model is relevant to developing countries. It is divided into four sections. The first section will review the emergence of NPM and its approaches, and will also compare previous means of public administration and NPM. The second section will discuss the drawbacks and limitations of the application of NPM in developing countries and why it does not seem suitable in their context. A comparison between two case studies from Asia, Singapore and Bangladesh, will be presented in the third section in order to show different circumstances that could lead to the success or failure of NPM in developing countries. Section four will raise the question of whether the preconditions are sufficient for the success of NPM in developing countries, with some suggested answers. Finally, some conclusions will be presented.

### **The Emergence of New Public Management**

The traditional public administration contributed to many countries around the world up to the end of the 1960s. However, by the 1970s, there were calls for introducing a new management system based on market orientation. The need for such a management system was seen in the increasing number of harsh criticisms that showed that traditional public administration was no longer suitable, and thus should be replaced. Some of these criticisms of traditional models of administration included: large scale government resulting in overconsumption of resources; government involvement in too many activities; widespread bureaucracy; high rates of inflation; the absence of separation between policy and administration; the absence of rational decision making; and disregard for citizens' satisfaction. The model was also criticized for being characterized by inefficiency, corruption, lack of accountability

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and inflexibility. These harsh criticisms helped in the rapid emergence of a new model, New Public Management (NPM). After that, international economic organizations such as the World Bank, the International Monetary Fund and the Organization for Economic Cooperation and Development adopted the NPM and applied it in developing countries. Furthermore, the implementation of NPM was set as a condition by those organizations for obtaining financial assistance (Sarker, 2006; McCourt and Minogue, 2001).

The UK is considered the country where NPM evolved and became the launching point of NPM around the world due to its significant contribution to the development of NPM. After its emergence, NPM was rapidly embraced in several countries, especially in North America and Australia because of the International Financial Institutions' and OECD countries' promotion of NPM reforms in developing countries (McLaughlin et al., 2002).

Mongkol (2011: p.36) has defined NPM as "a set of particular management approaches and techniques which are mainly borrowed from the private sector and applied in the public sector". NPM is not a precise set of guidelines or a standard package that should be followed entirely; instead, it is a combination of approaches and techniques that could be applied collectively or partially according to each country's situation and needs (Mongkol, 2011).

It is also believed that NPM was introduced due to increasing world demand for "good governance" as well as the changing role of the state. NPM aims at avoiding the criticism directed towards traditional public administration through improving service delivery and efficiency, and applying accountability. In contrast with traditional public administration, NPM focuses on the outcomes rather than the process of implementation. NPM strongly supports the involvement of the private sector and Non-Governmental Organization (NGOs) in the delivery of services, unlike traditional public administration that used to burden the government with implementing too many activities at the same time without any involvement of the private sector or NGOs. Many characteristics are associated with NPM, such as de-bureaucratization, the wide use of the private sector, the implementation of Public-Private Sector Partnership schemes, enhancing the provision of services through outsourcing, and the use of information and communication technology (Sharma, 2007).

Al Gore (cited in Sharma, 2007: p.4) offers the following concise summary of the most common characteristics of NPM:

*(i) Cutting red tape: shifting from systems in which people are accountable for following rules to systems in which they are accountable for achieving results; (ii) putting customers first; (iii) empowering employees to get results; and (iv) going back to basics and producing better government for less.*

## Criticisms of the Application of NPM Reforms in Developing Countries

NPM tends to be an effective model that has assisted many developed countries in overcoming the problems generated by the old public management model. Nevertheless, the success of NPM in developed countries does not necessarily mean that it will help developing countries in the same way.

Many criticisms have been made that claim NPM-oriented reforms would fail if applied in developing countries. Examples of these criticisms will be briefly explored herein. The first of these is that, despite the fact that the NPM model aims for transparency and the eradication of corruption in the public sector, it tends to create the opposite effect, leading instead to higher rate of corruption. This is because NPM provides greater freedom to public managers than they are used to: together with lower levels of supervision, this can create a fertile climate for corruption (Mongkol, 2011). It is also believed that the dramatic change from bureaucracy to market approach that NPM advocates would contribute to a greater prevalence of corruption (Hughes, 1998).

Concerning decentralization, there is strong resistance to the decentralization in developing countries due to the long history of centralization in the public sector. However, maintaining centralization leads to the prevalence of corruption that in turn hinders the application of NPM (Mongkol, 2011).

As for contracting out, the absence of rule of law, such as the lack of application of laws related to contract

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enforcement and prevalence of corruption in developing countries, would be hindrances to the successful implementation of NPM (Hughes, 1998).

One of the main approaches of NPM is managing the public sector on market-based principles. The main obstacles to implementing this principle in developing countries are the inadequacy of the infrastructure as well as a lack of experience in operating markets (Mongkol, 2011). It should be considered that the failure is not limited to public enterprises but also widely exists in markets. Moreover, there are some public enterprises in developed countries that are well operated and very successful which do not need privatization. So, every case should be considered individually rather than the decision that all public enterprises should be privatized in the developing world (Hughes, 1998).

Regarding public expectations of the government, there is a large difference between developing and developed countries. Public expectations about the government and the services it provides are comparatively low in Third World in comparison to Western Countries. This is because people in the developing world are not used to high quality services, and thus do not put their governments under pressure compared to people in Western countries, who urge the government to provide high quality services (Mongkol, 2011).

The 'One size fits all' concept is another problem associated with NPM application in developing countries. Theories of managements and case studies show that expected outcomes could be different from one organization to another according to definite factors. It should be considered that despite the success and improvement that NPM can bring to the public sector, it could also result in reducing the performance of the public sector (Hughes, 1998).

## **NPM in Developing Countries (Comparing the Cases of Singapore and Bangladesh)**

NPM techniques have been imported by some developing countries and transition economies to reform the public sector and to provide sufficient public services. The NPM reforms succeeded in some countries and failed in others. It is worth exploring two different results of applying NPM in developing countries – a successful example from Singapore and a failed example in Bangladesh – in order to observe the factors and circumstances that can contribute to the success or failure of NPM.

In the case of Singapore, this country possessed special economic, political, and social circumstances that were behind the success of the application of NPM reforms. Singapore is a small country in size compared with many other Asian countries and this was a motivating factor in enhancing economic growth rapidly in order to be able to compete with other countries in the region. Thus, the government put attracting foreign investment and the expansion of private sector activities at the top of its priorities. In order to create a suitable climate for foreign investment and favourable conditions for the growth of the private sector, it was necessary to reform the public sector (Cheung and Scott, 2003).

Singapore's attempts to enhance economic performance and reform the public administration system started once it gained independence in 1965, but the reforms were based on the involvement of the state in all activities without limiting private sector activities. After that, when a new government headed by the People's Action Party came to power, new approaches were introduced, including accountability and anti-corruption policies. The government aimed to improve political stability and introduce good governance (Sarker, 2006).

A number of reforms that were implemented in the public sector by Singapore were very similar to the reforms implemented earlier in developed countries. The launch of the initiatives of public administration reform based on NPM was officially started in 1994 when Singapore implemented the Budgeting for Results reform element, in which budget allocation became based on targets and outcomes. Furthermore, in 1999, the Ministry of Finance allocated budgets for each ministry that in turn distributed its budget among its component departments, which gave them more flexibility in working and achieving their targets. In 1997, the government started to establish autonomous authorities for nearly all ministries, giving them the power to make their own decisions in most aspects of their work, the exceptions being the 'sovereign ministries', the Ministry of Defense, and the Ministry of Security (Sarker, 2006; Cheung and Scott, 2003).

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As a continuation of the wave of public sector reforms in Singapore, the Public Service for the 21<sup>st</sup> Century Initiative (PS21) was introduced in the 1990s to play a pivotal role in the reform of the public administration of the country. This initiative mainly aims at improving the capacity building of the public sector in order to create an environment in which high-quality services would be provided, and facilitating the process of change for more effective and efficient performance (Cheung and Scott, 2003).

Regarding the structure of the PS21 initiative, it has four pillars. The first of which, "Self-Wellbeing", focuses on the morale and welfare of public sector staff and encourages them to perform like private sector staff. The second pillar, "Excel", involves increasing the creativity of public sector staff through teamwork and the provision of training. The third pillar, "Organizational Review", works to enhance inter-organization procedures and processes to ensure effectiveness and efficiency. The final pillar, "Service Quality" is associated with offering good services that satisfy the public. There have been many other remarkable achievements related to NPM in different parts of public sector in Singapore, such as institutional reforms, privatization, "client-orientedness" in public administration, and the reform of local administration (Public Service Division Singapore, 2007).

Unlike Singapore, Bangladesh had an unstable political situation after gaining its independence in 1971. This instability could be seen in decades of military rule for the country between 1975 and 1991 before the people revolted against military rule to return the country to a parliamentary system. Bangladesh also suffered from a highly bureaucratic system and many other barriers such as a weak economy, the absence of security, and weak law and order, all of which undermined attempts to enhance economic performance and reform the public sector (Sarker, 2006).

In the 1980s, international donors emphasized the importance of public administration reforms in Bangladesh. Several studies and programs were conducted by international donors to come up with recommendations, but these were not considered by Bangladesh. For example, the World Bank conducted a study that proposed many recommendations, including establishing market-based management systems, fostering private sector and NGO activities and participation in the country, improving anti-corruption regulations, and increasing the power of law. However, none of these recommendations were adopted (Sarker, 2006).

Furthermore, the government established the Public Administration Reform Commission in 1997. The Commission drafted a report recommending that some policies closely resembling NPM be followed in order to improve the public services, but these were not implemented. These recommendations included reforming the civil service, reorganizing institutions, establishing decentralization, reducing wastage of public funds, and eliminating corruption (Sarker, 2006). Although the recommendations presented by international donors could have helped Bangladesh to apply NPM successfully, they could also be regarded as applying certain policies without consideration of in-house initiatives and solutions.

On the one hand, Singapore had a strong stance and achieved considerable success in reforming its public sector through following many NPM approaches. However, it can be argued that Singapore is a unique case that has conditions appropriate for the implementation of NPM. It was well-prepared economically and politically to embrace and implement NPM. It should be also considered that Singapore's implementation of NPM spread over several decades as it started the early reform attempts in the 1960s and continued with them into the 1990s. On the other hand, the political and economic circumstances in Bangladesh were not as favourable as in Singapore. Although Bangladesh succeeded in obtaining democracy in 1991, which was supposed to help combat corruption and end the bureaucratic system, the bureaucracy remains in existence and it resists any attempt to reform it (Samaratunge et al, 2008).

The commitment of political leaders to the reform of the public sector and their support for the wide application of NPM from the early stages of reforms was one of the important reasons behind the success of NPM in Singapore. In contrast, political leaders in Bangladesh used to call for reform but they did not undertake effective actions to achieve it. The wide gap between state capacity in Singapore and Bangladesh can also explain the reasons behind the failure of Bangladesh's attempts at reform. Moreover, the rule of law played an important role in the success of Singapore while it was an obstacle in the case of Bangladesh (Sarker, 2006). Education is another strong factor that helped

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Singapore to achieve such success as Singapore has considered education the cultural and social base of the country (Samaratunge et al, 2008).

## Are Preconditions Sufficient for the Success of NPM in Developing Countries?

Sarker discussed some of the preconditions that are crucial for the successful application of the NPM model in transition economies and developing countries. These preconditions include, but are not limited to: having an acceptable level of economic growth, having experience in how to manage and operate in a market manner, the existence of a strong judicial system to control the market and to ensure the rule of law, as well as state capacity to ensure smooth transformation from the old public administration to NPM (Sarker, 2006). It could be argued that, despite the importance of these preconditions, another important factor that could either contribute positively to the success of NPM or undermine its application in developing countries has been largely disregarded. This factor is the cultural ecology of each country, which differs from one country to another.

According to Pillay (2008: p.379), culture consists of “values, beliefs and assumptions that distinguish one group from another”. Cultural factors are strongly associated with public management and they could have strong implications on the application of the NPM model. These cultural factors were presented by Pillay (2008: p.380): “individualism versus collectivism, power distance, uncertainty avoidance, time orientation and masculinity versus femininity”. For example, power distance varies from one country to another; corruption is more difficult to combat in countries where the power distance is high, like in developing countries. Another example from China clarifies how cultural variation can be an obstacle to NPM elements: when China applied merit-based recruitment, it faced considerable barriers because of Chinese culture, which relies on connections and networks in recruitment and which was difficult to change (Pillay, 2008; McCourt and Minogue, 2001).

## Conclusion

NPM is generally an effective replacement for the traditional administration model, but it is not necessarily suitable for all countries around the world. Since NPM was originally developed to assist OECD countries, it cannot be taken for granted that NPM will achieve success in developing countries (Mongkol, 2001). In fact, several limitations and drawbacks have appeared when the NPM model has been applied in some developing countries.

It is not easy to determine whether NPM is totally irrelevant to developing countries and transitional economics or whether it suits them, as some NPM approaches and techniques could be suitable for some developing countries and others might not. Singapore is a good example of the success of NPM in developing countries. Meanwhile, Bangladesh is an obvious case of failure resulting from the implementation of NPM in a country with unsuitable conditions. There are certain preconditions needed by developing countries prior to the application of NPM in order to obtain good and effective results. However, these preconditions alone are not sufficient due to the existence of other important factors that have a powerful effect: that is, cultural factors.

In conclusion, the NPM model should be considered as a number of separate techniques, not as a package, in order to help developing countries adopt techniques that suit their needs and their local conditions. It is recommended that preconditions are considered as a preparation stage before the implementation of NPM approaches. Developed countries and the successful example of Singapore implemented NPM approaches over different stages that took decades to take effect. Therefore, developing countries also should consider having a long-term plan under which preconditions would be met first before the relevant NPM approaches are implemented. Cultural factors should not be disregarded due to their importance and their implications for the NPM model in developing countries. It is also recommended that the contributions of international donors to developing countries could be more effective, efficient and feasible if they consider in-house initiatives in their studies and policies.

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