

New Public Management in Developing Countries: The Case of Bangladesh

Fatema Khatun*

Introduction

The world of public managers, especially in the economically developed countries has experienced radical changes over the last few decades due to tremendous expectations of managers for greater flexibility in the management of public programs on the one hand and failure of the traditional governance structures built upon command and control organization, centralized rules and structure and formal policy to perform well in the new environment on the other. Under this pressure, some reform measures have been taken in some developed countries like UK and USA, which produces a set of new techniques of management following a new approach popularly called as 'New Public Management'. Like many other approaches this new approach has also been exported to and/or imported by the developing countries to execute their moves in public sector reforms though the later own different ecological setup. In the early 1990s, many developing countries like Pakistan, India, Malaysia, New Zealand, Uganda, and Bolivia reformed their administrative system following new public management approach. But most of these countries could not get better results by applying the concepts of new public management.

Bangladesh also shares the same reality and takes several reform measures from the perspective of New Public Management. The present article following case study method takes Bangladesh as a case and makes attempts to examine the appropriateness of this approach using various parameters in the context of developing countries. These parameters include globalization, market development, decentralization, growth of investment, price of commodity, standard salary structure, flexibility, transparency and removal of corruption

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New Public Management: A Conceptual Analysis

New Public Management is essentially a new approach to public administration and it does not only include administration but also involves organization to achieve objectives with maximum efficiency as well as genuine responsibility for results while conventionally Public Administration includes activities connected with keeping records and information processing, paperwork and activities concerned with applying rules, procedures and policies determined by others. This managerial approach other than 'New public management' (Hood 1991) is also known as 'Managerialism' (Pollitt, 1990); 'Market-based public administration' (Lan and Rosenbloom 1992) or 'Entrepreneurial government' (Osborne and Gaebler, 1992). Willy McCourt in his writing "New Public Management in Developing Countries" has given a working definition of NPM. According to him NPM should be:

1. Prescriptive, taking account of exhortatory, 'guru' model of public management.
2. Descriptive, taking account of what has actually happened.
3. Theoretical, specifying links with sciences theory, notably public choice and agency theory in economics.
4. Political, recognizing that any model of public management necessarily has a political dimension.

To Hoods New Public Management,

1. focuses on management, not policy and on performance appraisal and efficiency.
2. is desegregation of public bureaucracies into agencies that deal with each other on a user pay basis.
3. uses of quasi market and contracting out to foster competition.
4. is cost-cutting.
5. is management style: output targets, limited term contracts, monetary incentives and freedom to manage.

According to OECD the main elements of NPM are :

1. Improving human resources, including performance pay;
2. Staff involvement in decision-making;
3. Relaxing controls, but imposing performance targets;

4. Using information technology;
5. Service to clients;
6. User charges;
7. Contacting out; and
8. Deregulation of monopolies.

David H. Rosenbloom identifies the different characteristics of New Public Management from the perspective of values, structure, view of individual, cognitive approach, budgeting, decision making nature of governmental function.

Table - 1 : Different Characteristics New Public Management

Characteristics	Description
Values	Cost-effectiveness, responsiveness to customer
Structure	Competitive, firm like
View of individual	Customer
Cognitive approach	Theory, observation measurement, experimentation
Budgeting	Performance-based market-driven,
Decision making	Decentralized, cost- minimizing
Governmental function characterized by	Execution

Source: David H. Rosenbloom .Public Administration: Understanding management, Politics, and Law in the Public Sector, P-39.

New Public Management in Bangladesh

Like most other developing countries, Bangladesh has also adopted new public management approach to administrative reform to adjust with global market economy. How for this approach is appropriate in Bangladesh has been analyzed in following section based on some commonly accepted parameters.

Globalization

New public management is the result of globalization. The main theme of globalization is market expansion and the main focus of globalisation is free trade as well as privatization. New public management is market oriented which establishes a close relationship between globalisation and new public management approach.

In Bangladesh globalization concept has been developed in 1990s and take an extreme position in the year of 1995. The important effect of globalization is the development of market economy. But market failure is the common phenomena of our country. The main constraints of the globalization in our country are: expansion of foreign market in our country, dependency of foreign goods and materials, adaptation of foreign policies, too much competition in the market, unequal distribution of wealth and power etc.

Development of Market

One of the important characteristics of new public management is development of market. Here market is customer driven. But in Bangladesh most of the time market is very unstable. It is controlled by political variables. Government cannot fulfil the demand of customers because of inconsistent demand and supply. On the otherhand, some private organizations try to supply the materials according to the customer demand. But most of the time general people cannot get the opportunity to buy this service because of high rate. Besides this, many of our villagers have no relation with market because they collect their necessary food and other materials from the nature and environment. However heterogeneity is seen in the market of urban and rural areas in Bangladesh. Considering this situation W. Riggs has developed a model by which he analyze the market of developing countries.

Fred W. Riggs gave Bazaar-Canteen model in his book "***Administration in Developing Countries***". In this model he analyzed the various characteristics of three societies. These are:

1. Fused society (underdeveloped society).
2. Prismatic society (developing society).
3. Diffracted society (developed society).

According to F. W. Riggs, in the prismatic society prices are determined by both the market and arena factors (balance of power, prestige and solidarity). But there is found extreme heterogeneity in price determination of urban and rural areas in developing countries. In Bangladesh price is determined by the market factor in urban area but in rural area, arena factors influence the market factor to determine price of commodity. So price of commodity is not equal in both the rural and urban areas. As a result farmers are not getting the real price of their service and products.

On the other hand the price of commodity in urban area sometimes found uncontrolled because of some middlemen as well as some other factors which are responsible for the market failure. The following table shows the changing rate of commodity in Dhaka city:

Table-2 : Varying prices of different commodities

Commodity	Price of yesterday	Price of day before yesterday	Price before one month	Price before one year	Change in one year (%)
Rice (Nazirshail)	43-44	43-44	40-42	25-26	52.94
Rice (Paijam)	38-41	38-41	35-36	23-24	55.32
Rice (Sorna/Irri)	34-35	34-35	31-32	20-21	63.41
Wheat	36-40	36-40	38-40	24-25	51.02
Soybean	120-124	118-120	109-112	70-72	69.72
Chicken (poultry)	115-125	115-125	120-125	85-90	20.00
Onion (Imported)	16-18	16-18	12-16	24-26	(-) 32.00
Egg	25-28	24-28	22-23	17-18	48.57
Sugar	33-35	33-35	34-35	28-30	17.24

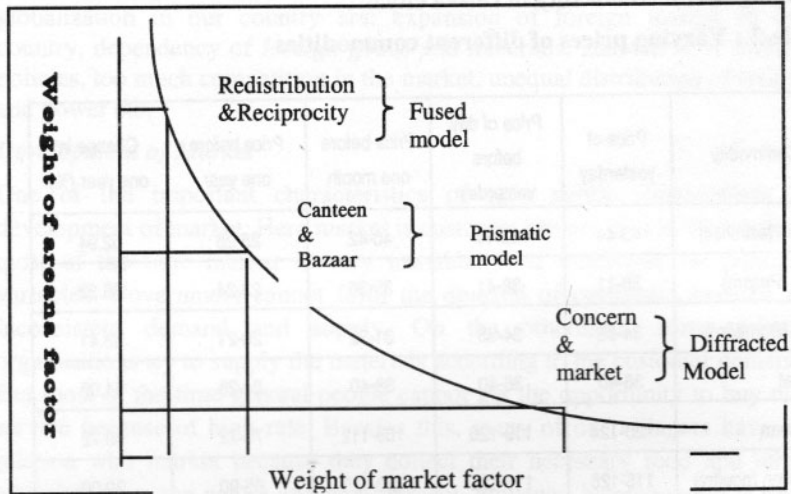
Source: Trading Corporation of Bangladesh (TCB) and Prothom Alo, 08/07/2009.

The above table shows that the maximum price of commodity has been increased. Here the price of Nazirshail rice has been increased from 25 to 43 Paijam Rice 23 to 38, rice (Sorna/Irri) 20 to 34, wheat 24 to 36, Soybean 70 to 120, chicken (poultry) 85 to 115, Egg 17 to 25 and sugar 28 to 33 tk. in one year. Only the price of onion (Imported) has been decreased from 24 to 16tk. From analyzing the data of the table we can say that the changing rate of the price of commodity is noticeable.

Actually the characteristics of both urban and rural areas exist in the developing country like Bangladesh. Rigg's model identifies the basic characteristics of Prismatic Society.

It can be shown by the following figure:

Bazaar-Canteen model



Source-F.W. Riggs, *Administration in developing countries*, p-106.

The above figure determines that redistribution and reciprocity are the common characteristics of Fused (underdeveloped) society where concern about market is the main feature of diffracted (developed) society. On the other hand there is found the existence of both canteen and bazaar in the prismatic society (developing country). Although, Bazaar serves the interest of all people but canteen gives the special opportunity for some elite people In Bangladesh. For example: Uttara Model Town has developed to give the plot facility only for the some Govt. officers and elite people in the society. All people do not get the opportunity of this service. So, it is a great barrier to ensure the equal market for all the people in the country.

Decentralization

The second important characteristic of New Public Management is *Decentralization*. In the modern world no country can be developed without adopting proper decentralization pattern.

There are mainly four elements of decentralization. These are:

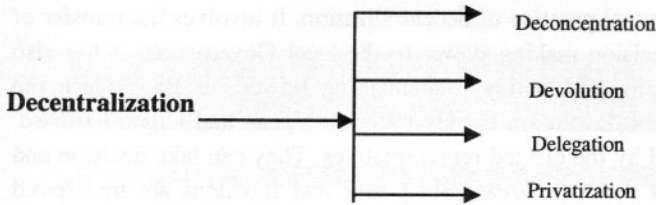


Fig-Elements of decentralization

Bangladesh also has a decentralized administration. In the practice of *Deconcentration*, Govt. transfers some workload to the local units. In our country, these local units are Division, District and Thana. But these units cannot work properly because of extreme control by the central Govt.

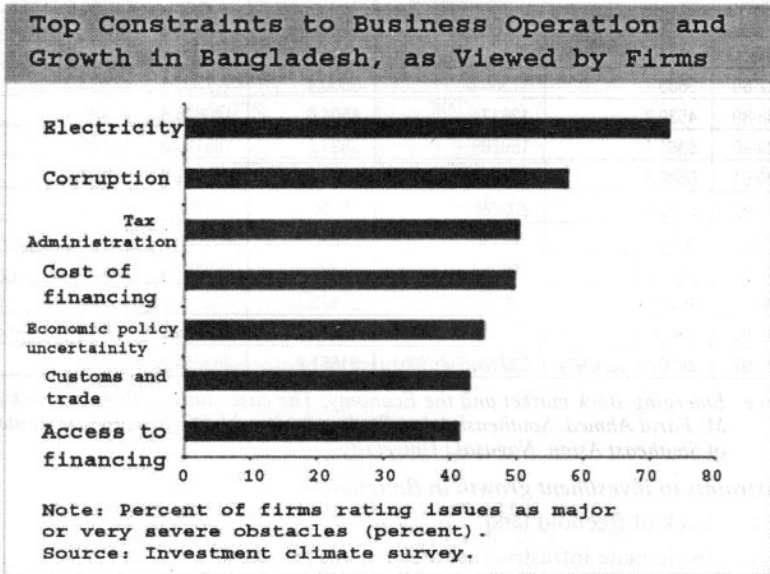
As a result of *Delegation* there exist some autonomous bodies in Bangladesh like DESA, WASA. They are not under the direct control of central Government. They are given decision-making and implementing power as well as management of authority for some specific functions. But there is found political pressure in case of decision-making and recruitment on the top positions of these institutions.

Nowadays it is very difficult for the Govt. to maintain all the functions of a country. So, like all other countries Govt. of Bangladesh has transferred some of its works to the *private sector*. But there is found huge gap between public and private sector in their policy making, budgeting, recruiting and so on. In some extent private sector can provide better service to the people than the public sector because they can take quick decision. The private organizations also can change their policies with the change of environment, which is impossible for the public organizations. In spite of that there are also some limitations of private sector in Bangladesh. Most of the people of our country are poor. They are not able to buy the service of private organizations because of high rate. On the other hand, private organizations cannot give better service with low rate. As a result private sector fail to expand their units in the local areas of our country and they fail to achieve their goal. So, the condition of private sector in Bangladesh is not fine.

In case of Devolution, there will be no direct control of Govt. to the local units. It is the actual practice of decentralization. It involves the transfer of function and decision making power to the local Government. It has also the budget raising and policy implementing power. In Bangladesh the proper practice of devolution is only found in Upzila and Union Parishad. These units lead by the elected representatives. They can take decision and raise budget for the local areas. But power and functions are transferred from the center to the local government decided by the ordinances or orders of the chief executive of the country. On the other hand local government is always dependent on central government for finance. In spite of giving them the power to raise local taxes, they have never been able to raise sufficient funds. Thus they are always in financial crisis in meeting their recurring expenditure. Even the government allocations also are irregular which disrupt the regular activities of local Government. Besides, most of the time the works of these units are hampered because of too much political pressure and uncontrolled interfere by the central Government. Moreover corruption, lack of accountability, lack of trained personnel, limited local resource mobilization etc. are the common phenomenon in these units. So, there is no proper practice of Decentralization in Bangladesh.

Growth of investment

New public Management always focuses on *investment*, which is very essential for the development of market economy. But in our country both the foreign and Bangladeshi investors are reluctant to invest more because they do not get proper security from our market. Corruption and political instability are the common incident in our market. So, the investment and GDP growth rate are not satisfactory. Growth of investment is decreasing day by day because of various problems in our country. The following chart shows the system loss of various sectors in Bangladesh:-



Source: Bangladesh Enterprise Institute and the World Bank

Bangladesh Enterprise Institute and the World Bank conducted a survey of manufacturing enterprises in late 2002. Six industries were included in the survey: garments, textiles, food and food processing, leather and leather products, electronics, and chemicals and pharmaceuticals. The survey collected data from a total of 1,001 firms in Dhaka (and surrounding areas) and Chittagong. To get an initial sense of how firms view the investment climate, the survey asked firms to rate the extent to which a large number of factors in the investment climate constrain their operation and growth. By far the most frequent complaint was the constraint imposed by the poor electricity system. Ranked next highest were problems relating to corruption, governance, and finance.

The role of equity market may be conceived by examining its relative contribution in resource mobilization. The following figure presents the share of corporate security issues to funds mobilized investment opportunities available in Bangladesh.

Table – 3 : Funds mobilized by banking system, Govt. saving schemes and stock market in Bangladesh:

Year	Corporate security	Bank deposits(time deposit)	Govt. saving instruments	Total of col. 3 & 4	Ratio (col. 2 as a% of col. 5)
(1)	(2)	(3)	(4)	(5)	(6)
1987-88	3663.7	113603	3600.4	117203.4	3.13
1988-89	4539.2	136174	4504.6	140678.6	3.23
1989-90	5361.1	159289	5831.5	165120.5	3.25
1990-91	5586.6	178807	8663.6	187470.6	2.98
1991-92	6020.3	202686	13206.1	215892.1	2.79
1992-93	8201.7	224730	26925.9	251655.9	3.26
1993-94	11673.0	252359	25822.4	278181.4	4.20
1994-95	19438.0	290330	27822.1	318212.1	6.11
1995-96	23052.4	312310	34614.7	346924.7	6.64
1996-97	26907.4(June'97)	337700(Feb.'97)	31551.2	369251.2	7.28

Source- *Emerging stock market and the Economy; The case study of Bangladesh by M. Farid Ahmed, Southeast Asian Studies Series, 33, The Research Institute of Southeast Asian, Nagasaki University.*

Constraints to investment growth in Bangladesh

1. Lack of freehold land.
2. Inadequate infrastructure and utility service.
3. Deficient legal and regulatory framework.
4. Inadequate tax system.
5. Lack of human resource development.

Price of commodity

Price of commodity should be attractive to the people. In New Public Management, manager always tries to give better service with attractive price. For this he takes various mechanisms considering the following factors like,

1. The socio-economic environment.
2. Demand and supply of the market.
3. Ability of the people.
4. Choice of the people.
5. Condition of global market etc.

But in our country these are not considered in case of price determination. There is no actual control of our government on the market price. As a result, price of commodity is the out of purchasing capacity for most of the people in our country. We can see the increasing market price of commodity and it's condition by the following chart and picture;

Table- 4 : Increasing price of commodity

Year	Increasing price of commodity	Year	Increasing price of commodity
1992	6.29%	1999	2.13%
1993	6.41%	2000	1.94%
1994	9.55%	2001	1.40%
1995	11.76%	2002	4.72%
1996	4.77%	2003	4.84%
1997	6.58%	2004	3.82%
1998	6.58%	2005	6.32%

Source: Trading Corporation of Bangladesh (TCB) and data collected from the field study.

Standard salary structure

Standard salary structure should be ensured for the development of New Public Management concept. For the standard salary structure Manager should take various policies. Some of these are as follows-

1. Salary is determined considering the life style of the people of a country.
2. Equal pay for equal work.
3. Incentive for the employee.
4. Bonus for overtime.
5. Other benefit for the employee like, medical bonus, house rent etc.

Most of the developed countries always try to ensure standard salary structure for the better life of the employees. But the salary structure of Bangladesh is very poor. Most of the employees cannot meet their necessary needs.

If we analyze the above salary structures we see that basic salary has increased. But these are not enough to meet the present need of people because the price of commodity has increased tremendously. Moreover education, medical, transport and all other services have to buy in a high rate. As result people are becoming frustrated gradually. It hampers to achieve the desired goal of the Government. So, salary should be determined considering socio-economic circumstances.

Flexibility, Transparency and Removal of Corruption

New Public Management always ensures the *flexibility* in case of law and order. It is not rigid. Rules and regulations can be changed or reformed if necessity is aroused. Manager has to be very much *transparent* in their work because they are accountable to the people/client for their work. They have to ensure transparency in case of resource mobilization.

As New Public Management is result oriented, Manager always tries to remove *corruption* in the every sector of a society because ultimate result is impossible in a corrupted society.

If we analyze these elements in case of Bangladesh, it is found that here the rules and regulations are very rigid. It cannot be changed or reformed easily. So, most of the time these cannot ensure the welfare of the people. On the other hand, most of the government functions are not transparent in our country. So people are deprived to know about the present situation of the country. As a result they cannot adjust with global economy.

Besides this most of the sectors of our country are corrupted. Following characteristics are responsible for the corruption of our country.

1. Political instability.
2. Poor salary structure.
3. Political pressure.
4. Interfere of center to the local level activities.
5. Nepotism in the administration.
6. Lack of proper education and training of both the bureaucrats as well as politicians.
7. Individual interests rather than general interest etc of the bureaucrats and politicians.

Conclusion

Like the traditional approach New Public Management has also both some positive and negative sides. It is the economic basis of managerialism and too much profit oriented rather than service oriented. The second problem of New Public Management (NPM) is that approach prefers private management system. But in the developing country private sector is not developed enough. On the other hand according to many theorists it has introduced Neo-Taylorism where people (employee) are treated as machine and human side is ignored. Politicization is another barrier to this approach. Here top management are involved in politics which creates nepotism and favoritism. As management is accountable to the people/citizen, it reduces accountability of politicians, which is anti-democratic. In spite of having all these problems this approach is essential to control too large and expensive public sectors. Increasing efficiency of the employees can ensure public quality service. Personal growth and job satisfaction by public sector employees is noticeable in this approach.

Developed countries like UK, USA, Australia following New Public Management approach brought drastic administrative change in the early 1990s. In 1992 some developing countries failed to bring positive results by adopting this approach. Bangladesh also could not get better result by applying this approach. Actually, Bangladesh cannot develop all the factors, which are very essential and relevant for applying the New Public Management approach. Because New Public Management approach is not applicable for the developing countries like Bangladesh until all other factors as well as socio-economic environment cannot be developed.

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