

# Impact of New Public Management Reforms in the Structural and Functional Changes in Public Administration in United Arab Emirates

Dr. Thanga Prashath<sup>1</sup>, Vinodkumar.K.<sup>2</sup>

Assistant Professor, Srimad Andavan Arts & Science College (Autonomous), Trichirappalli<sup>1</sup>

Research Scholar, Srimad Andavan Arts & Science College (Autonomous), Trichirappalli<sup>2</sup>

vkkijk@yahoo.co.in<sup>2</sup>

**Abstract—** Effective governments delivering sound public policies and high quality public services are pre-conditions for stronger, fairer and cleaner economies. The progress of governance reform in the Middle East shows that governments in this region have embarked on an ambitious modernisation process of their public institutions, paving the way for development and sustainable economic growth. The implementation of eGovernance of UAE government is in the right direction for achieving Social, Economic, Justice, Safety, Infrastructure and Rural Area development of the United Arab Emirates.

**Keywords:** *NPM: New Public Management, ICT: Information and Communication Technology, MoL: Ministry of Labour, PPP: Public Private Partnership, MoF: Ministry of Finance*

## I INTRODUCTION

In 1950's the public management reform was different in two particular but fundamental ways, generally treated as a technical or legal rather than a political or economic matter. The period from the mid 1960's to the late 1980's regarded as the golden age of planning. By the early 1990's the advisors recommended a general direction labeled as New Public Management (NPM). All around the world governments are recognizing the opportunity to improve the quality and effectiveness of the public sector by privatizing and market testing. This direction results in introducing more competition, offering quality services and choices and effective strategy.

## II REVIEW OF LITERATURE

In order to change the public's views, governments brought in legislation, changed the language that was used to describe the public sector and introduced concepts such as "value for money" and "performance measurement". Hence "new public management" (NPM) was born. The basic premises of NPM were:

- The employment of professional managers;
- Explicit standards and measures of performance;
- Greater emphasis on consistency of services;

- Decentralisation;
- Increased competition between organizations and sub-units;
- Emphasis on private sector management styles;
- Increased accountability and parsimony in resource use.

**Wang and Berman, De Waal and Franco and Bourne, (2003):**

The literature identifies the key features of a successful performance management system as being:

- Alignment of the performance management system and the existing systems and strategies of the organization;
- Leadership commitment;
- A culture in which it is seen as a way of improving and identifying good performance and not a burden that is used to chastise poor performers;
- Stakeholder involvement;
- Continuous monitoring, feedback, dissemination and learning from results

**Pollitt (1995)** NPM is made up of eight main elements of New Public Management:

1. Cost cutting; capping budgets and greater transparency in resource allocation;
2. Disaggregating traditional bureaucratic organizations into separate agencies;
3. Decentralized management within public agencies;
4. Separating the function of providing for public services from their purchase;
5. Establishing market and quasi-market mechanisms;
6. Emphasizing performance management targets, indicators and output objectives;
7. Introducing term contracts, performance-related pay and local determination of pay and conditions; and
8. Increasing emphasis on service quality, standard setting and customer responsiveness.

**Steven Van de Walle and Gerhard Hammerschmid. (2011):**

New Public Management has been around for a quarter of a century in European Public Sectors, the movements emphasis on indicators and evidence, there has been surprisingly few encompassing evaluations. In this article the

author's distinguish between two sets of NPM-style changes and reforms. one is that of specific managerial innovations within public organisations and the other consists of changes to the role of government and citizens as a result of NPM ideas. Analysing the impact of the New Public Management on aspects such as efficiency, effectiveness, accountability etc. is not straightforward because NPM is not well defined or coherent set of ideas. It merely reflects a number of changes in public sector management that started to develop in the 1980's, and many of its associated reforms were not planned strategically and implemented at a precise point of time. New Public Management has a hybrid character and is generally used as an umbrella term for a collection of trends. New ways of thinking about the role and nature of government and public administration, partly inspired by public-choice theory, and a series of gradual and less gradual reforms in Western public sectors gave rise to what would be later known as the New Public Management. NPM is not just a set of managerial and delivery innovations. It is also based on a set of ideas about the nature of man and the role of the state in society.

**Ahmed Mustafa Elhussein Mansour. (2008):**

The public sector is the entity that is entrusted with the delivery of goods and services by and for the government at the national, regional or local levels. Its activities may vary from delivering social security, managing public utilities and providing health services. However, there are certain grey areas include the practices of partial outsourcing as well as complete outsourcing or contracting out, with privately owned companies delivering the entire service on behalf of the government. The term 'Privatisation' represents the most visible sign of the hegemony of the new right and especially the rational or public choice approach to public and private sectors role in society. Privatisation is seen by public choice theorists as a positive policy tool that could be used to enhance the market at the expense of the public sector. The most important justification of privatisation is the efficient use of social resources.

**Dr.Bassem Younes, Dr.Ali Al Marri and Dr.Ahmed Badran. (2013):**

Public organisations worldwide are required to do more with less and to deliver via multiple parties using new and innovative arrangements. Reforms in public sector organisations are required because of (a) better cooperation and coordination among public organisations, (b) economic efficiency and cost effectiveness, (c) better public services to the citizen, (d) more responsive, transparent and accountable public sector and (e) consumerism and achieving customer satisfaction.

The different approaches of administrative reforms consists of ;

1. Progressive public administration
2. Focus on public sector ethos
3. No clear measurements or definition of services
4. Focus on processes rather than outputs or outcomes

New Public Management focus on transformative change through technology. If focus on reintegration, need based holistic structures and digitalization. E-government ensures the utilisation of modern ICT technologies and web-based solutions to bring citizens and business closer to their governments. The aim is to provide easy access to government services using innovative ways and to increase interaction and stakeholders participation.

### III OBJECTIVES OF THE STUDY

The objectives of this study titled "impact of New Public Management reforms in the structural and functional changes in public administration in UAE" are

1. To examine the Public Management reforms in the United Arab Emirates.
2. To investigate and analyze the impact of public-private partnership, e-governance etc. on the public governance of United Arab Emirates.
3. To narrate the UAE privatization program.

### IV METHODOLOGY OF STUDY

In this essay entitled "Impact of New Public Management reforms in the structural and functional changes in public administration in UAE" is a study of the New Public Management reforms in the public administration of United Arab Emirates. The data which are to be collected for the study is of secondary in nature. For collecting the data, the researcher depends on Published reports and records relating to this subject collected from books, journals and downloads from websites.

### V FINDINGS AND DISCUSSIONS

#### Public Sector Reforms in UAE

The successful management of departments and agencies is an important factor for success of public policies and programs, of policy making, implementation and evaluation. Originated from the private sector, Public Management is an evolution of public administration which applies managerial techniques to increase the efficiency and effectiveness of public services. The reforms which started with the traditional administration to management and then to governance had a key goal of efficiency and effectiveness in the public sector.

**Public Management reforms typically aim at creating:**

- New strengths and capacities in government;
- More integrated, coherent decision-making processes; and
- Redefining the relationships between government, markets and citizens.

**Reasons for reforms in public sector organizations.**

- Economic efficiency and cost effectiveness.

- Better coordination and cooperation among public organizations.
- Better public services to the citizen.
- More responsive, transparent and accountable public sector.
- Consumerism and achieving customer satisfaction.

From a government standpoint, eGovernment adoption is becoming an unquestionable task. EGovernment deals with facilitating the operation of government and the distribution of governmental information and services. The ultimate goal of eGovernment is to be able to offer an increased portfolio of public services to citizens in an efficient and cost effective manner. Anticipated benefits of eGovernment include efficiency, improved services, better accessibility of public services, and more transparency and accountability.

Government policies should enable governments to undertake radical organisational changes, that:

- (1) Foster growth in services,
- (2) Reduce unnecessary costs and regulatory burdens on firms,
- (3) Strengthen education and training systems,
- (4) Encourage good management practices,
- (5) Foster innovation and new applications,
- (6) Foster market conditions and create a business environment that promotes productive economy.

The UAE has recently announced a revised eGovernment Transformation Strategic Framework. This framework comprises numerous strategic initiatives at a federal level to transform all government services and make them available electronically through various channels.

Private sector has always challenged the public sector and acted as a catalyst for better quality and for more effective budget utilisation. Increased computerisation in the public sector is promoting new levels of balance between the two sectors. Government agencies and public sector agencies in particular are paying greater attention to core capabilities and outsource other support functions to be delivered by the private sector. ICT in this regard has played a central role in helping governments to achieve remarkable productivity gains.

In order to achieve these goals, the government has identified 38 initiatives to be implemented as part of the eGovernment strategy. These 38 initiatives cover four vital eGovernment areas:

#### **Strengthening the regulatory framework and governance mechanisms for eGovernment in the country.**

This is related to the legal and regulatory environment governing acquisition and use of information systems in government agencies, eGovernment services, and a high level plan for the overall development of the public sector in the country. Regulations and laws are considered

primary enablers to support eGovernment and ensure security, reliability and data privacy. As such, this area also includes the development of strong governance structure to facilitate communication between the different stakeholders and attempts to capture their needs and turn them into electronic service systems.

#### **Infrastructure support of information systems in the United Arab Emirates.**

This theme deals with creating a solid infrastructure for information systems to enable the delivery of world-class eGovernment services. It also focuses on aspects such as facilitation of exchange and sharing of data between government agencies.

#### **Launching and providing eGovernment applications and services.**

This theme focuses on a set of applications and services to be provided to government agencies to support them in providing eGovernment services effectively and efficiently.

#### **Development of effective mechanisms for performance management.**

This theme focuses on improving overall effectiveness and actual levels of performance of departments of information technology within government agencies. It also deals with developing automated tools and reports to monitor performance indicators and overall performance management.

The UAE national identity management infrastructure is a strategic initiative to enhance homeland security and develop a federated identity management system enabling secure eGovernment transactions. A federated identity is the means of linking a person's electronic identity and attributes, stored across multiple distinct identity management systems. Such systems would allow individuals to use the same user name, password or other personal identification to sign in to the networks of more than one enterprise in order to conduct transactions.

The United Arab Emirates (UAE) co-ordinates many affairs for its member states. However, the Government of Dubai, in particular led by the Royal Court (*Diwan*), has forged ahead with a structured and extremely well-funded mission to bring e-government practices into all branches of public service and to ensure the UAE leads e-government readiness in the region. It already has extensive transactional department websites and far-reaching e-government services. However, its e-government initiative suffers from low uptake by citizens and businesses, which in recent months has been addressed by new efforts to roll out citizen services and to meet the highest standards expected by companies.

Most government departments offer extensive online features for user convenience and system efficiency. These reflect the UAE's ranking as fifth in the world for its transactional services, which account for 80% of its total online services. However, in Dubai the legal framework necessary for

successful e-government development has only recently been put in place. In fact, as recently, Prime Minister Sheikh Mohammed bin Rashed Al Maktoum, ruler of Dubai, issued a law to establish the Dubai e-government. This new e-government office is responsible for developing the government's e-strategy; developing policy for ICT management, security, knowledge and human capital development; and managing e-government service

#### VI INITIATIVES AND SERVICES

The Dubai government has a number of highly developed e-government services, including the use of e-mail and automatic announcements to update citizens. In addition, Crown Prince Sheikh Mohammed of Dubai has his own website ([www.sheikhmohammed.co.ae](http://www.sheikhmohammed.co.ae)) where citizens can find updated information and directly communicate with their leader via e-mail to share their views. The Dubai e-government has signed an agreement with Zayed University to collaborate in providing career development opportunities for university students in information technology. This initiative aims to enhance the ICT competency of students through various internship and outreach programmes, research and development projects, and other activities that develop ICT skills and proficiency. This is part of a concerted effort to raise human development capacity from a relatively low starting point. These activities, along with the policy of using multiple media and access mechanisms, are especially appropriate for the entire UAE, given the large disparity between the high degree of web readiness and the rather low level of e-participation.

One example of e-services in Dubai is the Departments of Social Welfare, Labour and Finance's websites, which allow citizens to create online personal accounts and sign documents electronically. They also offer a wide-range of transactional services, including credit card payments and the submission of online forms, and impose a formal timeframe for responding to online queries and e-mails. The Internet is also used for completing visa applications. A printable, computer-readable two-dimensional bar code is given to tourists to represent their information; this is just one an example of the wide range of passports, visas and immigration office services that are available online. This has reduced staff need and application-processing time has fallen from days to only hours, shortening queues at the processing office.

Several financial services are available both at federal and local level. For example, the UAE has introduced a virtual currency, the e-Dirham, which is an e-wallet that allows citizens to deposit money into a third party financial institution. From that third party institution, they may make transfers to pay for permits, traffic fines and other fees. Another financial service, launched in 2008 by

the Dubai e-government, is the mPay. This is a free-of-charge mobile service for the efficient and rapid payment of government fees. While the feature was initially established for the electronic recharge of highway toll fees (*Salik* accounts), it is being expanded to include several government services in the near future. The e-stamp, another electronic transaction service available throughout the UAE, is used to authenticate all Smart Forms. Registered corporations can fill in all their applications in their office and make the payment using the e-Dirham Electronic Point of Sale attached to their Smart Form Computer, after which the paid applications can be lodged with various departments.

By 2007, there were around 1500 e-government services being offered by various departments in Dubai for both residents and businesses and the number continued to rise in the following years. The Emirate of Dubai passed the Electronic Transactions and Commerce Law (Law No. 2) in February 2002 covering electronic transactions as a tool to maximize e-commerce. All government agencies in Dubai are required to use the [www.tejari.com](http://www.tejari.com) e-procurement system. Both the federal and local governments have a decentralised approach to procurement, with authority to purchase devolved to various government entities, depending on the amount. However, the e-procurement system is centralised to serve all government entities and operates through a government-owned corporation, Tejari, which runs a marketplace and intermediation service for government procurement.

One of the UAE's most successful public-private partnerships has been the integration of the Ministry of Labour (MoL) with several private entities. In the first such experiment, a private sector ICT services provider worked with the MoL to develop Smart Forms. Citizens apply for services by filling in the appropriate forms on the e-system. The data is then encrypted and transformed into a barcode label that can be printed by the customer. This has reduced processing time while dramatically improving service quality. Two other agencies were contracted for the authentication of documents and to serve as a liaison between service seekers and the MoL. A private-sector agency was networked with the MoL and the Ministry of Finance (MoF) to serve as a business centre where MoL and MoF service seekers could go to submit applications. Applicants present their forms at MoL's public counter where agents scan the barcodes. Then the system processes the applications following the appropriate rules and regulations. This has effectively eliminated multiple trips to each individual organisation to submit applications for processing.

The MoL has a change management team which uses a "parallel organisation" approach; a new business concept in which a special e-government unit is established to provide a parallel electronic system for processing work permits and licensing applications. Working alongside the traditional MoL organisation, within two years the new approach was seeing

40% of applications being completed electronically. The new organisation deals with non-contentious cases following the e-Government Unit business rules, while more complex cases are sent to the MoL. Establishing a special testing environment and a change management programme have been key factors in the MoL's successful transformation process

### **Challenges**

Dubai faces challenges in developing the infrastructure necessary to improve e-government. Improvements are needed to remedy problems in approach and system inconsistencies between departments, which have "wasted valuable resources as each individual, local or federal department built their own system separately". The recently established e-government entity will develop a single country e-strategy, provide policies and oversee implementation so that inconsistencies and misalignment should be consigned to the past.

### **VII IMPACT OF PRIVATISATION ON UAE**

The public sector is the entity that is entrusted with the delivery of goods and services by and for the government at the national, regional or local levels. Its activities may vary from delivering social security, managing public utilities and providing health services.

The key factor to understand the impact of the UAE privatization program on public administration is the paternalistic nature of the state which is based on strong tribal patron-client relationships. This factor led to the establishment of a dual system of government in which formal and informal systems of government coexist side by side. While the formal system is modern, the informal one is founded on kin and tribal direct contacts between the rulers and ruled. These contacts are institutionalized in the majlis form of government.

This situation helps to develop a welfare state and makes the government at all levels committed to provide nationals with free services and employment. Therefore, the federal privatization efforts sought to preserve the role of the public sector as a provider of social services and employment for UAE nationals. Hence, the privatization policy is designed to have minimal or no effect on these two elements.

The analysis of the data in part two of the article shows that the UAE privatization policy has had no significant impact on the size of the public sector in its totality; individual sectors such as social services, infrastructure, and economic affairs, portray both declining and increasing trends in their sizes. The decline in size of the social sector is only partially explainable by limited macro privatization efforts which involve the transfer of water and electricity as well as communication services to the private

sector. In fact, it is largely due to government policy of Emaratization of government's jobs and administrative reorganization.

The fact that the federal government as a whole has experienced no reduction in size means that the loss of size in one sector has been gained by another, and this is clearly portrayed by the relative stability of total federal public expenditures and labor costs. These trends continue as the government continues to provide nationals with free services and employment opportunities.

No significant macro privatization in the area of social services took place with the exceptions of electricity, water, public transport and telecommunication. With regard to water and electricity the government subsidizes the nationals' consumptions and they pay fewer rates than non-nationals. Public transport is not used by UAE nationals. Telecommunications services, which were provided before by a public utility (Etisalat), is run now as a public corporation on commercial bases. Etisalat has worked for sometime as a public monopoly but the government in 2006 licensed other private companies to compete in providing mobile phone services.

Instead of privatizing existing public sector organizations, the government adopts a policy of economic diversification. Thus free zones have been established to attract foreign investment. For example laws have been passed to convert Dubai to a prestigious e-Commerce City. A Securities Market was established in UAE to widen nationals' participation in the national economy.

UAE has a comprehensive free health service and free public education for nationals. Federal hospitals, public schools and universities provide free healthcare and education for all UAE nationals. The government permits the private sector to invest in education and health sectors. Private hospitals and clinics are also available for nationals and non-national under government financed healthcare insurance companies.

Private schools spread all over the country under government supervision. Locally sponsored universities and branches of foreign, especially American, British and French, universities operate freely in the market of education.

To downsize public administration to cut down its costs without jeopardizing nationals' employment and social services, the government has embarked on massive manpower nationalization (Emaratization) of expatriates in government ranks and the extensive use of e-government tools and information technology to reduce government dependence on expatriates.

As a part of the strategy of facing the economic down turn in the economy due to the reduction in the international crude oil price, the government was compelled to take many reforms in the fiscal (taxes) sector, reduction of the subsidies in many products of crude oil, increase in the tariffs of water and electricity and increase in the rates of services of many

government services, reduction of the labour force in many public sector companies and many areas of public sector are privatized by contract labourers to reduce cost and makes the public sector competitive. Many PPP (Public-private-Partnership) projects are motivated in many sectors in this economy. All these efforts towards the economic reforms in these sectors should lead United Arab Emirates in to a new horizon of economic strength amongst world nations.

### **VIII CONCLUSION**

The reforms have had a very positive impact, but more needs to be done. For example, the public sector will have to shape new rules for the private sector. It will need to create a more balanced regulatory framework that keeps abreast of public responsibility and private interest, that prevents excesses and manages risks adequately, but that does not inhibit entrepreneurship and innovation. Calls for government transparency and accountability have also increased, stemming from perceptions that governments were largely inadequate in mitigating or even preventing the financial crisis. The scale of government intervention and spending induced by the crisis has only reinforced these calls for integrity to be placed at the heart of the good governance agenda worldwide.

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