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PUBLIC SECTOR REFORM

IN NICARAGUA

The free elections in Nicaragua have created an unusual opportunity for the government to establish democratic institutions, and develop the machinery for economic recovery and resurgence of private enterprise.

Taking advantage of this opportunity will not be easy. A small group of incoming leaders will be faced with the formidable task of quickly (a) developing an economic team capable of both planning and implementing a sustained economic program, (b) establishing democratic institutions and practices, (c) promoting a market economy with a strong private sector, (d) establishing meaningful local government and effective relationships between Managua and other communities, (e) strengthening public administration to make government more responsive to the needs of the people and more attractive to business investors and (f) establishing financial, procurement, and personnel management that will guard against corruption and yet not inhibit the capacity of a new government to act.

A total revamping of the public sector is required if Nicaragua is to recover from its current crisis. This is an extremely formidable task that will need to include these critical actions:

1. Organization. The new government will need to quickly determine at least an initial structure to provide a basis for appointing ministerial leadership in the new government and launching much needed government reform.
2. Presidential Support. The need for rapid decisions on increasingly complex decisions will require institutional support for the President and the Ministers, including machinery to assist in the coordination of planning and operations. Coordinating structural adjustments and economic planning, for example, will involve the National Bank, the Planning and Finance ministries and other elements of the government including the National Assembly. Implementation presents even greater coordination challenges.

3. Financial Management. Nicaragua will have to install quickly certain basic financial controls. Otherwise, the new government will run a major risk of fund diversions, and the President, some months hence, will find herself having to defend the government against charges of new corruption. Corruption-free customs and taxation bureaucracies need to be established and monitoring of performance must be instituted.
4. Personnel Management. Immediate steps are needed to establish the outlines of a personnel system that will recruit, retain, promote and dismiss on the basis of merit, performance, and loyalty to a free and democratic government. Distinction needs to be made between the policy level appointees who should be politically compatible with the President and the career service which must be free of patronage. Both groups have to be competent to avoid replacing the Sandanista favoritism and corruption with a new brand of corruption.
5. Delivery of Services. Nicaraguans coming to government offices for services, such as approvals or processing of documents, and health services, should be able to expect that they will be seen promptly, that the service will be provided and without political preference, that contracting is done professionally and that the cost will be no more than the legal fee. Care needs to be taken to assess vulnerability of existing systems to payoffs and diversion of funds. Existing systems have to be refined to make them responsive to the needs of the business and commercial communities and to encourage investment.
6. Democratic Institutions. Conduct of last week's election was very encouraging. Sustained democracy, however, will require much more. Confidence of the people in equitable administration of justice, for example, will involve the appointment of capable judges, proper investigative techniques, expert gathering of evidence, humane treatment of prisoners, court administration practices insuring speedy trials and assurance that this justice system is under control of the nation's civilian leadership.

These issues are typical of the areas in which new governments coming into power after a dictatorship usually have a need to move quickly. Yet these governments are confronted with so many urgent tasks that their leaders lack the time and the professional help they need to follow through on their initial steps. Inability to act often results in well intentioned new leaders soon facing increasing public criticism of failure to respond to the needs of their citizens and confronted with the emergence of new corruption and incompetence both of which undermine public support. This is the problem which now threatens the government of the Philippines and started the protests in Tianenman Square.

Clearly, outside donors should avoid the mistakes that have been made so often in the field of public sector technical assistance by too often urging that they adopt U.S. or European administrative systems. We have some very valuable concepts in the U.S. and Europe, but considerable adaptation is necessary because of our different political, economic and cultural backgrounds. In particular, donors need to avoid recommending highly sophisticated administrative systems burdened with complicated red-tape.

Design and implementation of these reforms must be done by Nicaraguans who have knowledge of their country and its culture. However, the participation of international experts in public management, with practical experience in making governments work in the wake of major change such as Nicaragua will experience, is helpful and necessary for long term success.

The Institute of Public Administration (IPA) is regarded by many as the birthplace of public management in the U.S., and since its founding in 1906 has had an unusual combination of U.S. and overseas experience that could be of help to the new government of Nicaragua. Its staff and associates have advised U.S. presidents on how to organize and manage the U.S. government. For many years IPA has also joined with other governments in assisting them in analyzing their needs and determining what actions are regarded for public sector reform.

Brief resumes of several key IPA staff are enclosed. These would be supplemented by other associates, depending upon the precise nature of the assistance requested. Also enclosed is an IPA brochure.