

IMPORTANCE OF PUBLIC SECTOR REFORM

Dwight Ink, President Emeritus
Institute of Public Administration

Often overlooked in United States foreign assistance programs is the critical role of governmental reform in achieving political and economic reform. This is particularly true in the case of transforming the command societies of the former Soviet Union and Eastern Europe into democracies with market economies. Several of the reasons:

1. Development of the Private Sector. The new political environment should provide badly needed opportunities for private enterprise to contribute heavily to the future of these countries through strong economic growth and the jobs that growth will make possible. Only the private sector can provide this growth.

It is the public sector, however, which either develops market oriented policies and a positive environment for private enterprises, or conversely, produces policies that inhibit growth of private enterprises and continues to tolerate obstacles to business such as onerous processing of permits and licenses and inordinate customs delays because of red tape and inefficiency. Divestiture of public enterprises obviously requires a public sector partner in the process.

Further, the emergence of a vigorous private sector will require greater sustained economic and political stability. conditions which depend heavily upon a stable and competent government. The same is true of enticing foreign investment. Regulatory systems have to be developed that protect the public and yet avoid smothering the initiative, creativity and risk taking that constitute entrepreneurship. Macroeconomic policies that encourage the growth of business require much better interministerial coordination and implementation than most of these countries have been able to achieve.

The new governments have received much advice on what to do in a number of these areas of governmental activity, but not on how to do it. No policies are self implementing, yet we have been slow to recognize that the "how" involves considerable governmental reform.

2. Democratic Institutions. Neither the yearning of people for democracy nor high level policy decisions to achieve democratic institutions and practices can in themselves produce political reforms. United States experience in Latin

America and the Caribbean have demonstrated some of the difficulties involved.

The electoral process is a vital early component of democratic initiatives, and with public support and committed indigenous leadership, can be established rather quickly. Administration of justice by the new governments that earn the confidence of the citizenry, however, involves many other governmental activities, national and local. Arrest procedures, investigation techniques, and the conduct of trials, all have to be handled entirely differently in a democracy than in a communist government. This type of change requires much planning and intensive retraining of government personnel, using modern techniques never before seen in Russia.

3. Infrastructure. A vigorous private sector places huge demands on a government to take a variety of actions necessary to improve transportation and communication facilities. These require intelligent governmental policies to safeguard the public interest, and they are expensive, requiring resources well beyond that which can be provided by private enterprise alone. Legal systems have to be overhauled, banking systems and credit institutions have to be established. Health and safety standards have to be established.

In countries emerging from command systems, entirely new approaches to modernizing their infrastructure are required as governments move through their complex transition.

4. Corruption. Recent history is replete with instances such as the Philippines in which repressive governments have been swept away, only to be replaced with well intentioned leadership that lacked the experience and competence to avoid emergence of new brands of patronage and corruption. Protests in Tianamen Square began primarily as complaints against patronage and perceived corruption in the government. Those of us who were in China at the time saw the cry for a democratic government begin to emerge as the dominant theme only after weeks went by without a response from the Chinese leaders.

We have seen warning signs of corruption developing as democratic governments have come to power. The serious conflict of interest problems as the Polish government began its privatization program, for example, was quite damaging in the eyes of the public. To the extent that patterns of patronage and corruption are permitted to continue or to redevelop in the early stages of the new democracies, they will be very difficult to eradicate later on. Again, this is a critical area which can be addressed **only** through governmental reform.