



SIGMA

Support for Improvement in
Governance and Management
in Central and Eastern European Countries

PUBLIC MANAGEMENT FORUM

A Quarterly Newsletter for Public Administration Practitioners in Central and Eastern Europe

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Reviewing Programmes and Reducing Staff

Central and eastern European governments continue to carry out programmes which are hangovers from the centrally planned era or which today are a low priority compared to urgent new needs. Large numbers of public servants are tied to these obsolete or redundant functions. These governments are trying to determine what their huge and complicated public sectors are doing, and how to manage change in staffing levels without losing the best workers.

Canada recently completed a review of its federal government programmes and made sweeping cuts in public sector staff and activities. The motivations, techniques, and initial results of this review are discussed in the following interview with David Zussman, a central figure in the exercise. Zussman discussed his experience at a SIGMA-sponsored seminar held for the Government of Hungary in May 1995. A description of this seminar is found on page 5.

Canada's Liberal Party, which won the parliamentary election held in autumn 1993, asked Zussman to head a broadbased programme review connected with its promise to lower the state budget deficit from six per cent to three per cent of GDP within three years. A former policy planning official at Canada's Treasury Board, Zussman assumed the position of Assistant Secretary for Programme Review and Machinery of Government in the Privy Council Office in June 1994. His observations and recommendations should be of interest to officials in other countries contemplating similar down-sizing efforts.

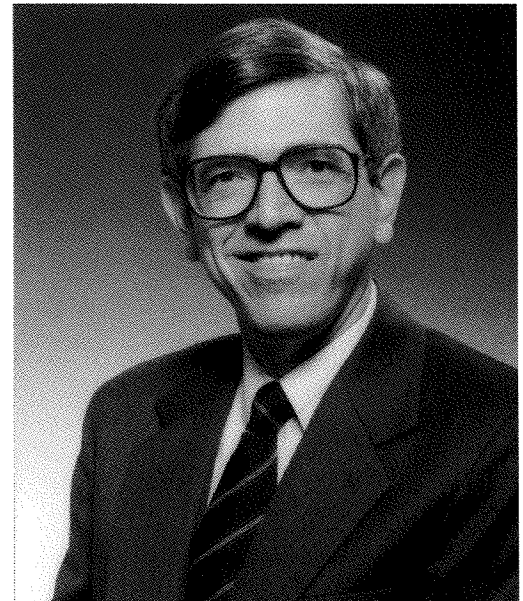
PMF: What were the pressures that compelled the government to pursue such a significant reduction in the number of public servants?

Zussman: Well, the exercise was not designed to reduce the number of public servants, although in the end 45 000 jobs were identified as being eligible for downsizing. Now, I am being careful as I say this because not all of these jobs are disappearing – some of them are being privatised – but let's say at the end of this exercise there will be 45 000 fewer public servants, which represents 16 per cent of the total federal service.

The true objective was to do a review of the programmes and in doing so eliminate those positions that were no longer going to be needed as a consequence of decisions to devolve or eliminate various government activities. And that's really how the exercise unfolded. So downsizing was only a secondary effect of the exercise.

PMF: In confronting this task, did you turn to the experiences of any foreign governments?

Zussman: Yes, indeed we did. In the early stages, I relied quite heavily on the written experiences of Australia and the United Kingdom and had some very useful discussions with the High Commissioner to Canada from New Zealand, who had been very much involved in similar activities in his own country when he was Minister of Employment. I also was able to count on the experience of some of our own provincial governments which had gone through the same exercise a couple of years before. And, finally, I was able to count on the experience of the



David Zussman

Courtesy photo

Canadian federal government which undertook a similar exercise in 1985 and 1986, which was not seen to have been very successful. So we were able to learn from some of the mistakes that were involved there.

PMF: What arrangements have been made for those 45 000 public servants?

Zussman: About 12 000 will be privatised. That is to say, they will be offered employment in a non-governmental agency that has been created to carry out the same sorts of functions. For those who will be leaving the public service, they will be offered two types of packages. One is an early retirement package, and the other is what we call an "Early Departure Incentives Package." In the latter case, they are not eligible for a pension yet, but their job will be eliminated at which point they will be given a cash settlement which has been based on a formula determined by the number of years that they have spent in the public service.

That process has only just started and people began receiving notices that their positions were being eliminated during this past summer. The Early Departure Incentives Package is generous by most standards, that is to say in comparison to the private sector. The feedback we have received suggests that people seem quite satisfied by the nature of it.

PMF: How is this reduction of the federal payroll affecting the activities and hiring practices of the provincial governments or the role of non-governmental organisations?

Zussman: It's almost too early to answer. We know, for instance, that some of the activities that the federal government is abandoning are now being either discussed or picked up by the provincial governments.

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PUBLIC MANAGEMENT FORUM

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To subscribe see page 16.

Head, OECD Public Management Service:

Derry Ormond

Head, SIGMA Programme: Bob Bonwitt
Public Management Forum Editor: Bart W. Édes

Principal Assistant: Laurie Chamberlain

Assistant: Françoise Locci

Design: Desk, St Berthevin, France

Printer: E.R.M. GRAPHIC, Ivry, France

Illustrations: László Quitt

Public Management Forum
SIGMA-OECD Information Services
2, rue André-Pascal
75775 Paris Cedex 16
France

tel. (33.1) 45.24.79.00; 45.24.13.11

fax (33.1) 45.24.13.00

e-mail: "bart.edes@oecd.org"

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Photo by Bart Édes

Deputy ministers and other leading Albanian officials join SIGMA Secretariat staff in Paris 30 August 1995. This photo followed a meeting organised primarily to answer Albanian questions on international experience in civil service organisation and management.

"Quote, Unquote"

"Excessive regulation and arbitrary obstacles abound – in large part inherited from the old regime. Some of these obstacles arise from the confusion of a system under change in which new legal and administrative structures have been transplanted in a hurry, and in which there are many conflicting and ambiguous laws and regulations. Other problems can stem from the behaviour of bureaucrats with ill-defined responsibilities who may be anxious to take a personal share in any rewards."

Transition Report 1995 – Investment and Enterprise Development (Economic Transition in Eastern Europe and the former Soviet Union), *European Bank for Reconstruction and Development*, London, England, United Kingdom.

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Preparatory Work Needed to Manage European Integration

On 3-4 July, the SIGMA Programme organised a multi-country seminar on "Managing the Internationalisation of Policy-making" near Warsaw, Poland. Participants included three dozen officials of prime ministers' office, ministries of foreign affairs, and European affairs bureaus in eleven central and eastern European countries. In addition, another dozen experts from OECD Member countries attended the programme.

The experience of European Union (EU) countries, the manner in which they paved the way for their accession, and the way in which they have organised their joint affairs are useful references for countries now pursuing the same path.

Many participants expressed interest in presentations on this subject, but the exchanges also highlighted the special nature of problems currently confronted by Europe's countries in transition, which are starting further back and arriving later.

Many participants also stressed the importance of communication issues. Although public opinion in Central and Eastern Europe tends to favour integration into European and other international bodies, the concessions which have to be made and the timescale involved may change this attitude. Thus, public information should be thought-out, targeted to different audiences, and objective to encourage reasoned support.

Distributing Responsibilities

With regard to the organisational basis which governments need for managing European affairs, there have emerged two requirements which are complementary rather than conflicting. First, it is necessary to spread responsibility for European issues as widely as possible across the government and civil service structure. Second, each country must ensure that it is in a position to meet major deadlines which punctuate the European calendar, such as accession negotiations, treaty amendment talks and regular summits.

The need to link these two levels of organisation has led to the creation of co-ordination bodies in most EU countries. These bodies are generally responsible for some or all of the following tasks:



Courtesy photo

Lazar Comanescu (left), Director for EU Affairs, Romanian Ministry of Foreign Affairs, makes a point to Iván Udvárdi, Director-General, European Integration Dept., Hungarian Ministry of Foreign Affairs, at multi-country seminar on "Managing the Internationalisation of Policy-making", held near Warsaw in July 1995.

- disseminating information;
- monitoring progress of sectoral procedures;
- arbitrating issues involving general government policy;
- preparing synthesis and packages; and
- guiding training and communication activities.

Seminar discussion revealed that such a body operates in most European countries. Breaking down ministerial compartmentalisation and firmly instituting procedures for interdepartmental consultation are challenges which are not specific to the management of European affairs. However, it is particularly important to resolve them in this field and, if the attempt is successful, it will make a major contribution to general reform of the state.

Legislation and Human Resources

Participants identified the approximation of laws under the terms of EU association agreements and the White Paper as one of the essential tasks for central and eastern European countries over the next few years.

Making optimal use of human resources also figured prominently in discussions, which highlighted the:

- importance of basic training at school and university levels;
- advantages of establishing international mobility between national public services

and the European Commission's civil service;

- positive effects of information campaigns on senior managers and policy-makers; and
- importance of language skills and preparation for negotiations.

Future Work

The programme provided further proof of the value of exchanges of views and experience among central and eastern European countries, and between these countries and OECD countries. Participants felt that the seminar's discussion of the problems inherent in European integration should be followed up by:

- analysis, consultancy and information tailored to specific needs of a particular country; and
- further multi-country meetings, organised on a regional basis and on issues to be defined.

This type of exchange will be all the more fruitful if each country is able to make its own contribution through its own experts. Further, it is up to each individual state to define and implement the European integration strategy which it deems the best suited to its own domestic interests.

Jacques Fournier is a Counsellor of State in the French Government and a Counsellor at the SIGMA Programme. See also his article in PMF, Vol. 1, No. 2, and the articles on pages 6 and 10 of this issue.

Selected Developments in Public Administration Reform During 1995

Privatisation in Bulgaria

On 1 December 1995, Bulgaria's Parliament approved final amendments to the privatisation law of 1992. The amended law was expected to come into force before the end of the year. Under the amendments, each Bulgarian citizen over the age of 18 becomes eligible to receive vouchers with a face value of 25 000 levs at the cost of just 500 levs for use in the forthcoming mass privatisation programme. Pensioners, students and soldiers pay only 100 levs for vouchers. Individuals can participate in the sell-off of state enterprises directly at tenders or via investment funds, relatives and authorised representatives. The first tenders are expected to be held in March 1996. Investment funds will have to register 70 million levs (about \$US1 million) in capital, and are to be licensed by the state's Stock Exchanges and Securities Commission. The government has offered over 1 227 firms for sale, but Parliament has yet to approve the list. Source: Reuters Daily News, Sofia, 4 December 1995.

New Law and Ministers in Estonia

In January 1995, the Parliament approved a new Civil Service Law which was amended in May and is scheduled to come into effect in January 1996. Under the law, the State Chancellery will be responsible for the civil service, including recruitment and evaluation of competence. With implementation of the law, Estonia will become the third country in Central and Eastern Europe to have a Civil Service Law in place (along with Hungary and Latvia).

In April 1995, Prime Minister Tilt Vahi made the Ministry of Economy the Chairman of the executive council of the country's privatisation agency. On 31 May, the Ministry of Economy assumed authority for the agency.

On 6 November, 15 ministers were sworn into the new government following a reshuffle. Among them are Endel Lippmaa, Minister Without Portfolio on European Affairs; Siim Kallas, Minister of Foreign Affairs; Andres Lipstok, Minister of Economic Affairs; and Mart Opmann, Minister of Finance. Source: *The Baltic Observer*, 9-15 November 1995.

Reform Ministry Abolished in Riga

Latvia's Council of Ministers approved the abolishment of the Ministry of State Reform effective 27 June. The ministry had been established in 1993 to develop and carry out state policies for state administration and local government reforms. The ministry's functions have been reassigned to the State Chancellery and the Ministry for Environment and Regional Development. With this action, the number of ministries now stands at 12, down from 13.

On 2 November, Parliament passed the State Pensions Law establishing a system for withholding contributions from employees' salaries. The legislation calls for the payment of pensions to be calculated on the basis of the number of years a person has worked and the total amount of social taxes paid during that person's career. The law also establishes the retirement age for both men and women at 60, although women will have the option of early retirement at age 55. Source: *The Baltic Independent*, 10-16 November 1995.

A Senate in Prague

On 27 September, the Czech Parliament approved the establishment of the legislature's upper chamber. The creation of the Senate is provided for in the country's Constitution, which went into effect in January 1993 when the independent Czech Republic was established. Under the new electoral law, Senate elections will take place in 81 electoral districts in a two-round majority system. Candidates must be over 40 years old. They can be nominated by a political party of must gather at least 1 000 signatures. At the outset, one-third of the senators will be elected for two years, one-third for four years, and one-third for six years. Source: Jiri Pehe, Open Media Research Institute Daily Digest, 28 September 1995.

New Hungarian Procurement Law

The Act on Public Procurement (Act XL of 1995) came into force on 1 November. The measure, adopted by Parliament in May, is aimed at rationalising state expenditures, creating transparency in the use of public funds and promoting competition in the public procurement process. The act applies to purchases by the state, local governments

and a variety of national and sub-national governmental bodies. It provides for three types of procedures: open, invitation, and negotiation. Bidders residing outside of the country will be accorded national treatment, and a bulletin will report on future bids and invitations. According to some estimates, the act will apply to \$US2 billion in procurements, one-third of which will be decided through competition. Through such competition, the cost of procurement could decline by 10 to 20 per cent. Source: *Budapest Airport Magazine*, 5/95.

State Economic Administration Reform in Poland

In the most significant development for modernisation of the public administration, the Council of Ministers adopted the "Assumptions for the State Economic Administration Reform" on 20 June. The document pronounces that "the principle objective for the Government with respect to the State Economic Administration should be to strengthen market mechanisms and activities to increase the ability of the Polish economy to operate on the world market in a competitive way. The activities should simultaneously result in economic development and the creation of new jobs."

The planned SEA reform is part of the general reform of the public administration, and is considered to include changes to supreme and central bodies and offices of the state administration which have a decisive influence in governmental economic policy.

New rules amending Poland's Public Procurement Law came into force on 9 September. The amendments provide for simplified procedures for tendering for orders not exceeding ECU 1 000. They also preclude offers or understating their value to circumvent the stipulations of the law. At the beginning of 1996, the law also will apply to orders placed by local self-government authorities. Source: Embassy of Poland in the United States.

The government plans to write new legislation on privatisation after the nation's highest court ruled in November that the current law – approved earlier in the year – contained provisions on the division of

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Modernisation Through Codified Administrative Procedures

by Vargas Moniz

*I*t may sound paradoxical, but it is crucial to a democracy living by the rule of law to regulate the relationship between individuals and enterprises, on the one hand, and the state on the other. Such regulation ensures that citizens' rights are protected and that the population is provided with high-quality service. Governments in countries in transition are examining ways to approach this issue. Thus, the example of Portugal, which itself made a transition to democracy in the mid-1970s, could hold lessons for today's emerging democracies in Central and Eastern Europe. In the following article, Vargas Moniz - one of the architects of Portugal's Code of Administrative Procedure - explains his country's approach to regulating this important relationship.

In 1991 the Portuguese government enacted the Code of Administrative Procedure, which from a strictly legal point

"The Code defends, among other fundamental principles of administrative activity, the principles of equality, proportional representation, impartiality and justice."

of view complies with Article 267.4 of the Constitution. It has thus become the overall law governing relations between citizens and the public service with the object of rationalising resources and guaranteeing citizen participation in decision-making.

As regards modernising the public service, the Code has turned out to be an important step in replacing the old public service, which was legalistic, formalistic and impersonal, with a new public service focused on the citizen as user. Modernisation presupposes that the public administration is there to serve the public and will endeavour to make its services more accessible as the prerequisite for an effective relationship.

The modernising approach also involves continuing to simplify standards and administrative channels and promoting a code of conduct as the guiding principle for public servants. Properly-qualified staff are considered as essential for effective service, and quality is regarded as a basic consideration for all work. Lastly, by promoting open authority supervised by other powers, modernisation guarantees individual rights.

All these values are reflected in the Code, which is the best available instrument for implementing them. The Code of Administrative Procedure, the Public Service Code of Practice and the Public Service Quality Charter are the three basic texts of Portuguese administrative modernisation, the first having a legislative function and the other two being of a pragmatic nature. They contain the principles outlined above.

Thus the Code of Administrative Procedure may be considered as textually exemplifying administrative modernisation through the principles it sets forth, the objectives it pursues, the institutional machinery which it establishes, and the rights which it protects.

The Code defends, among other fundamental principles of administrative activity, the principles of equality, proportional representation, impartiality and justice. All citizens have the same dignity and the same rights in the eyes of the law. Government power must be limited to what is strictly necessary. There can be no place for favouritism or opportunistic decisions; the public interest must be reconciled with the rights of individuals.

Aims of the Code

The Code has four acknowledged aims, two being purely functional and two substantive: rationalising the work of government services; systematising and standardising procedures; guaranteeing public information and transparency of decisions; and providing mechanisms for participation and bringing services closer to those concerned. It allows all concerned easier access to administrative documents and establishes the principle of open administration.

Further, the Code compels the public service to justify unfavourable decisions with regard to citizens' applications and makes provision for those concerned to be heard before a decision is taken. Lastly, in addition to the above, the Code defends the right to challenge decisions, either by lodging a complaint or by appealing to higher authorities.

Not only does the Code standardise the running of public bodies and regulate in detail all aspects of administrative decision-making in its most conventional form, the administrative act, but it also contains a number of instruments - of which three will be described - fundamental to a state based on democratic law.

The first instrument consists in the right of access to administrative records and registers, which, although subsequently the subject of a special law (Law 65/93 of 26 August 1993), had already been enshrined in the Code. This is a right accorded to all citizens whether or not they have a direct interest in the information sought, and which can be infringed only where internal or external state security, a criminal investigation, domestic privacy, trade secrets or professional, artistic or literary secrecy are concerned.

This is a radical innovation for a public service which has traditionally been hostile to sharing information, and it therefore is being underpinned by a control committee functioning as an advice and appeal body.

The second instrument compels the public service to justify unfavourable decisions with regard to citizens' applications. Although its content has remained unchanged since 1977 (Decree-Law 256-A/77 of 17 June 1977), it represents a reaffirmation of the permanent objectives of administrative rationalisation and direct citizen control.

Finally, the third instrument provides for direct participation in administrative decision-making by those concerned. To this end they have the right to a hearing before the final decision is made, whether the latter is verbal or in writing. Interested parties are thus given the opportunity of voicing their opinion on a draft decision which may affect them directly.

This type of participation - the preliminary hearing (of those concerned) - is used for all administrative procedures which involve taking measures affecting citizens, and non-observance or breaches are rare. In the event of non-observance the authorities must provide reasons.

Acceptance of the Code

Since the Code of Administrative Procedure was published in November 1991 it has gained enormous impetus. At least ten annotated editions of the Code have appeared, and innumerable conferences and workshops have been held, led by eminent specialists in administrative law. A number of studies have also been published on specific aspects of the Code. As for the public service itself, in addition to numerous monographs, hundreds of training initiatives have been organised for all categories of staff, enabling thousands of public employees to benefit.

This information and public-awareness campaign is unparalleled in the history of the Portuguese public service. The outcome of the action taken has been decisive. It now may be asserted that the Code of Administrative Procedure has become a routine part of public administration and has encouraged hope despite certain difficulties.

The inevitable problems attendant upon its implementation are currently being studied. In the short term a new version may be prepared which will improve upon the first edition whilst respecting its basic points.

To sum up, the Code of Administrative Procedure is a key text of administrative modernisation policy. It also reflects a new model for relations between citizens and the public service in which the emphasis is placed on the services to be provided by the latter and in which there is greater recognition of citizens' rights.

Vargas Moniz is an official in the Cabinet of the Secretary of State for Administrative Modernisation in the Portuguese Government. See also the review of a new OECD-PUMA publication on Portuguese administrative reform, 1976-1994, on page 13 of this issue.

France Aims to Make Public Service

by Alain

Administrative reform is an ongoing process, even in well-established democracies. The public message that Alain Juppé issued to his ministers shortly after becoming France's Prime Minister relates to issues highlighted in other articles appearing in this issue: reviewing government programmes and laws, reducing staff, and improving service to the citizen.

The message, delivered in a circular released in July 1995, illustrates the permanency of reform goals and the difficulty of achieving them. Similar targets have been announced by previous governments - from both the left and right wings of the French political spectrum. In keeping with previous reform programmes, Juppé's announcement demonstrates the need to achieve strong support at the highest levels for administrative change.

The circular describes five priority objectives: 1) clarifying the functions of the state and the extent of provision of public services; 2) being more responsive to the needs and expectations of the public; 3) reforming the central government; 4) delegating responsibilities; and 5) overhauling public management. The Prime Minister's description of the first four priorities are described below.

The people of our country want the apparatus of state and public services to be more efficient, accessible and less expensive. Civil and public servants want the same thing. And state reform will succeed only if it has their active support.

The administration and public services in France are first class. However, there is still a need for them to adapt to meet the expectations of our citizens and the new requirements of an outward-looking economy and of a society facing mounting problems of exclusion.

Furthermore, at a time when the entire nation needs to make a concerted effort and perform better to achieve economic recovery and combat unemployment, the state cannot do otherwise than impose this same obligation on itself.

It is for these reasons that the President of the Republic wants the reform of the state and of public services to be placed firmly at the top of the Government's agenda.

1. Priority Objectives

I am setting for the Government the following priority objectives in this regard:

1. To clarify the functions of the state and the extent of provision of public services.

The position of the state in relation to markets and economic and social actors, as well as in relation to other public actors, especially the European Union and sub-national authorities, has become blurred in the minds of our fellow citizens, and at times is not clear to the state itself either.

I therefore feel that it is vitally important at this juncture to make every effort to clarify the situation.

There are three main tasks:

1.1. First and foremost, the Government must define more precisely where the dividing lines are between the functions of public servants and those of private actors (markets, businesses or social actors for each sphere of activity).

The extent of provision of public services is the subject of debate at the moment. The Government is determined to defend the French concept of universal provision country-wide of the services which citizens in a mature democracy are entitled to expect.

However, that is not to say that we should not introduce more schemes involving private individuals in the management of public services or operations.

By the same token, the conditions under which large public, industrial and commercial undertakings are having to adapt to technological changes and to an increasingly competitive climate need to be carefully examined.

1.2. You should also identify any changes which could be made to the way responsibility is shared, in the different sectors under your control, between the state and sub-national authorities.

This review will form the basis for the forthcoming legislation to clarify responsibilities which I announced in my speech on general Government policy.

1.3. Finally, to draw clear distinctions between the functions of the European Union and those of the state, the principle of subsidiarity recognised in the European Union treaty needs to be given some real substance. The 1996 Intergovernmental Conference should provide the opportunity to make real progress on this point. The different branches of government must start now to identify the areas in which the sharing of functions and powers with the Community institutions could cause problems or necessitate change.

It is important for the conclusions resulting from work on these three tasks and concerning the organisation and powers of central and decentralised government to be drawn as fully and rapidly as possible, since the present administrative layering and duplication is no longer acceptable.

Greater Responsiveness

2. To be more responsive to the needs and expectations of the public.

Herein lies the entire reason for state reform. The sole purpose of clarifying powers and duties, transforming central government, delegating responsibility and modernising public administration is to allow the state and public services to provide a better service to our fellow citizens.

The Government will also be carrying through three specific initiatives:

2.1. A citizens and public services charter is being prepared.

This charter will embody some new principles - quality, accessibility, simplicity, speed, transparency, arbitration, participation, responsibility - in addition to strengthening the fundamental, traditional principles of the public service - neutrality, equality and continuity.

You are asked to transmit your proposals on this subject to the *Ministre de la réforme de l'état, de la décentralisation et de la citoyenneté* by the end of September. I would recommend in this respect that you obtain the views of customer groups and your services which have to deal with the public.

2.2. On the basis of these principles, each service dealing directly with users will prepare a plan to enhance and simplify its relations with the public, setting both quantitative and qualitative targets.

These targets will be systematically accompanied by indicators to measure quality of service and customer satisfaction.

2.3. The administration must play its part in facing up to the challenges of our society. Public services should be located and organised in such a way as to facilitate initiatives to help distressed urban areas and to combat exclusion and the exodus of people from rural areas.

Cutting Jobs and Laws

3. To reform central government.

The fundamental role of the modern state is basically to anticipate, analyse, plan,

More Efficient, Accessible and Less Expensive

Juppé

legislate and evaluate. These regulatory functions need to be clearly distinguished from the administrative role, which is to manage, enforce regulations or deliver services. There is no reason for this latter role to be centralised. However, the structures of the central government do not reflect this distinction properly.

I am therefore counting on the Government to take three key initiatives:

3.1. The management tasks still being undertaken by central services should be systematically decentralised.

As a corollary of the above, significant reductions are required in central administration staffing levels. The target that I am setting is a 10 per cent reduction by the end of 1996, and there will be more cuts to follow. It is clear that this downsizing will need to be accompanied by a restructuring of central government departments, which have become too numerous and over-compartmentalised.

3.2. At the same time, the planning and decision-making capabilities of central government need to be improved.

Government departments will thus be better equipped for their role of making proposals, preparing Government decisions and assessing the success of public policy.

I would draw your attention in particular to the need to avoid the serious dysfunctions in the public decision-making process that have occurred several times in recent years, as any recurrence would jeopardise public trust in the state. I am expecting you to ensure that the administrations under your control take the necessary steps to improve, simplify and safeguard central government decision-making procedures from the legal, technical and financial standpoints.

Central government must also avoid short-termism if it is to become more efficient. Analysis should be based on a fuller and more detailed assessment of reality, and the impact of measures taken needs to be systematically assessed.

A priority is therefore to develop the Government's analytical, forecasting, assessment and monitoring functions. However, duplication of these functions between ministerial and interministerial levels will need to be avoided.

The role of the inspection and monitoring departments will be examined in this context. Within a very short time frame, the



Photo courtesy of the Office of the Prime Minister, France

Matignon, the Office of the Prime Minister of France

Commissariat au Plan will undergo extensive reform to become an effective tool for forecasting and evaluating public expenditure and policy. Necessary changes will be made to the system of official statistics.

3.3. The state passes too many laws and regulations and the results are often not good: this can make life difficult for businesses and threaten citizen's legal safeguards.

Firm action should be taken to reverse this trend. I am asking the General Secretariat of the Government here and now to consider what changes could be made to Government working practices as a step towards achieving this goal. A pilot measure, to be introduced on 1 January 1996, will make a full impact study for all bills and key draft decrees mandatory. The Government also needs to set itself very ambitious targets for codification over the next three years, in line with Parliament's intended efforts in this respect.

To stop the proliferation of legislation and regulations, I am asking you to ensure that all new draft texts are accompanied by recommendations to repeal provisions which are the same level or higher in the hierarchy of legal rules and the same length of text or longer.

Finally, and contrary to the current tendency, which I deplore, to use technical jargon, you will ensure that texts produced by your administrations can be read and understood by the public and customers, notably by eliminating excessive use of footnotes and endnotes.

Provision of Services

4. To delegate responsibilities

Act No. 92-125 of 6 February 1992 concerning the territorial administration of the Republic made decentralisation the ordinary method of organising the administration of the state. The provisions of this act were supplemented and detailed in Act No. 95-115 of 4 February 1995 concerning regional planning and development.

There is still a long way to go before this principle is put into practice. The Government intends to take action in three key areas:

4.1. The first action is to draw up the plan for reorganising public services specified in the Act of 4 February 1995.

The guiding principle for this action is simple.

As a rule, the work involved in the application of public policy and legislation and, on a more general level, the provision of public services must be delegated either to decentralised services with national or sub-national responsibility, or to public bodies, care being taken to ensure that there is no overlap in responsibility.

These operator services which, by definition, do not perform the central functions of the state, should be located outside the Paris area. A transparent decision-making procedure needs to be followed when drawing up the plan, based on established rules and paying particular attention to the problems of the public servants it affects.

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The Path of Public Administration Reform

by Olga



Olga Vidláková

Courtesy photo

In the Czech Republic, as in the other post-communist countries of Central and Eastern Europe (CEE), the major change in political regime very soon brought about the beginnings of public administration reform, primarily oriented towards territorial administration. This was quite understandable – under communist rule, local government simply did not exist and, therefore, it was indispensable to build it up. This statement is valid in principle, even though certain differences existed between very rigid, ie, non-self-government systems (such as in the former Czechoslovakia) and somewhat more “liberal” ones, permitting some self-government or quasi-self-government (for example in Poland and Hungary). The rise of self-governing communities and decentralisation of the existing state power and competences in favour of elected local councils characterised the first stage of public administration reform.

The next stage of public administration reform undertaken by the governments, however, was marked by a certain slowing down. Instead, it was economic reform that gained priority. This was also the case, and very markedly so, of the Czech Republic. There is no doubt that a functioning market economy is a precondition for international collaboration with western European countries and eventual entry into the European Union (EU). Centrally controlled economies, which dominated in all the CEE countries until 1989 (and longer than that in some countries), were gradually superseded by a system in which the private sector is steadily gaining ground.

Thus, for example, in the Czech Republic, (where the centralised economy was one of the most rigid), at the start of economic reform the private sector represented 4 per cent of GNP, in 1994 it reached as much as 57 per cent and it is assumed that after the

completion of the second wave of coupon privatisation in 1995, its share will account for 80 per cent.

Economic strategies for internationalisation have been created and they gradually are being implemented. What is, however, the case of organisational and co-ordination strategies for internationalisation? The answer to that question is much more difficult and less straightforward.

Rapprochement with the EU

With a view to intended entry into the European Union (EU), particularly in the period preceding the conclusion of the Europe Agreements with certain CEE countries, the concerned countries took systematic action towards legal and regulatory approximation to EU law and in some cases – as in the Czech Republic – to OECD directives and standards as well. In the legislative process, great attention has been paid to European law since 1991 when – during the existence of the Czech and Slovak Federation – the “EU compatibility clause” became obligatory in all draft laws.

Even if the responsibilities tended to be adopted rather formally, at the latest from 1994, the relevant ministries have been coming to terms with it objectively and reliably.

“In the legislative process, great attention has been paid to European law since 1991 when – during the existence of the Czech and Slovak Federation – the ‘EU compatibility clause’ became obligatory in all draft laws.”

The adoption of the White Paper at Cannes in June 1995 is of great significance in the process. Organisational and structural bases were laid down in the CEE countries for the process of approximation of national law to EU law. A bottom-up approach was chosen by the Czech Republic and the following co-ordination structures were set up:

1. Working groups (23) are operated by a ministry responsible for a certain area of the Europe Agreement, including law approximation. The Working Committee on the Approximation of Law is led by the Office for Legislation and Public Administration of the Czech Republic, and meets monthly.

2. This Working Committee is composed of the representatives of all ministries, who are mostly the leaders of working groups. The Working Committee’s duty is to discuss the

information coming from different working groups and to design strategies for next steps. The Working Committee has a distinctly cohesive character, since it substitutes for the usual interministerial amendment procedure. It prepares fundamental documents and submits them for decision to the Government Committee (see below), for which it serves as a secretariat.

3. The Government Committee, created by a government decree issued in November 1994, is the supreme decision-making body in matters of European integration. The Prime Minister heads this body, the permanent members of which include the Ministers of Finance, Industry and Trade, Employment and Social Security, and Agriculture, as well as the Deputy Prime Minister in charge of the Office for Legislation and Public Administration.

Approximation Moves

The Government of the Czech Republic welcomed the EU White Paper and regards it as an important document, which gives a survey of legislation connected with the *acquis communautaire* and with a view to its harmonisation recommends the main steps to be taken in every branch. The White Paper facilitates the formulation of our own strategy of integration and is regarded by the Government as a guide in the process of approximation of our legal structures, which are indispensable for future participation in the domestic market.

The Government also welcomes the establishment of the EU’s Technical Assistance and Information Exchange Office. In the Czech Republic the actual programme of realisation of White Paper recommendations is to be laid down, and it will be specified who is to co-ordinate the matters ensuing from it.

At the present time, detailed analyses concerning the consequences of integration of the Czech Republic into the EU are being prepared. They will be carried out by different working groups according to co-ordinated theses, which should facilitate the ensuing overall analysis. As for the consequences of the integration of the Czech Republic into EU institutions, it is only claimed that effective participation will require approximation of the Czech Republic state administration.

Emphasis laid by the White Paper on creation of an institutional framework for implementation and enforcement of the “compatible law” is neither fully understood nor explained. Here again we are faced with the above-mentioned question of

and Internationalisation in the Czech Republic

Vidláková

organisational and co-ordination strategies for internationalisation. The extensive literature devoted to those matters shows clearly that the EU Member states are far from presenting complete identity of organisational structures of public administration. This issue arose again when the last three members were being admitted to the Union.

For example, the system of the central state in Sweden (small ministries and a considerable number – about 300 – of large central state agencies) is not analogous to the structure of other Member State governments. Equally, the means of co-ordination varies among the Member States (see L. Metcalfe, *IRAS*, Vol. 60, No. 2, 1994).

Complete Restructuring

On the one hand, developing organisational and co-ordination strategies can be recommended as they may certainly help towards effective internationalisation. On the other hand, though, what is paramount is the implementation and institutional compatibility in terms of the content and intrinsic character of public administration.

It is evidently far more important that public administration in the CEE countries meet the basic claims made on public administration in a democratic country and that it break away from the remains of the past. This requires not only appropriate legislation but also, at the same time, creation of a milieu favourable to democratic public administration, where matters which the state alone must attend to in a market economy are left to the state, while other activities are decentralised and conferred upon the territorial self-government or interest groups (such as the Chamber of Commerce).

In all CEE countries, what is at stake is not “mere” reform of public administration, which also continues in the EU countries, where the current focus is on public administration modernisation. The fact that tendencies to reform are present all the time is best demonstrated by the July 1994 document of the Government of Great Britain on “Continuity and Change”.

In contrast to this, in the CEE countries a complete restructuring of public administration is required, ie, destruction of the foundations built up by the political system of the power of a single party and the establishment of the rule of law. This fundamental rebuilding of public administration is indispensable both for the economic development of the CEE countries

themselves and for their integration into the EU. The building up of public administration has proved more difficult, more time-consuming and politically more sensitive than economic reform.

“...a complete restructuring of public administration is required, ie, destruction of the foundations built up by the political system of the power of a single party and the establishment of the rule of law.”

Unfulfilled Tasks

The example of the Czech Republic can serve as a demonstration of the process of public administration reform as well as of its delays and deficits. Most of the steps which remain to be taken for completion of democratic and effective public administration are significant, even in the context of internationalisation:

1. *Completion of territorial self-government and territorial state administration.* Since the Czech Republic became independent in January 1993, attention has focused on creation of an intermediate tier of public administration, ie, higher territorial self-governing units as anticipated by the Constitution of the Czech Republic. The argument bears upon both their number and their competence, and concerns the relationship between self-government and state administration at this level from the institutional point of view. There is no doubt that institutional regionalisation is important for international collaboration, both bilaterally and within the EU.

2. *A basic decision on state administration, ie, on its professionalism, apolitical character, transparency, efficiency and effectiveness.* The Draft Civil Service Law, which was prepared over one year ago, has not been discussed yet by the Government and passed to Parliament, so that the relationship between politics (short-term) and professionalism (long-term) in state administration is by no means clear. For instance, the positions of the deputy ministers are mostly filled politically, but, on a smaller scale, non-politically as well. It is not clear either if the head of a district office – the most important organ of state administration in the territory – is a permanent professional civil servant or a political appointee. These matters of principle concerning the building up of state administrations must be settled definitively and not just for one electoral term.

3. *Civil service legislation is rightly seen as a vital ingredient in the process of moving from transformation to consolidation of public administration in the CEE countries.* A stable, competitive, accountable and democratically reliable civil service is a precondition for success not only of administrative reform, but equally of political stability and economic development, which again is a precondition for European integration. The low prestige of a civil servant in the Czech Republic may well have its roots in history, but it is perpetuated by low effectiveness, insufficient transparency and responsiveness to citizens' needs. As for questions of the civil servant's status, his or her rights and duties, salary, and social and political standing must be speedily resolved.

4. *There is no overall conception yet of the training of civil servants.* Nor does a central school of public administration exist. In this connection, it must be emphasised that the first horizontally co-ordinated training, the project of which has been prepared and will be submitted for approval to the Government Committee for European Integration, concerns the training of civil servants in matters of European integration. We can only hope that the project will be followed by another project of general training of all civil servants.

5. *A new Administrative Procedures Act should be passed,* as well as legislation on an effective system of internal and external supervision of public administration, including financial prosecution and administrative justice. The law on the supreme administrative court also is being drafted.

Conclusion

In the final months of the present electoral term, Czech state organs should pay greater attention to public administration reform and decide on the matters suggested above.

However paradoxical it may appear at first sight, current efforts at European integration may act as a challenge to speed up public administration reform in the Czech Republic. Further delays with regard to self-government would represent risks both for the domestic development of the country and from the point of view of indispensable internationalisation.

Olga Vidláková is the Director of the Department of Public Administration at the Czech Republic's Office for Legislation and Public Administration. She may be contacted at tel (42.2) 24.22.46.35 or fax (42.2) 24.22.46.35.

Canadian Public Service Sheds 45 000 Jobs

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PMF: To what degree was polling or public opinion used to justify policy actions connected with this review and associated staff reductions, and what effort – if any – was made to mobilise or influence public opinion in favour of the cuts?

Zussman: No public opinion work was done at the centre of government. I think that some departments may have used public opinion data as a way of gauging the extent to which the public was committed to certain levels of programme delivery. But no attempt was made specifically to try to influence public opinion on specific decisions. What was clear, though, and public opinion data were useful there, is that the Minister of Finance got a pretty good idea on the basis of some analysis and research of the fact that Canadians wanted him to take a severe look at the deficit situation.

In other words, the politicians knew that the public wanted action on the deficit. So while there was not much on specifics on the deficit, policy-makers knew going into the budget discussion in February that there was a high degree of confidence – a high degree of desirability – that the government take some action. And they did.

PMF: Is there anything that you wish you could have done differently or that the government could have done better?

Zussman: Well, I think the area that we would look for if we were to do it again is the “re-thinking” government part. I think we met our fiscal targets – that is to say that we were able to achieve considerable savings on expenditures. I don’t think that on balance

we achieved as much on the rethinking part as we would have liked because that takes more time than we had. It was probably impossible to ask departments to re-think themselves in the eight months that they had available to them. If this was to be repeated I certainly think that for this kind of effort, it is crucial that one gets the rethinking part done as well as the fiscal component.

We did it better in some areas than in others, but I don’t think that we did it as deeply or widely as we could have if we had had more time.

PMF: How committed were the political forces in power to see this thing through?

Zussman: Without strong political commitment, you can’t do this fundamental of a change. We knew the importance of political support from our experiences with previous efforts that failed to make the macro changes that most people knew needed to be done. However, it wasn’t altogether obvious at the outset that there would be strong political commitment, although there were plenty of signs that there would be. But certainly throughout the autumn of 1994 I think the Canadian public and more importantly the Canadian public service realised that the politicians were not going to back down on the commitment that they had made over and over again during the election campaign to meet their fiscal targets, which meant cutting the size of government. So at no point any time in the process was there a signal that there was a lessening or a weakening of the commitment.

PMF: Do you see the Canadian Government’s move as providing a stimulus to such efforts elsewhere?

Zussman: Certainly within the rest of Canada. We can already see that other provincial governments have in fact come in with quite dramatic downsizing announcements of their own. This only follows a world-wide trend that was started before.

PMF: What lessons can central and eastern European governments learn from the Canadian experience?

Zussman: I think you need strong political commitment – no question about that. Also, I think that people will reward governments that provide good government and one sign of good government is efficient use of public resources, which means periodically trimming the size of the enterprise. So I think there is good politics in this.

Also, the final point I would make is that these sorts of exercises are best managed by the public servants. They’re the ones who are best positioned to know what activities should or shouldn’t continue. If you bring in outside people, there’s a tendency for the system to resist and you end up spending more and more time fighting to get things done. So I think you can trust your public service. That’s the Canadian experience at least.

Note: After this interview, in September 1995, Zussman returned to teaching and research duties in the Faculty of Administration at the University of Ottawa in Canada. He may be reached there at tel (1.613) 562.58.00, extension 4785; fax (1.613) 562.51.64; or e-mail “jdrs@magi.com”.

Public Administration Management

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powers which were unconstitutional. Privatisation Minister Wieslaw Kaczmarek said that the government hopes to finish writing the bill by the end of January 1996. Source: CET On-line, 28 November 1995.

Romanian Privatisation

Following the adoption of a mass privatisation programme in March, Parliament amended the Law on Acceleration of the Privatisation Process (Law 55, MO 122), which came into force on 19 June 1995. The law modifies the Privatisation Law of 1991, and sets out details of the mass privatisation programme.

Under the law, 30 per cent of the registered capital of state-owned companies will be transferred free of charge to Romanian citizens residing in Romania. The Government intends to launch a new wave of

privatisation by publishing a list of 3 000 state-owned enterprises up for privatisation, primarily in the tourism, agricultural and trade sectors.

Regional Integration

Estonian Prime Minister Tilt Vahi signed an official request to join the European Union on 24 November. Estonia is the second Baltic country to apply for membership in the EU; Latvia proposed its candidature on 13 October. Other central and eastern European countries, including Hungary, Poland, Romania and the Slovak Republic have applied for EU membership, and the Czech Republic is expected to follow suit in January.

Separately, the Czech Republic has become the first formerly communist country to join the Organisation for Economic Co-operation

and Development (OECD). It signed an agreement to join the OECD on 28 November, and was expected to become a full a member within two months. Elsewhere, Slovenia will at the outset of 1996 become the fifth member of the Central European Free Trade Agreement, which already includes the so-called Visegrád countries – the Czech Republic, Hungary, Poland, and the Slovak Republic.

Miscellaneous Administrative Reforms

Albania’s Council of Ministers approved the new rules regulating the body’s functioning on 6 February. In June, the Lithuanian Parliament passed the Law on State Control. On 27 July, the Bulgarian Parliament adopted the State Audit Office Law.

Two Decades of Administrative Reform

Putting Citizens First: Portuguese Experience in Public Management Reform, forthcoming May 1996. OECD Public Management Service, Occasional Paper No. 9.

Portugal offers a valuable opportunity to consider practical issues that shape the design of an administrative reform strategy and its effective implementation in an OECD country. Twenty years ago, the country launched a reform programme closely linked to the modernisation of the country and its economy. Initiatives took shape over the years and became a lively "movement" with its own internal dynamics and cadre of reformers.

Putting Citizens First is the latest release of the OECD's Public Management Service (PUMA). PUMA's Attila Alpöge has written the report in collaboration with colleague Liz Dacier on the basis of a series of interviews and discussions with Portuguese officials. The report looks at this experience with reform – including its evolution, approach and lessons – from the promulgation of the Constitution in 1976 until the beginning of 1995.

The first of the case study's three parts addresses the reform process and its development, the new administrative focus on the citizen, options for the future, and lessons that may be drawn by other governments planning major changes to the public administration. Part II provides detailed information on initiatives introduced in various fields, including financial management, information technology, training and development, and decentralisation.

The final section describes the background of the Portuguese administration, including its history; structure and internal organisation; role of various units in the reform effort; the ethos of public service; framework of public employment; political concerns that guided the reform movement; statistics; and summaries of key texts that influenced the public administration.

For further information, please contact Ms. Marie Murphy, PUMA, 37 bis Bd. Suchet, 75016 Paris, France. Tel (33.1) 45.24.90.52; fax (33.1) 45.24.87.96; e-mail "marie.murphy@oecd.org".

INBOX: A COMPENDIUM OF RECENT PUBLICATIONS AND ARTICLES

Note: All publications noted below are available in English unless otherwise noted.

ALLAN, Bill. *Public Expenditure Management and Budget Law: Toward a Framework for a Budget Law for Economies in Transition*, 39 pages, December 1994. Order: IMF Publication Services, 700 19th Street, NW, Washington DC 20431, United States. Tel (1.202) 623.74.30; fax (1.202) 623.72.01.

Annual Performance Accounting and Auditing in Sweden (Volume 2, Papers on Public Sector Budgeting and Management in Sweden), Government of Sweden, 55 pages, 1995. Order: Budget Dept., Ministry of Finance, 103 33 Stockholm, Sweden. Tel (46.8) 796.90.97. Free of charge.

CARAYON, Bernard. "Quel budget pour l'Europe élargie ?", 1995, French. Order: Assemblée Nationale, Palais Bourbon, 126 rue de l'Université, 75355 Paris, France. Tel (33.1) 40.63.60.00; fax (33.1) 42.60.99.03.

Constitution in Service of Democracy, International Centre for Development of Democracy Foundation, 1995. Order: ICDDF, ul. Mikolajska 4, II p., 31-027, Krakow, Poland. Tel (48.12) 21.97.04/80.66; fax (48.12) 21.62.50.

DHIMA, Artan. *The Role of the Market in Prompting Economic, Political and Social Development in Central and Eastern Europe*, 1995. Order: Artan Dhima, 3306 Ross Place, NW, Washington DC 20008, United States. Tel (1.202) 363.08.12.

HASSAN, Fareed M.A. and R. Kyle PETERS, Jr. *Social Safety Net and the Poor During the Transition: The Case of Bulgaria*, 34 pages, 1995. Order: Ms. Faith Smith, World Bank, Washington DC, United States. Tel (1.202) 473.60.72.

HILL, Ronald J. and Stephen WHITE. *The Referendum in Communist and Postcommunist Europe*. Order: Centre for the Study of Public Policy, Publications Secretary, University of Strathclyde, Livingston Tower, 26 Richmond St., G1 1XH Glasgow, Scotland, United Kingdom. Tel (44.141) 552.44.00; fax (44.141) 552.47.11. US\$ 7.50.

Information Policies of Nuclear Regulatory Organisations (proceedings of seminar held in Paris, France, 6-8 December 1993), OECD/NEA, 1994, 223 pages; one text with English and French articles. Order: OECD Publications Service, 2, rue André-Pascal, 75775 Paris, Cedex 16, France. Tel (33.1) 49.10.42.83; fax (33.1) 49.10.42.76; e-mail "compte.pubsinq@oecd.org".

In Search of Results and Financial Incentives – Recent Advancements in the Swedish Central Government Budget Process (Volume 1, Papers on Public Sector Budgeting and Management), Government of Sweden, 61 pages, 1994. Order: Budget Dept., Ministry of Finance, 103 33 Stockholm, Sweden. Tel (46.8) 796.90.97. Free of charge.

KITSCHOLT, Herbert. *Party Systems in East-Central Europe: Consolidation or Fluidity*. Order: Centre for the Study of Public Policy, Publications Secretary, University of Strathclyde, Livingston Tower, 26 Richmond St., G1 1XH Glasgow, Scotland, United Kingdom. Tel (44.141) 552.44.00; fax (44.141) 552.47.11. US\$ 13.50.

Media in Transition: The Cases of Hungary, Poland and the Czech Republic, 1995. Order: International Press Institute, Spiegelgasse 2/29, 1010 Vienna, Austria. Tel (43.1) 512.90.11; fax (43.1) 512.90.14.

MIZSEL, Kálmán and Andrzej RUDKA. *From Association to Accession: The Impact of the Association Agreements on Central Europe's Trade and Integration with the European Union*, 181 pages, 1995. Order: Institute for East-West Studies, 700 Broadway, 2nd Floor, New York, NY 10003, United States. Tel (1.212) 824.41.00; fax (1.212) 824.41.49.

Participatory Government and Good Governance, OECD/DAC, 32 pages, 1995. Order: OECD Publications Service, 2, rue André-Pascal, 75775 Paris, Cedex 16, France. Tel (33.1) 49.10.42.83; fax (33.1) 49.10.42.76; e-mail "compte.pubsinq@oecd.org".

POMEROY, Harlan. *Bulgarian Government Structure and Operation – An Overview* (Second edition), 44 pages, 1995. Order: Center for the Study of Democracy, 1 Lazier Stanev St., 1113 Sofia, Bulgaria. Tel (359.2) 70.61.64; fax (359.2) 72.05.09.

"Reinventing Government – Papers from AIC/RIPAA (ACT Division) Conference, Sydney, 12-13 July 1994", *Canberra Bulletin of Public Administration*, No. 77, December 1994. Order: CBPA, Institute of Public Administration Australia, POB 3147, BMDC ACT 2617, Australia.

Releasing Europe's Potential Through Targeted Regulatory Reform – The UNICE Regulatory Report 1995, 65 pages. Order: UNICE: rue Joseph II, 40 (B.4), B-1040 Brussels, Belgium. Tel (32.2) 237.65.11; fax (32.2) 231.14.45; e-mail "geonetmcr1:unice-brusec".

Reporters Sans Frontières 1995 Report – Freedom of the Press Throughout the World, 362 pages, 1995. Order: John Libbey and Company Ltd., 13 Smiths Yard, Summerley St., London SW18 4HR, England, United Kingdom. Tel (44.81) 947.27.77; fax (44.81) 947.26.64.

The Tasks Ahead – Successful Management of the Integration Process (Report of a seminar in Maastricht, the Netherlands, 14-15 March 1994), 93 pages. Published by the Public Management Dept., Ministry of Finance, Helsinki, Finland. Order: Mr. Brynjulf Risnes, Ministry of Government Administration, Dept. of Management Policy and Administration, Fredensborgvn 24 G, 0030 Oslo, Norway. Tel (47.2) 234.49.68; e-mail "brynjulf.risnes@ad.dep.telemax.no". Free of charge.

Juppé's Plan to Put Customers First

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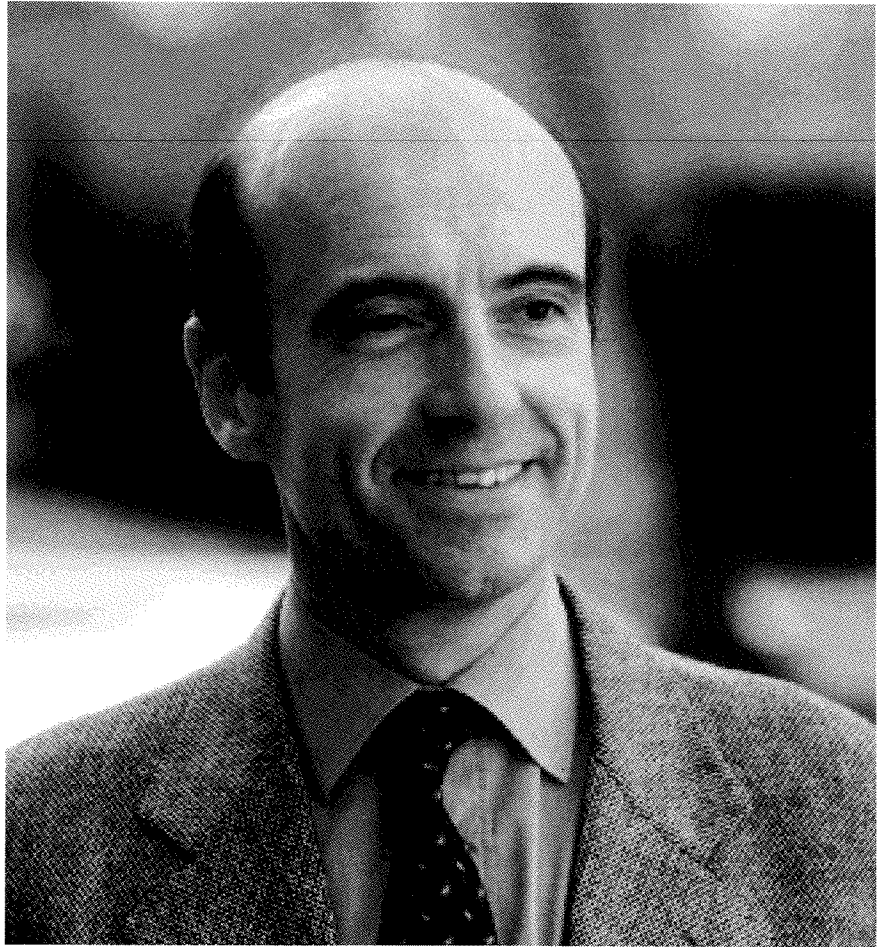
4.2. The Government should carry out the functional reorganisation of the state's regional and local services between now and the end of 1996.

The *Comité pour la réorganisation et déconcentration des administrations* has carried out some detailed work on this subject. The way forward now is to complete this work, then to move on to the implementation stage, putting the needs of customers first (the public, firms, etc.). The reorganisation of decentralised services will chiefly involve bringing together the *Directions départementales de l'équipement* and the *Directions départementales de l'agriculture et de la forêt*. This should be done as a matter of urgency. It will include reforming the services which are under the authority of the *préfet* so that the latter has the resources to meet all his responsibilities both at *départemental* and regional level.

4.3. Relations between central government and its operator services should be extensively overhauled.

Through the progress made over the past few years within the context of "responsibility centres", new methods of managing operating appropriations have been identified which could be extended to all administrations: globalisation of appropriations, service budgets, monthly monitoring, working out and restitution of comparative ratios to services, preparation of management reports. I am hereby asking each minister to take the necessary steps to ensure that all his or her decentralised services are operating in accordance with these management rules by the end of 1996.

In addition to these existing measures, "service contracts" will be introduced on a trial basis in several ministries from 1 January 1996. They will set out the targets which operator services have been set, the leeway which they are guaranteed when negotiating a master budget including staff, the methods of assessing their costs and results, and the conditions under which the services and staff could share in productivity gains. The performances of services will be routinely compared. Comparisons will also be made with private sector performances in cases where the same service is provided.



Prime Minister Alain Juppé

Photo courtesy of the Office of the Prime Minister, France

The service contracts should be drawn up after detailed consultations between the *préfet* and the heads of the decentralised services under his authority on the one hand, and the central authorities on the other. This process should be combined with the functional reorganisation of decentralised services.

As a parallel measure, the state will be entering into new contracts with its corporations during the course of 1996. These will set out the corporation's targets, how results will be measured and what resources will be provided, and will cover a period of several years. Operating within the framework of these contracts will enable the control exercised over public corporations to be relaxed, if need be, leaving them free to exercise their management autonomy.

ON THE AGENDA: UPCOMING PROGRAMMES

20-22 June 1996, Budapest, Hungary, Conference on "The Changing Roles of Parliamentary Committees". Contact: Professor Attila Ágh, Department of Political Science, Budapest University of Economic Sciences, Fövám tér 8, 1093 Budapest, Hungary. Tel (36.1) 218.80.49; fax (36.1) 218.80.49.

24-26 June 1996, Ljubljana, Slovenia. Conference on "The New Democratic Parliaments – The First Five Years". Contact: Professor Attila Ágh, Dept. of Political Science, Budapest University of Economic Sciences, Fövám tér 8, 1093 Budapest, Hungary. Tel (36.1) 218.80.48; fax (36.1) 218.80.49.

Please note that not all of the programmes included in this calendar are open to every public administration practitioner or the general public. Consult the contact person/institution for further details. If your organisation is planning an event of interest to Public Management Forum readers, please send details to the editor (address on page 2).

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(Address on page 2)

Reformers Hamstrung in Russian Policy-making

In October 1995, the OECD released its first economic survey of the Russian Federation. A part of the report analyses the status - and major shortcomings - of the country's policy-making system. It also demonstrates some of the linkages between economic transformation and institutional change. Excerpts from the survey follow :

The Political Context of Policy-making

The absence of a single, unchallenged, source of legislative authority in Russia complicates economic policy-making (and its analysis). Although Russia's major political institutions – the Presidency and the Federal Parliament's lower chamber, the *Duma* – have democratic legitimacy, they do not always have the same policy priorities. All decisions are the result of compromises made between different factions, and can be impenetrable to outsiders.

A reflection of this is perhaps to be found in the proliferation of councils, committees and commissions that is emerging around the presidential and governmental administrations (employment in these administrations seems to be greater now than in the equivalent state apparatus of the Soviet Union). Their formal role is not always obvious – the Security Council appears to involve itself in many matters of economic policy, for example – nor is their constitutional status or their actual degree of influence.

Perhaps the most important factor is the absence of a strong and cohesive reform-oriented group. Reformers occupy important posts, but are not unopposed; many high-level posts are occupied by sectional or sectoral representatives, whose particular interests may distort decisions on general economic policy. Hence, it has proved very difficult for a coherent economic programme to emerge.

Since the armed confrontation between the president and the Supreme Soviet in October 1993 and the results of the subsequent elections, the constitutional ability of the President to enact legislation has been enhanced. In the absence of laws voted by the *Duma*, a decree signed by the president has the force of law, unless and until the *Duma* votes on legislation to supersede such a decree.

Corruption in the Public Service

Hence, during 1994, almost all economic policy was made on the basis of presidential decree, or decision of the government. The Constitutional Court which should resolve any conflicts remained without a quorum during 1994, with the President and the *Duma* unable to agree on its composition. Even when a decree's constitutional legitimacy is not in doubt, the possibility that subsequent *Duma* legislation may overrule some or all of its provisions (a strong possibility in the area of economic legislation) does not provide as stable

a basis for business planning as can be found in most OECD countries, or indeed in many countries in transition.

A further concern is the extent to which any legislation can be effectively put into operation. While corruption of public officials and politicians, and the influence of criminal groups on law-enforcement itself, are the subject of growing preoccupation in OECD countries, its visibility and apparent impact seems much greater in Russia. Three points are worth making about these phenomena.

While corruption of public officials and politicians, and the influence of criminal groups on law-enforcement itself, are the subject of growing preoccupation in OECD countries, its visibility and apparent impact seems much greater in Russia.

First, it seems very likely that much of this activity is generated by inadequate public services and an unresponsive public bureaucracy and legal system; if courts are not expected to require local government to fulfil its obligations, nor to enforce commercial contracts, some criminal activity provides services in a practical legal vacuum.

Second, some economic activity classified as criminal in Russia would not be so treated in OECD countries; the extent of this is declining as market-based legislation is introduced, but the reaction to the exchange rate crisis of October 1994 shows how strong earlier attitudes to financial markets remain.

Finally, some criminal practices are probably to be found within the public administration and law enforcement agencies. The opportunities for personal gain that arise from the still-high degree of regulation and control encourage this, as do generally low public sector salaries, and the defence of such opportunities of course generates resistance to deregulation.

The Economic Policy-making Process

Presidential decrees, the main vehicle in which policy has been embodied, do not typically originate in the President's Office. For the most part, a number of individuals and institutions are involved in developing them. Generally speaking, it is the influence of an individual that gives influence to the institution where he works, rather than the other way around. Nevertheless, there are a number of key institutions for reformist policies.

The Ministry of Finance, the Ministry of Economy, the teams of advisors to the President and to the Prime Minister, the Privatisation Ministry, and the Central Bank are among the most important, and committees of the *Duma* also have teams of specialists working on most

areas of policy. Draft decrees are developed in one, or several, of these and other institutions – personal connections between ministers or deputy ministers and officials in different ministries largely determine who is involved. Once a proposition has been prepared, it is the President himself, and his closest advisors, who need to be persuaded of the merits of the proposals.

Once legislation is in force, it is generally inoperative until regulations and procedures implementing it have been introduced. Depending on which ministry is assigned the responsibility for this, a law's implementation may be effective or not. In the area of some tax legislation, for example, it has frequently been the case that local tax offices have been operating on rather different rules from either governmental pronouncements or the legislation theoretically in force; communication between different levels in the same ministry is not always smooth.

Some policy measures are never fully implemented or are partially reversed by subsequent measures. The influence of corporatist groups, generally formed from particular industrial branches, can be seen in the manner in which legislation is (or is not) implemented, as well as in the lobbying process that occurs during the preparation of legislation.

The high degree of ambition of the 1995 budget is reflected in the abolition of special concessions on taxes and in trade where corporatist influence has often been seen. On the other hand, the decree (1995, No. 244) abolishing special customs arrangements also specifies that arrangements for compensating those who benefited from annulled exemptions should be made.

See: OECD Economic Surveys – The Russian Federation, 1995, 183 pages.

Words of Wisdom

“Public management is not an area in which to find Big Answers; it is a world of settled institutions designed to allow imperfect people to use flawed procedures to cope with insoluble problems.”

James Q. Wilson.

SIGMA

SIGMA – Support for Improvement in Governance and Management in Central and Eastern European Countries – is a joint initiative of the OECD Centre for Co-operation with the Economies in Transition and EC/PHARE, mainly financed by EC/PHARE. Several OECD Member countries also provide resources. SIGMA assists public administration reform efforts in Central and Eastern Europe.

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