

OVERVIEW

On the occasion of the Asian Development Bank's 30th Annual Meeting in May 1997 at Fukuoka, Japan, it was deemed appropriate to hold a seminar on a theme pertinent to the Bank's mandate. A decision was therefore taken to invite an elite group of high-level speakers to address the subject *Governance: Promoting Sound Development Management*. This publication is a summary of these eight presentations.

The focus of the seminar was on public administration and legal system reforms. First, Messrs. Shoji Nishimoto and Barry Metzger provided an overview of Bank policy and practice in the area of governance.

In his Opening Remarks, Mr. Nishimoto emphasizes that governance is increasingly recognized as an essential component of sustainable and equitable development. In August 1995, the Bank's Board of Directors approved a major policy paper, *Governance: Sound Development Management*. This paper committed the Bank to assisting its developing member countries to enhance their capabilities in this area. A Governance and Capacity Building Resource Group was recently established under the Office of the President to provide an institutional focal point for these issues within the Bank. Mr. Nishimoto concludes by expressing the view that, given the rapidly changing global economic environment, the Bank will continue to be relevant only if it can help bring about lasting improvements in the institutional capabilities of its developing member countries to manage development.

According to Mr. Metzger, it is generally agreed that the creation of an enabling environment for economic development implies the need for laws that regulate society, as well as the creation of

institutions that ensure consistent application and enforcement of those laws. A focus on the legal dimensions of the development process, however, means more than simply creating "modern" laws. It is of crucial importance to communicate the idea that specific legal interventions must be complemented by systemic approaches to law and development. A systemic approach implies a shift of focus to the resources made available to the courts and regulatory agencies, as well as to the efficiency with which such resources are utilized. Mr. Metzger concludes that, as a step towards a systemic approach, the Bank's recent law-related assistance emphasizes continuing legal education for existing professionals, especially in the public sector; and enhancing the capacity of local institutions to provide training in newly enacted laws and regulations for a market economy.

The two Bank presentations were followed by three distinguished speakers from New Zealand, Japan, and Malaysia who advocated different approaches to public administration reform.

The keynote speaker, the Honorable Ruth Richardson, former Finance Minister of New Zealand, is a proponent of the "big bang" approach to governance. Outlining how market-oriented governance reforms had dramatically transformed the economy of New Zealand, she cites the recent experience of her country as proof positive that the quality of development management is a cornerstone of prosperity. New Zealand's governance reforms, which began in 1984, utterly transformed the country's economic performance in only ten years. Its average growth has been number one among members of the Organization for Economic Cooperation and Development (OECD) since 1991, its unemployment rate is low, and the Government's budget now runs a surplus. Recent international surveys place New Zealand at the top in terms of

competitiveness and economic freedom. In her presentation, Ms. Richardson explains that the New Zealand reforms were derived from a "rethink" of the entire role of the State. The reformers were tasked with identifying those areas where the State had a legitimate role and how its job could be most effectively fulfilled. The result was the wholesale separation of commercial functions from other Government functions. Ms. Richardson concludes that while there is no panacea for economic woes, global lessons, whether derived from the spectacular emergence of East Asia or the radical reforms of New Zealand, are the same. Nothing is more important than sound development management that combines good governance with sensible economic policy.

Mr. Isao Kubota, Director General of Japan's Ministry of Finance, provides an alternative view on the role of Government in economic development. He cautions against wholesale acceptance of the belief that the East and Southeast Asian economic success stories are the result of good governance. When discussing the role of Government, the approach of the "new orthodoxy" is to assume that the government and the private sector are enemies by nature — that Government is a kind of necessary evil, and the smaller it is, the better. Mr. Kubota argues that this is not the lesson one should derive from the successful Asian economic stories. Rather, the lesson is that the Government and the private sector have basically similar goals and that when they work together to identify the optimal development policy aims for their country, and effect policy measures to achieve these goals, the full potentialities of the country are realized.

Like Mr. Kubota, Dr. Abdullah Sanusi Ahmad, Vice Chancellor of the University of Malaya, stresses the importance of Government-private sector cooperation and endorses a gradual approach to reform. He reflects that the most significant change in public

administration in Malaysia started with the establishment of the Malaysian Administrative Modernization and Manpower Planning Unit (MAMPU) in 1977. MAMPU's objectives included providing management consultant services to Government organizations, carrying out administrative reforms, and coordinating activities on human resource planning and development for effective management. During the 1980s a number of innovations and ideas were introduced and implemented. These included Government-private sector cooperation under the concept of "Malaysia Incorporated", replacement of western countries as role models by Japan and South Korea under the "Look East Policy", and programs that resulted in significant changes in the values and productivity of civil servants. Dr. Sanusi concludes that even though administrative reforms and transformation in Malaysia began more than two decades ago, the goal of excellence is ongoing and must be continually nurtured.

The three presentations on approaches to public sector reform were followed by three case studies of Bank-assisted governance and legal system reform. These were presented by key representatives of the Governments of Sri Lanka, Gujarat (India), and Mongolia.

Presenting the first case study, Dr. Lal Jayawardena, Economic Adviser to the President of Sri Lanka, states that the primary economic goal of the Government is the elimination of the overall budget deficit by 2000. This means nothing less than eliminating loss-incurring enterprises, cutting subsidies, and reducing the civilian public service wage bill and the pension burden. The objective of these reforms is to have an efficient, motivated, result-oriented, and vastly slimmed down public administration. Dr. Jayawardena explains that two main instruments of reform will be created: an Administrative Reforms Management Division,

charged with designing the reform program and overseeing its implementation; and a Management Council, charged with providing a single, central focus for all strategic policy initiatives and ensuring the overall coordination of policy development. Two additional elements of the reform process explained by Dr. Jayawardena are the assigning of sole authority for public service appointments to an independent and revitalized Public Service Commission, and the identification of redundant departments and institutions as candidates for elimination.

The second case study is presented by Mr. S. K. Shelat, Chief Secretary to the Government of the Indian State of Gujarat. Mr. Shelat tells how a weak and deteriorating fiscal position, a large state-owned enterprise sector that was draining resources, and infrastructure investment requirements far in excess of available public resources obliged the Government of Gujarat to initiate reforms. The process began in 1994, and, with Bank support, a program aimed at reducing the State's role in commerce and enhancing private sector participation in the economy was adopted. As a result of the reforms, the Government will vacate areas that can be successfully operated by the private sector. Mr. Shelat explains how the successful completion of the program will put Gujarat on the road to self reliance and improve the quality of life of its citizens.

Presenting the final case study, Mr. Jigjid Unenbat, Governor of the Bank of Mongolia, explains how the Bank's law and development program assisted with legal training, advice on commercial legislation, translation into English of the Civil Code, and preparation of a compendium of principal commercial and economic laws. Assistance was also provided for reviewing the legal framework for restructuring and liquidating commercial banks, amending the banking law and regulations, enacting the Central Bank Law, and preparing a business plan

for the Ministry of Justice. Mr. Unenbat describes the Bank's assistance in establishing a retraining center for teaching legal professionals to apply market economy principles in commercial laws and regulations, and in such lawyering skills as negotiating and drafting legal agreements and regulations.

Taken as a whole, these eight presentations represent an important addition to the literature on the subject of governance. The Bank's careful selection of speakers ensured that the subject would be addressed engagingly by some of the prime movers of reform in the Asian and Pacific Region.