

ГЛОБАЛІЗАЦІЙНІ ТА ІНТЕГРАЦІЙНІ ПРОЦЕСИ

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PUBLIC ADMINISTRATION IN DEVELOPING COUNTRIES: SOME CHALLENGES

З кінця 2007 р. глобальна фінансова та економічна криза негативно позначилася на доходах, статках та рівні життя населення як у розвинених країнах, так і в тих, що розвиваються. Криза також вплинула на публічне адміністрування, зокрема на здійснення соціальних та економічних програм і на функціонування економіки в цілому.

Метою статті є висвітлення інформації щодо походження кризи і уроків, що їх має бути засвоєно задля покращення надання публічних послуг та підвищення ефективності публічного адміністрування, котре відіграє важливу роль у забезпеченні сталого розвитку.

Ключові слова: фінансова криза, глобальна економічна криза, країни, що розвиваються, надання публічних послуг, сталий розвиток.

The global financial and economic crisis since late 2007 has had a significant negative impact on the income, wealth and living conditions in both developed and most developing countries. The crisis has also had an impact on public administration, especially on the implementation of social and economic policies and its economic functions more generally.

The paper is intended to provide with background information on the origin of the crisis and the lessons which can be concluded in order to improve the delivery of the public services and improve the efficiency of the public administration. Public administration is very important when it comes to enhance a sustainable development.

Key words: financial crisis, global economic crisis, the country that educated, provision of public services, development of loading windows.

I. Introduction

Since late 2007, the world economy has been experiencing one of its greatest crises since the Great Depression of the 1930s. Many of the major economies fell into recession; most developing countries have seen growth fall, although not as much as some economies in transition. Governments at both the national and subnational levels are facing huge financial constraints in fulfilling their functions

and are under pressure to adapt to the new circumstances and to become more effective institutions for development in the future¹.

The crisis has resurrected a debate about the economic role of public administration. Since the late 1970s, the debate has been strongly tilted towards the private sector and market-driven management approaches. The call to reduce State interventions in economic matters was followed in many countries, privileging the private sector as the engine of economic growth. In the first section of the paper we focus on how the government sector has been affected by the crisis in the majority of countries. The second part concentrates on how public administrations are responding and may evolve in the longer term as agents of development. A conclusion is offered at the end.

II. The 2008-2009 global financial and economic crisis and international actions to overcome it

The present section provides a succinct explanation of the crisis, presents a few key statistics. Since late 2007, the world economy has been going through a deep economic recession – the worst since the 1930s in terms of the decline and the geographical spread. Indicators include the following: in 2009, gross national product declined in real terms by 3.5 per cent in the developed economies, 6.5 per cent in countries with economies in transition, 2.1 per cent in Latin America and the Caribbean and 1 per cent in Western Asia; in other developing regions, while output did not contract, growth rates decreased. Initial estimates show that poverty headcount rates increased significantly in 2009 compared with 2008, by 46.7 million in the developing countries (28.5 million in East and South Asia, 13.9 million in sub-Saharan Africa, 3.3 million in Latin America and the Caribbean and 1.3 million in West Africa). Trade flows had declined at an annualized rate of 30-50 per cent by the end of 2008/early 2009, in particular in Asian economies.

The origins of the recession can be traced back to major problems in the financial sector in the United States of America. A large quantity of bank assets consisting of mortgage loans were converted by financial intermediaries into a variety of innovative secondary securities, which in turn were sold in the financial market, attracting large amounts of savings from investors around the world. Since the exchange of assets proved very profitable, the phenomenon continued and grew considerably, creating a financial bubble.

Motivated by high profits in those secondary financial operations, financial intermediaries of various types, in particular large banks, pushed the supply of loans for housing until interest rates were very low – even lower than the loan rates offered to high-quality debtors (i.e., prime rates), although loans were being granted to creditors with higher-risk qualifications. Risk analysis was widespread,

¹For comprehensive analysis of the world economic and financial crisis and its many implications, see the report of the Commission of Experts of the President of the United Nations General Assembly on reforms of the international monetary and financial system, available at www.un.org/ga/president/63/interactive/financialcrisis/PreliminaryReport210509.pdf.

World Economic Situation and Prospects 2009; and World Economic Situation and Prospects: Update as of Mid-2009 and World Economic Situation and Prospects 2010: Global Outlook, pre-release, both available at www.un.org/esa/policy/wess/wesp.

but attention was concentrated mostly on the secondary instruments' risks and much less on the risks of the underlying house loans. Thus, buyers of secondary securities were not fully aware of the total risks as these financial instruments became increasingly complex, and neither private rating companies nor public authorities provided sufficient information for the market participants. It was later recognized that official regulators had not acted promptly at the time the financial bubble was growing, assuming that the financial intermediaries themselves would have acted out of self-interest to adopt measures to prevent a crisis. At the same time, it became clear that the rating agencies had a conflict of interest, as they had a close, ongoing working relationship with the largest mortgage-backed security and collateralized debt obligations issuers. The crisis is thus the result of regulatory failure.

The collapse a leading finance house, Lehman Brothers, had a system-wide domino effect, leading to a series of defaults on mortgage loans. As a result, a number of big banks began to go into severe balance-sheet disequilibrium, resulting in bankruptcy or near-bankruptcy, not only in the United States but also in other countries where banks acquired the complex United States financial assets. It was only then that government decided to intervene, contributing with public funds to strengthen the capital of major troubled banks to avoid further repercussions such as might result from generalized bank runs or a financial crash.

As non-institutional financial investors became aware of the losses incurred in terms of wealth, they had to rapidly increase precautionary savings to deal with the impact of the financial crisis. This meant that they had to cut expenditure on goods and services. The decline in net worth of wealth itself had a negative impact on expenditure. Demand began to fall and the recession affected an increasing number of sectors; thus, the financial crisis evolved into a broader economic crisis.

The economic crisis was transmitted to many developing countries around the world through a number of channels: decreases in international trade, diminishing international tourism, falling commodity prices, capital outflows to safer countries, increased interest rates, shrinking migrant remittances and constraints on international aid and official development assistance. The crisis developed into a truly global dimensions.

As a result of the economic downturn, unemployment and underemployment increased very significantly in most countries, both developed and developing. As a result of job losses, considerable numbers of people fell into poverty. This set back the fight against hunger and the creation of decent jobs.² In addition, social protection measures in developing and developed countries came under serious pressure. Most countries will have to grow vigorously during the period 2011-2015 just to recover

² *Ravallion Martin*. The crisis and the world's poorest. Development Outreach, World Bank Institute, December 2009: http://www.academia.edu/283397/AN_ASSESSMENT_OF_PUBLIC_POLICY_RESPONSE_TO_THE_GLOBAL_FINANCIAL_CRISIS; and Vos and S?nchez (2009), "Impact of the global crisis on the achievement of the MDGs in Latin America", http://www.un.org/esa/desa/papers/2009/wp74_2009.pdf
http://www.wider.unu.edu/publications/newsletter/articles/en_GB/03-08-2009-1/

the jobs already lost. The accomplishments made towards the attainment of the Millennium Development Goals in many countries have thus been undermined.

The debt levels of the heavily indebted poor countries, including those that have benefited in the past from debt relief initiatives, are increasing. Relief measures for low-income countries have therefore been given consideration in international debates. With regard to measures to facilitate finance for the recovery views to the International Monetary Fund (IMF).³

A number of domestic measures have been adopted in various economies on several fronts. First, in order to prevent the further collapse of the financial sector, insurance mechanisms have been introduced for savings accounts to benefit the public and avert financial panic and runs; public funds have been injected into the capital of large banks and other intermediaries to prevent bankruptcies; and investigations have begun into flaws in financial regulations with a view to their subsequent reform. Secondly, in order to stimulate aggregate demand and prevent the further deepening of the recession, public expenditure programs have been put into effect, including by implementing planned investments in, inter alia, school maintenance and enhancement, environmental and energy infrastructure and science and technology to increase competitiveness. Thirdly, in certain countries, support has been provided to domestic industries considered strategic because of their contributions to employment or innovation, such as the automobile industry. Fourthly, open market operations have been introduced in the money and foreign exchange markets, to prevent bubbles and maintain the stability of interest and foreign exchange rates. In some cases, the way in which such measures have been implemented has raised public concerns about transparency, and there have been calls for the equitable distribution of stimulus packages.

Early in 2010, several leading economic indicators signaled that the worst phase of the crisis may have already ended in some advanced economies and that recovery may soon start in those countries at a slow and gradual pace. However, there is still considerable uncertainty about the sustainability of the incipient recovery. The rest of the world economy, particularly developing countries, will continue to experience growth deceleration.⁴

III. Direct challenges to public administration

The present section describes a set of challenges posed to public administration in numerous countries as a result of the crisis, although the severity of those challenges evidently varies from country to country. Although in practice many of the challenges are interrelated and a systemic approach is thus necessary if they are to be addressed in a comprehensive fashion, for purposes of clarity and simplicity, each particular challenge is presented separately.

³See the declaration issued at the Washington, D.C., summit on financial markets and the world economy, held on 15 November 2008; "The global plan for recovery and reform", issued at the London summit, held on 2 April 2009; and the "Leaders' statement" issued at the Pittsburgh summit, held on 24 and 25 September 2009.

⁴World Economic Situation and Prospects: http://www.un.org/en/development/desa/policy/wesp/wesp_mb.shtml

<http://fr.slideshare.net/undesa/world-economic-situation-and-prospects-2012-pre-release>
Update as of Mid-2009, available at www.un.org/esa/policy/wess/wesp

III.1. Leadership

The crisis is clearly a result of regulatory failure. Governments need to take steps to strengthen the prudential regulation of the financial sector, including with regard to both banks and non-bank financial institutions. This will put a huge demand on capacity in terms of human resources and information needs.

III.2. Enhanced public governance for speedy and coordinated policy responses

In order to overcome the crisis, a combination of public policies is called for in all countries, with variations depending on national features and circumstances. Typically, a public policy package to deal with the crisis would consist of:

(a) Fiscal measures, such as stimulus packages – increasing public expenditure or lowering taxes – aimed at firms and households with a view to mitigating the impact of immediate low demand for goods and services and reducing macroeconomic contraction;

(b) Monetary and exchange-rate policies aimed at lowering domestic, as well as international, interest rates, while striving to attain a currency exchange rate that makes the prices of internationally tradable goods in the country more competitive;

(c) Social protection measures and safety nets to address the vulnerability of the population, in particular the poor. These could include measures to help those who become unemployed (such as unemployment insurance, information on job offerings and support for retraining); public programs to provide essential goods and services for vulnerable people; and schemes to encourage students to stay in school and to prevent the deterioration of maternal and child health.

III. 3. Transparency

It is imperative to provide information to the public on the precise ways in which the mix of policies to overcome the crisis should be delivered and on how public budgets to stimulate recovery should be allocated, not only for reasons of credibility, but also to maintain public support for the policy package and to preserve the reputation of public authorities.

III.4. Public service delivery

As the crisis has reduced the revenues and operational budgets of public utilities and entities, all countries are preoccupied with the supply of public services. It is necessary not only to prevent a decrease in the supply of such services, but also to ensure that its growth keeps pace with demographic and economic trends. There is also a concern that, in some cases, public services may become less affordable, particularly for the disadvantaged population, if respective prices or tariffs are increased to generate additional public revenues. Delinquencies by consumers of public services could also become more frequent as income falls as a result of the recession and because prices and tariffs may be increased.

All of these factors threaten to cause setbacks in the achievement of the Millennium Development Goals, in particular with regard to effective access to training services, support for entrepreneurs and small or medium-sized enterprises, education and health services and public services aimed at sustainable development.

E-government approaches could be of enormous benefit for the implementation of such strategies. In particular, the Internet and mobile technologies can support public service delivery, especially in remote or sparsely populated areas, in both developed and developing countries.⁵ To this end, the supply of information and communications technology infrastructure, connectivity and online services must be fostered, requiring enhanced regulation to attract private investment and promote effective public-private partnerships. Demand, too, needs to be encouraged, by information and communications technology service cost and tariff reductions through increased competition and enhanced regulation. However, if such potential is to be of benefit, it will be necessary to develop content, increase the skills of public sector officials and raise the e-literacy of the population.

III. 5. Social and financial protection for vulnerable groups

Not all groups in society are equally affected by the crisis. In addition to the varying impact of the crisis in terms of income, there are significant disparities in most countries with regard to vulnerability, with different groups being exposed to different risks. For example, the risk of unemployment differs for different groups of workers (in terms of gender, skills, education levels, age, nationality, ethnicity, etc.); the risks of falling into poverty and malnutrition, dropping out of school or losing access to health-care services differ for children from different types of households (mono-parental, extended, etc.); and the risk of suffering as a result of the shutdown of certain public services varies for inhabitants of urban or rural localities, and so forth.

III. 6. Regulation of the financial sector

We must not overlook the fact that, at the very root of the present crisis were serious deficiencies in regulation and in the regulatory institutions of certain types of financial intermediaries, in particular in some advanced market economies. While it would be possible to overcome the present crisis even without changes in this respect, it is necessary, as well as a moral and political imperative, that Governments enhance those regulations and institutions in order to avoid similar crises in future.

⁵ United Nations, E-Government Survey 2010: Leveraging e-Government at a Time of Financial and Economic Crisis. The United Nations global survey of e-government presents a systematic assessment of the use and potential of information and communication technology to transform the public sector by enhancing transparency, efficiency, access to public services and citizen participation in all countries and at all levels of development. By studying broad patterns of e-government around the world, the report identifies leading countries in e-government development. It also suggests a way forward for those that have yet to take advantage of its tremendous power.

The 2010 edition of the survey was prepared against a backdrop of financial and economic crisis that is putting tremendous pressure on governments to do more with less. The report examines transparency of stimulus funding and finds that open data - the free sharing of government information based on common standards - could do a great deal to assuage unease and regain the public trust. The authors also argue that e-government technology, while no substitute for good policy, may provide regulators with a much-needed means of grappling with the speed and complexity of financial markets. Similarly, e-government can add agility to public service delivery and help governments respond to an expanded set of demands even as revenues fall short and deficits soar. This report, the fifth in the United Nations e-government series, tells us how.

IV. Opportunities for public administration in the wake of the crisis

When given adequate attention, a crisis can be a powerful and effective incentive for positive change. Public administration should turn every challenge posed by the crisis into an opportunity for welfare-enhancing reform.

The present section addresses some of those opportunities and issues.

IV.1. Opportunity to build better and more effective public administration

The current crisis provides an opportunity for public administration to reassess and reassert itself as the guarantor of law and order in all sectors (including the economic and financial sectors), stability, peace and security and a decent standard of living for the majority of people through adequate social protection and equitable public service delivery.

IV.2. Opportunity to enhance attractiveness of public service and effectiveness of public administration

Will the economic crisis highlight the importance of public administration and make it attractive as a profession? Will the best talent be attracted to work in the public service? This is an opportunity for university faculties, management development institutes and public sector human resources agencies, such as ministries responsible for public administration and public service commissions, to review recruitment processes and to highlight the usefulness of public service to the people. If public administration is to become a more effective agent for development, the best people must be attracted to public service.

IV.3. Opportunity to focus on current and, in particular, future needs

Emphasis must now be placed on building the capacity of public administration to foresee and prevent, or at least to manage, economic, financial and other crises. Emphasis must also be placed on preparing public servants who are capable of managing tomorrow today. In addition, public administration capacities must be strengthened through enhanced data-gathering and statistical systems, in many cases linked to monitoring systems. The capacity of public servants must also be enhanced so that they can adequately assess early warnings about possible crises, make a decision and act upon them in a timely manner. The needs that must be addressed by public administration must be assessed not only in terms of today, but also, and in particular, in terms of many years hence with a view to preparing for any crisis.

IV.4. Opportunity for creating new public administration institutions and new ways of working

One impact that the crisis is having on public administration relates to the creation of new institutions. The United States, for example, created the Recovery Accountability and Transparency Board. The new institution did not directly embark on its work using traditional, bureaucratic public administration means. Rather, it built a broader, problem-solving community on the basis of the concept that “none of us is as smart as all of us”, and it engaged in a week-long online recovery dialogue on information and communications technology solutions to allow government to hear from a much larger and more diverse group of vendors, customers and thought leaders in the information and communications technology community.⁶

⁶ See www.napawash.org/recoverydialogue/overview.pdf.

IV.5. Enhanced procurement systems

In order to reduce public sector investment and operational costs, thereby freeing public resources for other uses entailing larger social and economic benefits for the population, Governments often need to acquire inputs at more competitive and lower prices, outsource partially or totally the production of specific public services or engage in some sort of public-private partnerships for infrastructure and public service provision. However, in some cases, corruption among officials within public administration, or regulatory capture by industries or firms that benefit from outdated procurement or public contracting rules create obstacles to reform.

IV.6. More efficient public administration systems, in particular fiscal management regimes

It is also the case that countries sometimes face constraints in exchanging existing internal structures and procedures for new, more efficient ones. For instance, opposition from certain sectors of the bureaucracy resists supporting training for the acquisition of new skills to allow for the more effective use of management technologies, fearing that cuts in public employment will result from such administrative modernization.

IV.7. Redirecting public expenditure and investment towards long-term development priorities

As a result of the current crisis, most countries have increased public expenditure and investments to strengthen aggregate demand, limit the depth of the recession and ensure a faster recovery. Some economic analysts refer to this approach as the return of Keynesian or demand-side macroeconomic policies, in contrast to supply-side economic policies. However, the use of such terminology gives the false impression that there exists a fundamental dichotomy between those two approaches, while, in fact, they can be compatible, as demonstrated by the experience and practice of fiscal policies in several countries.

Indeed, several countries have selected, as part of the economic stimulus packages, public investment programs to increase human, physical or environmental capital. While injecting additional income into their economies in the short and medium terms, they are simultaneously building better foundations for more competitive, sustainable inclusive and equitable growth in the long term.

Investment programs of this sort are aimed at, inter alia:

(a) Building more or better infrastructure for energy generation in ways that result in lower carbon emissions and contribute to mitigating global climate change and achieving more sustainable development;

(b) Constructing infrastructure to serve the marginalized or poor in rural or urban areas in sectors such as water and sanitation and housing, reducing the deprivation of such groups and alleviating to some extent their poor living conditions;

(c) Expanding education and health services, as well as employment training, thus assisting poor and vulnerable groups with their current needs, while at the same time increasing their human capital and creating conditions more favourable for inclusive and equitable development;

(d) Providing funding for technological research and development, or for technical and administrative modernization, particularly of small and medium-sized enterprises, enhancing their competitiveness and thus strengthening that large portion of the productive base of the economy, which generates the largest proportion of jobs, including a large proportion of female employment.

It should be noted that such smart spending by public administrations not only helps economic recovery and reduces the social costs of the crisis, but also contributes at the global level to the achievement of key internationally agreed development goals, including the Millennium Development Goals.

IV.8. Restructuring or rescheduling of public debt and priority of maintaining employment levels, particularly in poor countries

Debt service is a heavy burden for numerous countries. Payments of principal and interest can absorb considerable proportions of public-sector revenue and expenditure, thus limiting to a remarkable degree the public expenditure that is needed as part of the stimulus packages. Several proposals have therefore been made in international forums aimed at establishing a temporary debt moratorium for the least developed countries.

V. Concluding remark

The rapid spread of the crisis has demonstrated that the interconnection of national economies around the world has reached a very high level, strengthening the trend towards globalization. The international dialogue must therefore continue, aimed at better policy coordination to facilitate the recovery, enhanced systems for the early detection of possible future crises and assistance to countries, mostly in the developing world, to improve public financial regulation, at the same time as international financial institutions carry out much-needed reforms.

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МАТАКАС ЮОЗАС, ЮНЯВИЧЮС АЛЬГИС

СВОБОДНОЕ ПЕРЕДВИЖЕНИЕ ГРАЖДАН И ПРИМЕНЕНИЕ ИСКЛЮЧЕНИЯ В ТРУДОУСТРОЙСТВЕ НА ГОСУДАРСТВЕННУЮ СЛУЖБУ В ЕВРОПЕЙСКОМ ЭКОНОМИЧЕСКОМ ПРОСТРАНСТВЕ

Рассмотрено право Европейского Союза, которое создает благоприятные условия для граждан ЕС свободно передвигаться из одной страны в другую и найти работу в любом государстве члене ЕС.

Ключевые слова: свободное движение работников, публичный сектор, труд на государственной службе, исполнение функций публичной власти, охрана государственных интересов.

The European Union Law creates favourable conditions for the EU citizens to move freely from one country to another and find a job in any of the EU member states.

Key words: free movement of workers, the public sector, employment in the public service, exercise of powers conferred by public law, protection of state interests.

Основные свободы движения охватывают свободное движение работников, свободу учреждения и свободу предоставления услуг. Права, предоставляемые отдельным лицам, зависят от того, какой категории лиц они принадлежат [4]. Без сомнения, любые дискуссии по праву проживания и по ограничению этого права в государстве-члене ЕС должны происходить в контексте концепции гражданства Европейского Союза. Приняв Договор Европейского Союза и введя гражданство, основным правом работников стало право прибытия в другую страну и право проживания в этой стране. В Директиве 2004/38 это новое правило отражено в 11 констатирующей части таким образом: “основное и личное право проживания в другом государстве члене гражданам ЕС непосредственно предоставляет Договор и это право не зависит от исполнения административных процедур” [3].