

ASEAN Region in an International Perspective – Public Sector Reform

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The Current State of ASEAN

- 1. A dynamic and fast growing and transforming region – with a very positive growth outlook**
- 2. Diverse economies with different comparative advantages supporting intra-regional and inter-regional economic development opportunities**
- 3. ASEAN Economic Community 2015 providing an enabling environment for greater integration and impetus for transformation of the public sector**

Public Sector Reform Experience – Three Stylized Facts

- **Public sector reforms have been reactionary** — brought on by the financial crisis of 1997 -- rather than "proactionary" -- organically driven to support better service delivery. Reforms have thus focused on establishing macro-fiscal stability, with little emphasis on service delivery
- there has been a lot of transplantation of "best practice" reforms from the OECD -- without adequate underlying changes in regulation or incentives in the public sector leading to isomorphism
- Little creative redesign of old institutions, rules, regulations, and **incentives** -- the revealed preference has been to pass new rules/laws on top of old ones leading to coordination problems

Result Has Been

- Public Sector reforms have achieved the first level objective of achieving macro-fiscal sustainability
- Measures aimed to improve service delivery have resulted in improvements – issuance of permits, passports, licenses etc, doing business and attracting investments **but not so successful on the program front** – educational outcomes, addressing income inequality, promoting skills and innovation
- Performance management systems have had a mixed result thus far – evidence of performance pay, key performance indicators, key results areas shows a lot of gaming and increased transactions cost at the agency and individual level

Thoughts for the future of public sector reform

- Review, revise, and re-tailor – tailor ‘best practice’ to best fit to suit country conditions and systems whilst learning from peer-experiences
- Reforms could be focused on going-with-the-grain, rather than trying to change business processes too drastically
- Public sector reforms could be more problem-driven to support service delivery, whilst public sector institutions be more flexible and innovative
- Focus on attracting, training, and retaining top caliber and quality because a high performing public sector may not help a lot but a poor performing one can take the whole country down