

# **The Role of a Strong Public Service in an Economy: Lessons and Opportunities in Malawi**

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# Outline of the Presentation

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- Up Close with the Developmental State
- Development Oriented Market Economy (DOME): Prerequisites
- DOME: Institutional Framework
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  - Democratic developmental state as the basis for DOME
  - DOME in the context of the ***PRIMACY OF POLITICS***

# Setting the Context

- “.....there are two certainties in life: **DEATH** and **TAXES**. But taxes spent wisely could mean a fuller life and a later death for us all”
- This is how important a **GOLD STANDARD PUBLIC SERVICE** is in the welfare of a country
- An efficient public service maximizes the development potential of a country and the welfare of its people
- The public is the **HEART** of any government as it translates policies and legislation into practice, provides citizens with essential services and plays a regulatory role
- .....without a **HEART**, one is as good as **DEAD!!!**

# Setting the Context Cont'd

- As the **HEART** of government, the public service
  - Enhances the operations of government and goes hand in hand with the economic reforms sought by the government
  - Secures the continuity of government as administrations change which strengthens democracy (...in MAY 2010, WHITE HALL planning for two versions of transition depending on the coalition deal that would succeed)
  - Forms part of the basic infrastructure needed to attract and retain foreign investment
- A vibrant public service strengthens the economy and bolsters opportunities for economic growth and investment
  - A strong economy means not having to dig deep into our own pockets for essential services such as health and education
  - Means quality jobs, economic fairness and a secure future

# Setting the Context Cont'd

- By moving the public service to a higher level, the economy automatically moves to a higher level characterized by **HIGH ECONOMIC GROWTH, POVERTY REDUCTION AND IMPROVED HUMAN DEVELOPMENT**
- “.....but the paradox is that the best of the nation’s senior executives are ready to leave government, and not enough of its most talented young people are willing to join”
- However, the most critical question is: **WHAT KIND OF MARKET ECONOMY ORIENTATION WOULD REALLY CREATE AND SUSTAIN DEVELOPMENT AND PROSPERITY FOR ALL?**

# Market Economy and Development

- There is no debate about the positive relationship between the market economy and development
- There is, however, unending debate about the nature of market economy orientation vis a vis the role of the state
- The debate revolves around the question of the nature and size of government in the economy
  - *Which is better a large or small government or a powerful or weak government?*
- This debate cannot avoid bringing back to life two great economists: **Adam Smith** and **Meynard Keynes**
  - **Adam Smith**: Small governments emphasizing on full market competition (the magic of invisible hand/forces of demand and supply)
  - **Meynard Keynes**: coordination of demand and supply could be achieved through government intervention

# Market Economy and Development Cont'd

- Advent of development studies as a distinct discipline and development administration as a mechanism for harnessing development
  - **Development Studies:** Exploring why some countries are poor and others are rich and how can the poor countries catch up with the rich ones
  - **Development administration:** Ratcheting the capacity of public administration systems to carry out planned change in economic, social and political fields
    - Transforming the public service beyond the regulatory function of government, namely: maintenance of law and order, collection of revenue and application of rules, regulations, policies to carry out development orientated goals

# Market Economy and Development Cont'd

- Unprecedented development of East Asia (dubbed as the East Asian Miracle) and the rise of the Washington Consensus
  - Extensive debate about the role of the state in the East Asian Miracle
  - Sharp contrast with the rest of the developing world particularly the African continent, a home to a string of **DEVELOPMENT DISASTERS**
    - World Bank/Orthodox Economist: East Asian Miracle debited to **liberal market orientation of the countries**
    - Heterodox Economists: East Asian Miracle debited to **GOVERNING THE MARKET** according to strategic development needs of the countries
  - Served, to some extent, as the basis for the prescription of **STRUCTURAL ADJUSTMENT PROGRAMMES (SAPs)** as a remedy to resuscitate the **DEVELOPMENT DISASTERS**

# Market Economy and Development Cont'd

- The 1997/98 East Asian Crisis reignited the debate about the role and the market in the East Asian Miracle
  - ***1997 World Development Report: Bringing the State Back In but performing hugely regulatory functions***
- Ongoing global financial crisis has brought into sharper focus once again the role of the state and market in sustainable development
  - ***Developed countries are using public money to bail out struggling banks without market backlashes***
- There is now at least some global consensus that a market economy cannot be established without the government's guidance and support
  - The remnants of the debate pertains much to the optimal degrees of state involvement
  - As a rule of thumb, the degree of the state involvement has to be guided by a country's level of development

# .....Some Key Concepts

Concept	Attributes
Liberal Market Economies (LMEs)	<ul style="list-style-type: none"><li>• Economies based on arms length exchange of goods and services in which effective coordination is achieved through actors adjusting to price signals</li><li>•Equilibrium outcomes are given by the forces of demand and supply</li></ul>
Coordinated Market Economies (CMEs)	<ul style="list-style-type: none"><li>•Economies that, to a very great extent, thrive on the basis of deliberative institutions (non-market relations) to coordinate transactions and to construct core competencies (ADMARC)</li><li>•Asset specificities and complementarities imperative because of pervasive market failures</li></ul>
Social Market Economies (SMEs)	<ul style="list-style-type: none"><li>•As much market as possible, as much state as necessary</li><li>•Governing the market in the interest of equity, justice and fairness</li></ul>
Developmental States (DSs)	<ul style="list-style-type: none"><li>• A state that seriously attempts to deploy its administrative and political resources to the task of economic development</li><li>•Sets specific developmental goals and then single mindedly uses its offices and carries along with it the private sector and civil society to achieve sustainable development</li></ul>

# Up Close with Dev. State

- Concept associated with the East Asian Miracle although it is applicable to post World II European reconstruction efforts and some African countries such as Botswana, Mauritius and Cape Verde
- Preoccupied with ensuring sustained economic growth and development on the back of high rates of accumulation, industrialization and structural change
- Strove for legitimacy by delivering steady improvements in the material and social wellbeing of their citizens
- Directly and actively influenced the direction, pace and goals of development rather than leaving it to uncoordinated forces or an invisible hand
- Exploited the market and coordinated investment plans in such a way that it crowded in rather than crowded out private investment
  - Effective economic coordination as an absolute priority while strove to minimize **BUREUCRATIC FAILURE**
  - **CREATING** rather than **PICKING** winners in the engagement with the international economy (strategic engagement)

# Up Close with Dev. State Cont'd

- Developmental States flourished in mixed capitalist states
  - Dynamic alliances in pursuit of a common goal of economic growth and development between political powers and private sector, and between banks and public and private firms
- A great deal of flexibility in order to eliminate what does not work, tweak policies and build on those that work
  - Economic success is essentially work in progress **requiring and anchored by a discerning PUBLIC SERVICE**
- Broader, visionary and pragmatic leadership and competent economic bureaucracies usually insulated from political pressure
  - Not only **POLITICAL LEADERSHIP**

# DOME: Basic Prerequisites

- Investment in human capital underpinned by a strong linkage between provision of basic education and development of capability for growth and transformation
- Strengthening of political systems, government mechanisms and legal systems in which democracy and respect of human rights are secured
- Effective use of not only central governments, but also local organizations and self-government, non-governmental organizations (NGOs) and the private sector
- The establishment of open and competitive and dynamic economy structures to mobilize individual initiative and dynamic private enterprise

# DOME: Institutional Framework

## *A developmental vision*

- Existence of a vision that must specify the desired socio-economic outcomes and the timeframe over which national goals are to be attained
- Not an abstract definition of progress but a **SHARED MAGNET** capable of influencing individual and social behaviour
- Must be based on consensus within and across parties, civil society, business and organized labour (some kind of an organizing national philosophy)
- Consistent and clear communication with citizens to ensure the vision is understood and embedded in today to today interaction
- Part of the long-term vision depends on quality leadership manifested in its determination to drive a development and modernization project not as a favour but a service to the nation
- **VISION 2020: WHERE ARE WE? A NATION WITHOUT A VISION PERISHES**

# DOME: Institutional Framework Cont'd

## *Efficient Bureaucracy*

- Must be efficient, well coordinated and staffed with the **BEST and BRIGHTEST for GOVERNMENT IS SERIOUS BUSINESS**
  - East Asian Tigers attracted the best and brightest to work for the public sector
  - Entry into the public sector based on competitive examinations and not simply **REDEPLOYMENT** putting loyalty first and not technical competence
  - A source of pride to serve the government
- Must have the administrative, technical and political capacity and competency to set national goals, make use of the market, implement and systematically monitor the impact of policies
  - Overreliance on external consultants prescribing the direction of the country on the basis of **TWO WEEKS OF WORK???**
  - Current state of flux of development planning and implementation at the district level: **DECENTRALIZATION, SWAPS and DONORS/NGOs**

# DOME: Institutional Framework Cont'd

## *Efficient bureaucracy cont'd*

- Must be strong enough to resist being captured by opportunistic social forces that might undermine its capacity to design and implement policies that are focused on economic and social development
  - Patronage driving policies instead of policies driving patronage
  - Liberalization of the tobacco industry and the implementation of subsidy programme
- Must be motivated by service to the country above personal, political and tribal interest
  - Esprit de corps towards stated national goals and not seeking to use government for self-interest and gain
  - The danger is that without a competent bureaucracy the government itself risks becoming an impediment to **TRANSFORMATION**

# DOME: Institutional Framework Cont'd

## *Getting the Policy Mix Right*

- Success of economic development and transformation depends on the quality in the content of policies
  - Getting the right policies, proper sequencing and flexibility to adapt to changing circumstances
  - Pragmatism and flexibility as well as effectiveness in implementation, avoiding straight-jacket economic ideologies and dogmas
- Importance of domestic factors, most importantly the right domestic policies
  - Avoiding more or less habitual tendencies in which consultants are simply parachuted in to advise on policy, some of who have never been to Malawi before)

# **DOME: Institutional Framework Cont'd**

## ***Integrated Long-term Development Plan***

- No developing country has progressed economically without a long-term development plan
- A long –term development plan is crucial for the identification of a core of priorities for a nation
  - ....it is easy for governments to become disorientated or blinded with short-term interests
- Long-term development plans must have public and stakeholder legitimacy
  - Long-term development plans should almost become official ideologies irrespective of changes in administrations

# DOME: Institutional Framework Cont'd

## *Partnership btwn Govt., Bus., Labour and Civil Society*

- Constructive partnerships between state and private sector with tradeoffs both ways but with the ultimate goal of radically transforming the economy
- Partnerships are sustainable if growth is equitably distributed or at least perceived to be
- ....there must be an appearance of not only the burden of suffering but also the benefits of economic growth being equitably distributed across society
- A strong public sector in this case is quite critical
  - To get the economy going emphasis must be on strategic positioning of the public sector to drive the process
  - If you have a lousy public sector then you end up with a lousy private sector, even if it is a step a head

# **DOME: Institutional Framework Cont'd**

## ***Knowledge Creation and R&D for Innovation***

- Growth and transformation are driven by knowledge hence the state must promote creation and sharing of knowledge at all levels of society
- No country can make significant headway without innovation and adoption of new technologies which are dependent on R&D
- State, where possible, must take the lead to create or seize opportunities but only if the best and the brightest are taken on board
- .....and knowledge management is extremely critical which is hardly existent at the moment

# DOME: Institutional Framework Cont'd

## *Engagement with the international environment*

- Exploiting emerging developments both in the political and economic arenas
- Ongoing global financial crisis that has challenged some orthodoxies in the field of development
  - Offers the opportunity to refashion development paradigms
  - Pursue development objectives that are particular to countries' context
- Developed countries have used public money to bail out struggling banks

# Issues and Challenges

- Two main issues pose challenges in terms of thinking about domesticating a development oriented market economy
  - Defeatist legacy of the public sector
  - Changing context of the public sector

## ***Defeatist legacy of the public sector***

- Public service gaining reputation for inefficiency, corruption and incompetence
  - Public service is undermining rather than maximizing the country's development potential
  - Public service widely seen as a vehicle for class formation and wealth accumulation rather than the desired ethos of honour, trust and integrity
- ***A key question is how can the public service work in smarter, faster and more accountable ways to deliver better services to citizens?***

# Issues and Challenges Cont'd

## *Changing context for public service*

- Economic changes and redefining government resulting in treating citizens as customers or clients but at what expense?
- Globalization making international dimensions of public administration more important than ever
- Technological advancements must be exploited to enhance government performance
- Citizen participation promoting concern for equity and justice as opposed to merely efficiency and effectiveness
- Establishing ethical basis for public administration in terms of standards of behaviour since every action that an administrator takes involves an effort to discover and clarify public interest
  - The public must be convinced that those in office, whether political or administrative, seek public interest

# Going Forward

- The way forward is to strive for a democratic developmental state as the basis for market orientated development
  - The political and bureaucratic elites are not only autonomous but also accountable
  - Economic growth takes place at the same time as distribution
  - Consensus among political parties, civil society and private sector over the urgency of economic development and growth
  - More inclusive and greater citizen participation in decision making
  - Civil society is not only vibrant but also strengthens the strategic capacity of the state and tackle problems of poverty and insecurity

# Going Forward Cont'd

- But it is argued that a developmental state is impossible in democratic conditions
  - Most East Asian Tigers developed under autocratic regimes
  - Aims of a democratic developmental state are potentially contradictory and difficult to achieve: autonomy and accountability; growth and distribution; and consensus and inclusiveness
- .....the debate about development versus democracy is simply wrong
- The answer lies in the **PRIMACY OF POLITICS but what is POLITICS?**
  - Politics entails all activities of conflict, negotiation and cooperation in the use, production and distribution of resources whether material or ideal, whether at local, national, international levels whether in public or private domains

# Going Forward Cont'd

- ***On the PRIMACY OF POLITICS***
  - What matters primarily is not whether a regime is democratic or not but the nature of its politics that both generates and sustains the state
  - Politics determines the kind and quality of governance and the effectiveness of its developmental capacity and the kind of state that is able both to spur and shape development
  - The question is what kind of politics makes each of them—that is—democracy, good governance and development at the same time?
    - .....the question of **POLITICAL SETTLEMENT** becomes paramount
- Strong political leadership and a highly skilled bureaucracy backed up by effective systems will be required to provide steady national direction
- ...and simple institutional mimicry in transferring policy or institutional reform ideas from one place to another should be avoided at all costs
- **IT IS SIMPLY DANGEROUS!!!!**

ASANTE SANA

...and no

Questions