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# **Public Sector Restructuring: The Institutional and Social Effects of Fiscal, Managerial and Capacity- Building Reforms**

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United Nations Research Institute for Social Development

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## Acronyms

<b>ACBF</b>	African Capacity Building Foundation
<b>ADB</b>	Asian Development Bank
<b>AFR</b>	Africa
<b>BT</b>	British Telecom
<b>ECA</b>	Eastern Europe and Central Asia
<b>ECLAC</b>	Economic Commission for Latin America and the Caribbean
<b>ESAF</b>	Enhanced Structural Adjustment Facility
<b>EU</b>	European Union
<b>EUA</b>	Estados Unidos de América (United States of America)
<b>GDP</b>	gross domestic product
<b>GP</b>	general practitioner
<b>IMF</b>	International Monetary Fund
<b>LAC</b>	Latin America and the Caribbean
<b>NGO</b>	non-governmental organization
<b>NHS</b>	National Health Service
<b>NPM</b>	new public management
<b>OCDE</b>	Organisation de coopération et de développement économiques / Organización de Cooperación y Desarrollo Económicos
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OPA</b>	old public administration
<b>PAYE</b>	pay-as-you-earn
<b>PIP</b>	Public Investment Programme
<b>PSM</b>	Public Sector Management
<b>SAL</b>	Structural Adjustment Loan
<b>SECAL</b>	Sectoral Adjustment Loan
<b>SFEM</b>	second-tier foreign exchange market
<b>SUNAT</b>	Superintendencia Nacional de Administración Tributaria
<b>UK</b>	United Kingdom
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations Children's Fund
<b>UNRISD</b>	United Nations Research Institute for Social Development
<b>US</b>	United States
<b>ZEMP</b>	Zambia's Educational Materials Project

## Summary/Résumé/Resumen

### Summary

There have been tremendous pressures in the 1990s to change the character and functions of the state in developed and developing countries alike. Multilateral financial agencies and neoliberal analysts question the state's nationalistic, hierarchical, redistributive and interventionist character, which they believe is partly responsible for poor service delivery and economic performance in many countries. They seek to transform the state into a market-friendly, lean, managerial, decentralized and customer-oriented institution. However, the core elements of reforms are sometimes contradictory as different social forces drive them in different contexts. There are tensions between, on the one hand, concerns for market efficiency and deregulation, and issues of accountability and equity, on the other.

This paper provides an overview of the major issues, trends and problems in public sector reform. The Programme of Action of the World Summit for Social Development does not spell out concrete strategies of public sector reform for achieving the goals of poverty eradication, employment promotion and social integration. The state's capacity to produce the desired results was generally taken for granted. But will efforts to reform the state along pro-market lines facilitate governments' pursuit of development? Are states likely to assume and sustain their responsibilities in providing good, affordable services to their citizens?

The paper addresses these issues in seven sections. The first section introduces the basic argument. Section II examines four global issues that are driving public sector reforms: financial globalization, fiscal deficits, the adjustment programmes of multilateral agencies, and democratization. Sections III to VI discuss the various components of public sector reform, which are fiscal stability, managerial efficiency, capacity building and public accountability. Reforms dealing with fiscal stability apply to all states, although they may vary across countries. In general, fiscal reforms are the most consistently pursued reforms, and have implications for public sector employees, state capacity and social development. They deal with issues of downsizing or expenditure reduction, privatization and tax reform.

Public Sector Reform: A Review of the Literature and the World Bank's Experience

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