

## Summary

The Economic Committee's main publication, the APEC Economic Policy Report, focuses on the structural reform agenda. Chapter One of this year's report establishes a range of generalized high-level principles for good public sector governance, identifies key tensions in public sector governance and the processes that have evolved to overcome these challenges. Chapter Two focuses on how domestic institutions can contribute to the structural reform process, characteristics of effective institutions and how effective institutions can be developed. Finally, the Annex reviews individual economies' domestic public sector governance reform activities over the last 10 years and identifies key priorities and challenges for the future.

Structural reform consists of improvements made to institutional frameworks, regulations and government policies. These improvements help foster an economic environment which supports the efficient functioning of markets; contributes to macroeconomic stability, productivity and economic growth; and ultimately enhances living standards in a sustainable way.

## Forward Work Program for LAISR



## Chapter 1: General Principles of Good Public Sector Governance

### Rule of Law

Four key lessons from previous reforms show that new legislation should reflect the realities of the institutional environment; legal procedures should be simplified; social norms and cultural practices should be incorporated into new law; and a transparent and inclusive reform process reduces opposition.

### Transparency

General lessons from previous reforms relate to the importance of providing adequate information, promoting an independent and capable mass media system, and pursuing innovative and simple methods of communication.

### Accountability – Oversight and Control of the Public Sector

Political accountability can be enhanced by establishing appropriate checks and balances, mechanisms for decision making, and independent institutions to monitor the activities of government agencies. A crucial factor in achieving an efficient, effective and ethical public sector is the existence of a strong, independent and well resourced public sector auditor. Tight central control over the creation and proliferation of government agencies is also important.

### Managing the Performance of Public Sector Agencies

Performance in the public sector can be improved by granting managers more decision-making authority over implementing government policies and programs, as long as mechanisms are in place to hold managers accountable for performance. Performance management can also contribute to good governance by ensuring that performance objectives are clear and using indicators to measure progress towards targets.



**Rule of law** plays an important role in Viet Nam's reform measures. Through its "doi moi" (renovation) process, Viet Nam is gradually improving the quality of its legal and regulatory documents, and incrementally replacing state regulation of civil, economic and trade relations with civil law based on traditional customs that protect property rights.



**Accountability** for results in New Zealand's state sector has been managed through a negotiated purchase agreement between ministers and departmental chief executives, which includes appropriate performance measures and an assessment of the resources needed to achieve the organization's targets.

### Public Sector Ethics and Probity

The ethical characteristics of public sector organizations can be managed through the creation of organizational cultures and the use of codes on values and ethics.

### Responsiveness to Stakeholders

Transparency, timeliness and accessibility are all important components of responsive government. Responsiveness can be enhanced through contracting, privatization, decentralization and creating one-stop shops.

### Risk Management

Risk management is a tool for the public sector to identify, evaluate and manage both risk and opportunity. Risks should not necessarily be avoided; if managed effectively they allow opportunities to be seized for improving public services.



### An Effective Policy Review Institution

Designed to deal with the predominance of vested interests and the lack of transparency in the policy-making process, the Council on Economic and Fiscal Policy in Japan has been instrumental in achieving structural reforms of pensions and medical care, among others. Key attributes of the Council include its transparency and representation on the council of government departments with broad portfolio responsibility. Its practices have ensured an integrated approach to economic policy making and helps to neutralise vested interests.

## Chapter 2: Using Institutions to Support Structural Reform

### Key Messages

- Structural reform is not easy because of the diversity of economic interests involved.
- Institutions can support the structural reform process by supporting both the economics and the political economy of structural reform. Structural reforms may deliver a better set of rules governing the operations of markets, and these new rules will require institutions to implement and enforce them.
- When a policy review is being conducted, institutions can play a useful role by identifying better policy options, managing vested interests, and assisting policy coordination within government.
- Effective policy review institutions have statutory independence, an economy-wide view, transparent processes, and the requisite technical capability.
- Policy review institutions can support the political economy of structural reform in two ways: by providing a technical solution through the identification of better policy options; or by being part of a strategy to deal with vested interests. Regional examples of such institutions within APEC Member Economies all bear at least some of the hallmarks of effective policy review institutions.
- If the key need identified by Member Economies is in identifying or implementing better policy options then regional assistance needs to be tailored to helping to provide the necessary technical solutions. The experiences over time of various APEC Member Economies at different levels of development can help to lay out a structural reform "ladder," allowing economies at lower levels of development to keep moving gradually in the right direction, while avoiding sequencing problems or inconsistencies.
- As the delivery mechanism for structural reform the APEC Economic Committee, with the involvement of ministers in the driving seat, needs to include assistance in "selling" reforms domestically, and not just in identifying them. This requires developing broad domestic ownership of the reforms.

### APEC Economic Committee (EC)

The EC has a mandate to progress structural reform within APEC by undertaking policy analysis and action-oriented work, in coordination with related APEC fora such as the Finance Ministers' Process (FMP). The EC progresses this mandate through the Forward Work Program for LAISR, which includes elements of policy dialogue, capacity-building and awareness-raising for each LAISR theme.



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