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GENERAL DISCUSSION OF INTERNATIONAL ECONOMIC AND SOCIAL POLICY, INCLUDING REGIONAL AND SECTORAL DEVELOPMENTS

Role of the public sector in promoting the economic development of developing countries

Report of the Secretary-General

CONTENTS

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I. INTRODUCTION

1. This is the second comprehensive report of the Secretary-General on the role of the public sector in the economic development of developing countries submitted to the General Assembly, through the Economic and Social Council, at the request of the Assembly. In resolution 34/137 of 14 December 1979, the General Assembly took note of the first report (E/1979/66) and invited the Secretary-General to submit a comprehensive report to the Assembly at its thirty-eighth session, paying special attention to certain specified aspects: the role of the public sector in the mobilization of national resources for economic and social development; the role of public enterprises as the main instruments of the public sector and ways of increasing their efficacy; the role of the public sector as a lever for introducing national development plans and establishing social and economic priorities; and the role of the public sector in relation to other sectors of economic activity. Emphasis was also to be given to ways to strengthen the public sector as a basis for developing national and international measures and to ways to facilitate the exchange of experience and information on the role of the public sector within developing countries.

2. In resolution 1979/48 of 31 July 1979, the Economic and Social Council, having taken note of the first report on the role of the public sector in promoting the economic development of the developing countries (E/1979/66), requested the Secretary-General to submit a further progress report to the Council at its second regular session of 1981. In resolution 1981/45 of 20 July 1981, the Council took note of that progress report (E/1981/66) and recommended that it should be transmitted to the General Assembly, together with the comprehensive report to be submitted in accordance with General Assembly resolution 34/137.

3. The present report deals directly with those aspects of the role of the public sector specified by the General Assembly in resolution 34/137, as enumerated in paragraph 1 above. Section II covers the role of the public sector in the mobilization of national resources for social and economic development; section III, the role of the public sector in planning, regulating and promoting other sectors; section IV, the role of public enterprises as the main instruments of the public sector and ways of increasing their efficacy; section V, ways of strengthening the public sector as a possible means of developing appropriate national and international measures; section VI, the exchange of experience and information among developing countries on the role of the public sector. Conclusions are presented in section VII.

II. MOBILIZATION OF NATIONAL RESOURCES

4. The role of the public sector in mobilizing resources for economic and social development is diverse. The public sector mobilizes resources for its own use by raising revenue and by borrowing from other sectors. It also lends, and in so doing, mobilizes resources. It helps to raise resources for capital accumulation by promoting savings. The public sector also mobilizes labour directly in local public works and engenders public enthusiasm for and commitment to its programmes.

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A. Government revenue

5. The public sector mobilizes resources principally by raising revenue. In 45 of the 47 countries for which there are data, the ratio of total government revenue to gross domestic product (GDP) exceeded 10 per cent in 1978 (see table 1). In the United Arab Emirates it was 0.4 per cent and in Nepal 7 per cent. In 15 countries the ratio ranged from 15 per cent to 19 per cent, the other 30 countries being evenly distributed among the 10-14 per cent range, the 20-24 per cent range and the over-25 per cent range. Government revenue includes all receipts from taxes, income from property and fees for services. Several factors account for the spread in this measure of resource mobilization by government. Countries in which the per capita gross national product (GNP) is high are generally in the higher ranges of the effort to mobilize resources: Barbados, Chile, Morocco, Panama, Tunisia, Venezuela and Zambia. Conversely, the least developed countries - Benin, Nepal, Rwanda, United Republic of Tanzania and the Upper Volta - are in the lower ranges. In apparent contradiction, however, one finds the low-income countries of Mauritania and Sri Lanka in the higher ranges and the high-income countries of Colombia, Ecuador, Guatemala, Mexico and Paraguay in the lowest.

Table 1. Total government revenue as percentage of GDP in selected countries, 1978

10-14 per cent	15-19 per cent	20-24 per cent	Over 25 per cent
Colombia	Benin a/	Brazil	Barbados
Ecuador	Burma	Indonesia	Chile
El Salvador	Burundi a/	Kenya	Egypt a/
Guatemala	Costa Rica	Liberia a/	Mauritania
Honduras	Dominican Republic	Malaysia a/	Morocco
India	Fiji	Mauritius a/	Oman
Nicaragua	Mexico	Nigeria a/	Panama
Pakistan	Papua New Guinea	Singapore	Sri Lanka
Paraguay	Peru	Syrian Arab Republic	Tunisia
Philippines	Republic of Korea	Uruguay	Venezuela
Rwanda	Senegal a/		Zambia
Thailand	Sierra Leone a/		
	United Republic of Tanzania		
	Upper Volta		

Sources: International Monetary Fund, Government Finance Statistics Yearbook, vol. VI (Washington, D.C., 1982); and Yearbook of National Accounts Statistics, 1979, vol. I (United Nations publication, Sales No. E.80.XVII.11).

a/ Data for 1977.

6. The openness of each economy to international trade is also a factor contributing to a high ratio of revenue to GDP. The public sector in low-income countries open to international trade, such as Sri Lanka or Mauritius, may more easily mobilize resources for the public sector than can an economy at similar levels of income but less open to international trade, such as India. Commodities for export, even when produced by a large number of small-scale establishments, can be conveniently taxed in most countries. Similarly, imports may be taxed at the point of entry. A second relevant factor may be the competence of legislative and executive authorities to formulate and implement tax laws efficiently. Finally, differences among Governments in their perception of the role of the public sector in the economy accounts for some divergence in the measure of resource mobilization. A predilection for the provision of goods and services by private enterprises would stand against a philosophy that encourages the public sector to mobilize resources on a large scale.

B. Tax and other revenue

7. In mobilizing resources for the public sector, substantial differences exist among countries in the instruments used. Tax revenue is the most important instrument (see table 2). In 39 of 52 countries, taxes are the main source of government revenue. Non-tax revenue is mainly income from property and payment of fees for services and licences. Income from property and receipts from other non-tax sources form a preponderant part of government revenue in six of the 52 countries. Profits or royalties from the exploitation of petroleum resources provide the bulk of government revenue in Bahrain, Iran, Kuwait, Oman, the Syrian Arab Republic and the United Arab Emirates. In Indonesia and Venezuela, the petroleum industry is the dominant source of revenue. However, as these resources arrive as tax revenue and not as income from property, Indonesia and Venezuela are not into the same category as the previous six countries. Income from property and other non-tax revenue contribute less than 10 per cent of all revenue in 21 countries. This low proportion may be accounted for by scanty ownership of property by the public sector and by meagre returns on such investments as they own. The largest number of countries, 25, fall between these two extremes. They include Botswana, Burma, Singapore, Togo, Trinidad and Tobago, Tunisia and the Yemen Arab Republic, where 20-40 per cent of government revenue is income from property and other non-tax revenue. Among these countries high income from property rather than other non-tax revenue has put them into the higher category, as compared with 18 countries which receive only 10-20 per cent of their revenue from these two sources.

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Table 2. Non-tax revenue as percentage of total government revenue in selected countries, 1980

Less than 10 per cent	10-19 per cent	20-39 per cent	Over 60 per cent
Brazil a/	Argentina	Botswana	Bahrain b/
Colombia	Bahamas a/	Burma a/	Iran a/
Costa Rica	Bolivia a/	Singapore	Kuwait b/
Dominica a/	Dominican Republic a/	Togo b/	Oman a/
El Salvador a/	Fiji	Trinidad and Tobago a/	Syrian Arab Republic
Ghana	Haiti	Yemen b/	United Arab Emirates
Guatemala	India		
Indonesia	Jordan a/		
Ivory Coast	Kenya		
Liberia b/	Malawi		
Malaysia a/	Morocco		
Paraguay a/	Nepal a/		
Rwanda a/	Niger		
Sierra Leone b/	Pakistan		
Sri Lanka	Philippines		
Swaziland	Sudan		
United Republic of Cameroon	Thailand		
Upper Volta a/	Venezuela		
Uruguay			
Zaire			
Zambia			

Source: International Monetary Fund, Government Finance Statistics Yearbook, vol. VI (Washington, D.C., 1982).

a/ Data for 1982.

b/ Data for 1981.

C. Borrowing by the public sector

8. Revenue and grants are not the sole means of mobilizing financial resources. In 1979, the Governments of most of the developing countries for which there are data spent more than they collected in revenue and grants (see table 3). In six countries, government expenditure and lending, less repayment, exceeded revenue and grants by 50 per cent or more. In 14, the excess ranged from 25 per cent to 49 per cent. In the largest group of developing countries (19), up to 24 per cent of the expenditure was financed from loans; in 15 there was a surplus after meeting total expenditure and lending, less repayment. The resources in excess of revenue and grants were met from loans. In contrast to meeting these expenses from revenue

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and grants, borrowing has two major consequences. First, the public financial operations of the Government become a source that adds to aggregate demand. In most developing economies such demand engenders higher prices and increased imports. Second, the public debt rises necessitating higher expenditure for interest. When the funds are borrowed from overseas, payments abroad also increase. The mobilization of resources for the public sector by borrowing is constantly balanced against these other major components of aggregate demand.

Table 3. Expenditure and lending, less repayment, as percentage of total revenue and grants in selected countries, 1979

Less than 100 per cent	100-124 per cent	125-149 per cent	Over 150 per cent
Bahamas	Argentina	Bolivia	Ghana
Bahrain	Barbados	Costa Rica	Liberia
Botswana	Brazil	Dominican Republic	Mauritius
Burma	Dominica	Egypt	Pakistan
Chile	Ecuador	Guyana	Panama
Colombia	El Salvador	Haita	United Republic of Tanzania
Djibouti	Fiji	India	
Kuwait	Guatemala	Kenya	
Oman	Indonesia	Malawi	
Paraguay	Malaysia	Morocco	
Peru	Mauritania	Nepal	
Singapore	Mexico	Sierra Leone	
United Arab Emirates	Papua New Guinea	Sri Lanka	
United Republic of Cameroon	Philippines	Thailand	
Venezuela	Senegal		
	Trinidad and Tobago		
	Upper Volta		
	Uruguay		
	Yemen		

Source: International Monetary Fund, Government Finance Statistics Yearbook, vol. V (Washington, D.C., 1981).

D. Government savings

9. In mobilizing resources the public sector also finances gross capital accumulation. Table 4 contains information on the proportion of gross accumulation financed by government savings, which is the difference between current revenue and current government expenditure. Together with domestic savings in other sectors and the net transfer of resources from abroad on capital account in the balance of payments, government savings finance total gross accumulation in the economy. A high level of government savings is a manifestation of efforts on the part of the

Government to raise revenue and keep current expenditure in check. In economies with open-ended government commitment to provide services, restraint on current expenditure has become difficult. When government revenue meets severe barriers to expansion, Governments must resort to large-scale borrowing.

10. The public sector is an important source of resources for capital accumulation in 7 of the 13 countries for which there are data (see table 4). In four, however, the public sector drew on savings by other sectors to finance current expenditure. In the other two countries, the mobilization of resources by the public sector for capital formation was small. Although the number of countries for which there are data is small, they do not, excepting the United Republic of Tanzania, fall into the lower-income group. Since the data have been assembled from two entirely independent sources, there may be discrepancies. Nonetheless, table 4 indicates the variety and extent of the efforts undertaken by the public sector to finance capital formation. The largest proportion of resources for capital formation is mobilized by the private sector. The contribution of the public sector varies from substantial to negative.

Table 4. Sources of gross capital accumulation in selected countries, 1978

(Percentage)

Country	Government	Private	External
Brazil	8	78	14
Costa Rica	-6	106	-
Dominican Republic	22	46	32
Nicaragua	-18	122	-4
Panama	-4	104	-
Papua New Guinea	-22	115	7
Paraguay	25	75	-
Philippines	10	90	-
Republic of Korea	13	87	-
Tunisia	29	37	34
United Arab Emirates	21	78	1
United Republic of Tanzania	4	62	34
Venezuela	31	69	-

Sources: Yearbook of National Accounts Statistics, 1979, vol. I, (United Nations publication, Sales No. E.80.XVII.11); and International Monetary Fund, Government Finance Statistics Yearbook, vol. VI (Washington, D.C., 1982).

Note: Government finance for gross accumulation is the current account surplus, as provided in the Summary Table for each country in Government Finance Statistics Yearbook, vol. VI. External resources are as presented in table 3 for each country in Yearbook of National Accounts Statistics, 1979. Contribution by the private sector is residual.

E. Borrowing from the banking system

11. One consequence of borrowing rather than taxing and using other means is that the Government may become the single largest debtor in the banking system. Table 5 indicates that this is indeed the situation in many countries. Thus, of 72 developing countries in 1980 for which there are data, in 10 more than half the assets in the banking system were claims on government. In 11 the proportion was one third or more. One consequence of this situation is to crowd the private sector out of the credit market. However, where there is no private sector seeking credit, this may not occur. The more pervasive influence is likely to be that the Government may be persuaded to keep interest rates low in order to reduce the interest on the public debt. Low interest rates may also be maintained to keep the cost of capital low and thereby encourage investment, to extend credit to small-scale farmers or craftsmen at low cost, or to keep the cost of rural credit from individual lenders from becoming exorbitant.

12. Low interest rates, however, may not offer a real rate of return to lenders and savers, and consequently efforts to mobilize resources for investment can be jeopardized. This can be serious where the Government itself contributes little by way of public savings, as shown in table 4. The problem becomes acute where persistently high rates of inflation reduce the real rate further. In virtually all the countries shown in table 6, the rates of increase in prices for consumer goods in 1980 exceeded the interest rate of the central bank or the treasury bill rate. Although interest paid to depositors may be higher, the difference is unlikely to negate the observation that real rates of interest (obtained after discounting money rates by the rate of increase in the price level) were not high enough to encourage savings. Such low rates of return to savers and lenders discourage the mobilization of resources for investment. Furthermore, low real rates of interest cheapen the price of capital and cause distortions in the allocation of resources.

Table 5. Claims on Governments as a percentage of assets of the banking system in selected countries, 1980

0-9 per cent	10-29 per cent	30-49 per cent	Over 50 per cent
Bahrain	Afghanistan	Bangladesh	Bolivia
Benin	Algeria	Egypt	Democratic Yemen
Botswana	Argentina	Ethiopia	Ghana
Brazil	Bahamas	India	Guyana
Colombia	Barbados	Liberia	Jamaica
Ecuador	Burundi	Malawi	Mauritius
Indonesia	Central African Republic	Mexico	Sierra Leone
Kuwait	Chile	Nepal	Somalia
Oman	Congo	Pakistan	Sudan
Paraguay	Costa Rica	Sri Lanka	Zambia
Qatar	Dominican Republic	Zaire	
Rwanda	El Salvador		
Saudi Arabia	Fiji		
Seychelles	Gambia		
Singapore	Guatemala		
Suriname	Honduras		
Swaziland	Jordan		
Trinidad and Tobago	Kenya		
United Arab Emirates	Malaysia		
United Republic of Cameroon	Mali		
Venezuela	Mauritania		
	Nicaragua		
	Nigeria		
	Papua New Guinea		
	Peru		
	Philippines		
	Thailand		
	Tunisia		
	Uruguay		
	Yemen		

Source: International Monetary Fund, International Financial Statistics Yearbook, 1981 (Washington, D.C., 1982).

Table 6. Increase in consumer prices and interest rate of central bank in selected countries, 1980

(Percentage)

Country	Increase in consumer prices	Interest rate	Country	Increase in consumer prices	Interest rate
Bangladesh	13.2	8	Malawi	18.4	6-10
Barbados	18.3	5-8 a/	Mauritania	9.9	5.0
Botswana	13.9	5-7 a/	Mauritius	42.7	6-10.5
Brazil	82.8	18-33 a/	Mexico	26.4	4.5
Colombia	26.5	20-30	Niger	10.3	10.5
Costa Rica	18.1	7-8	Pakistan	11.7	9-10
Ecuador	13.1	8	Peru	59.2	9-29.5
Egypt	20.6	5-11	Rwanda	7.2	4.5
Ghana	50.1	8-13.5	Senegal	8.8	8-10.5
Guatemala	16.7	5-8.5	Sri Lanka	26.2	6.5-13.0
Guyana	14.1	6-12.5	Syrian Arab Republic	19.0	5
India	11.5	9	Thailand	19.7	11-13.5
Iran (Islamic Republic of)	20.7	8-9	Trinidad and Tobago	17.5	6
Ivory Coast	14.6	8-10.5	Tunisia	10.0	5.5-7.5
Jamaica	26.8	8-11	Upper Volta	12.3	8-10.5
Jordan	11.0	5-6	Venezuela	21.6	7-13
Madagascar	18.3	5-5			

Source: International Monetary Fund, International Financial Statistics Yearbook, 1981, (Washington, D.C., 1982).

a/ Treasury bill rate.

F. Money and capital markets

13. In developing market economies, a major mechanism for mobilizing resources can be the credit and capital market. Many Governments have attempted to develop financial institutions and instruments to promote savings. A central bank is essential to a network of institutions in order to broaden financial markets. Accordingly, most developing countries have established central banks. These central banks generally perform functions contributing to the growth of financial markets, in addition to the usual functions of central banks in developed countries with mature money and capital markets. Central banks in many developing countries contribute to the capital of financial institutes and subsidize the earnings of those that spearhead the development of credit markets. They provide expertise and know-how in the initial stages and train personnel in banking functions.

14. Many Governments have also sought to establish financial institutions to serve selected parts of the economy. For example, in several ESCAP countries (Burma, India, Indonesia, Malaysia, Pakistan and Sri Lanka), government-owned banks have tried to bring banking facilities to rural areas and to persons whose access to banking facilities had been narrowly circumscribed. Together with co-operative enterprises, banks in rural areas have mobilized the savings of mostly small producers who previously had no access to well organized financial markets. Perhaps more important, the credit so provided has been instrumental in mobilizing complementary resources for small-scale producers to raise their output and standard of living.

15. In urban and industrial areas, similar facilities have been provided through the creation of development finance institutions with a part of the capital contributed by the public sector. Although these are primarily not means of mobilizing financial resources, they have contributed to it by providing relatively small capital contributions and valued expertise in management to enterprises in their early stages. A further means of mobilizing financial resources has been the establishment and expansion of life insurance institutions. Life insurance policies with premiums priced for low-income earners have been sold by insurance organizations, especially those owned or directed by the public sector. In several developing countries, unit trusts or similar institutions have been established to mobilize small-scale savings, mostly in cities. Savings by those regularly employed also have been mobilized by contributions to employees' provident funds.

16. Many developing countries have established or strengthened stock exchanges to promote the market for financial assets. In the Ivory Coast, Morocco, Nigeria and Tunisia in the ECA region, India, Malaysia, the Philippines and Thailand in the ESCAP region, and Argentina, Brazil, Chile and Mexico in the ECLA region, such exchanges have operated for two decades or longer. Government securities form the bulk of the financial instruments traded. High profit margins earned by enterprises often enable them to finance programmes of expansion from their own surpluses. However, as enterprises grow and become more competitive, both in product markets and financial markets, stock exchanges have become increasingly useful both for purposes of mobilization and allocation. These markets also make feasible the mobilization of savings in the hands of medium-income earners into investment in economic ventures.

G. Public works programmes

17. The public sector plays a role in the mobilization of resources by the employment of otherwise idle labour in public works programmes. Successful projects of this nature have been carried out in Bangladesh, Kenya and India. In most developing economies where most of the labour force is agricultural, seasonal unemployment provides opportunities for labour on public works programmes in rural areas at wages lower than otherwise available to government. These periods of seasonal unemployment may become extended because of such disasters as drought and flood which make farming unfeasible. In these circumstances, the public sector intervenes both to provide purchasing power to rural families and to mobilize their labour in building roads, irrigation facilities and other infrastructure that can

raise productivity. As most construction work does not require complex engineering studies, there is no drain on the scarcer, more costly, skilled labour. Since the public sector, in any case, may incur much of this expenditure to support the purchasing power of the needy, the opportunity cost of the capital assets constructed under these schemes to the Government can be low. However, in order to minimize the drain on personnel for management and organization, and to reduce the cost of transport and lodging for labour, the projects should be kept small. This limits the usefulness of this means of mobilizing resources to small projects of local interest.

III. PLANNING, REGULATION AND PROMOTION

18. The role of the public sector in relation to other sectors of economic activity is diverse, whether between countries or between periods of time in the same country. The identity of these other sectors differs depending on the objectives and policies of the public sector. In formulating macro-economic objectives, for example, in planning and in fiscal and monetary policy, the private sector becomes the other sector. Within the private sector are other groups that become targets of public sector policy. Enterprises and activities owned and operated by multinational corporations or foreigners may fall into one such category. Enterprises that are domestically registered and owned, and large compared to others in the economy, may be another. They might become the target of policies aimed at reducing levels of monopoly and restrictions in production and trade. In parallel fashion, enterprises that produce on a small scale in selected industries may be slated for differential treatment by the public sector. Activities operated by co-operative enterprises comprise another sector that the public sector may target for its policies. Similarly, it is possible to identify many sectors to which the public sector can be related in diverse fashions. In this section some of these relationships are discussed.

A. Planning social and economic development priorities

19. There is virtually no developing country in which serious attempts are not being made by the public sector to direct and co-ordinate the functioning of the economy to achieve development goals and to establish social and economic priorities. There is no consensus on the nature or the desirability of these goals and the means for achieving them; they vary in accordance with the initial conditions in the economies, the commitment of Governments to certain objectives and the capacity of the Government to formulate and implement policies. These attempts at policy formulation and assessment, on the one hand, and policy implementation and evaluation, on the other, have frequently emerged as formal plans with varying degrees of technical sophistication.

20. The plans generally define priorities between levels of current consumption and future consumption by diverting varying proportions of current output to investment. In many countries, plans also are instruments for deciding priorities in the allocation of resources among distinct regions of the country. High priority may be given to particularly backward regions, such as north-east Brazil,

Mindanao in the Philippines and the southern Sudan. A plan may assign high priority to raising the levels of income among selected groups. The diversion of resources for small-farmer development schemes in India and measures to raise standards of living among _bumiputra_ (indigenous people) in the New Economic Policy of Malaysia are examples. The public sector also defines priorities in the allocation of resources to agriculture, industry, construction and others. Within each sector, there are further decisions regarding activities to receive higher priority. In agriculture, high priority may be accorded exports in one instance, food crops in another and crops for industrial raw materials in a third. In industry, priorities for production of commodities for current consumption in light industry and for investment and intermediate commodities in heavy industry are decided upon by the public sector in many of the larger developing countries. The public sector determines, to a larger extent than in the preceding instances, priorities in the allocation of resources for social services: education, health, housing and welfare services. In education, there are further decisions regarding priorities between different levels (primary, secondary and tertiary) and the kinds of education (general, vocational, technical) to be provided. Similarly in health, priorities have been determined among preventive and curative health services and the locations to be served (rural and urban).

B. Limits to planning

21. In the formulation of plans and the establishment of priorities, the role of the public sector is circumscribed and limited by several factors. First is the volume of material resources at the disposal of the public sector. In those economies where a larger proportion of resources pass through the public sector (as measured by the ratio of government expenditure to GDP), the role of the public sector in the general determination of priorities is greater. As shown in table 7, in almost half of the countries, the ratio lay between 10 and 20 per cent. In 10 countries, the ratio exceeded 30 per cent; for some countries the ratio was unusually high: Oman (55 per cent), Sri Lanka (41 per cent), Morocco and Mauritania (36 per cent) and Tunisia (35 per cent). The public sector in the latter 10 had greater leverage in the establishment of social and economic priorities than in the first group of 18 owing to the greater control over the disposal of resources they commanded.

22. However, it would be an error to assume that the sheer capacity to mobilize and allocate resources is the sole or even strongest lever available to the public sector in the determination of priorities among resources. The public sector employs many instruments to influence priorities in the allocation of resources in the private sector. Two of the most powerful instruments are taxes and subsidies, which are often used to alter rates of return to the producer such that there are incentives to shift to the cultivation of a profitable crop from another that would not have been profitable. Similarly, the protection from international competition provided by government has shifted priorities to the production of commodities hitherto imported, and subsidies to producers of exports have helped shift resources likewise. Taxes and subsidies, especially subsidies, are an effective means of transferring incomes among groups of people at different levels of income. A less pervasive but widely used instrument for establishing priorities is

the allocation of credit among sectors of economic activity. With the support of central banks and other financial institutions, where these are in the public sector, Governments can shift resources in the economy from one sector to another, and from one region to another.

23. The efficacy of the public sector in determining priorities by means of these instruments is itself circumscribed by the competence of the machinery of government. Thus, the institutional factors, as well as the motivation, skills and competence of public sector employees, are important determinants of the ability of the public sector to implement the priorities established. Institutional factors include the structure of public administration and level of decentralization. The least-developed countries suffer compared to other countries, because they do not have, in general, as many trained and skilled public sector employees.

Table 7. Total central government expenditure as percentage of GDP in selected countries, 1978

10-19 per cent	20-29 per cent	Over 30 per cent
Burma	Brazil	Barbados
Colombia	Costa Rica	Mauritania
Dominican Republic	Fiji	Morocco
Ecuador	Honduras	Oman
El Salvador	Indonesia	Panama
Guatemala	Kenya	Papua New Guinea
Haiti	Singapore	Sri Lanka
India	United Republic of Tanzania	Syrian Arab Republic
Mexico	Uruguay	Tunisia
Nicaragua	Venezuela	Zambia
Pakistan		
Paraguay		
Peru		
Philippines		
Republic of Korea		
Thailand		
United Arab Emirates		
Upper Volta		

Sources: Yearbook of National Account Statistics, 1979, vol. I (United Nations publication, Sales No. E.80.XVII.11); and International Monetary Fund, Government Finance Statistics Yearbook, vol. VI (Washington, D.C., 1982).

Note: Data refer to central government expenditure only. Where other units of government are important, the true ratio may be understated.

C. External factors

24. In addition to these factors, which are largely internal to economies of developing countries, there are economic factors that have severely reduced the capacity of the public sector to determine desirable priorities. The demand for export commodities, their prices and import capacity are three factors over which the public sector may have little control but which impinge heavily on the capacity of the public sector to establish priorities in economic and social development. In economies where exports are a substantial component of final demand, wide fluctuations or secular decline in demand have seriously impaired the capacity of the public sector to plan and determine priorities. Where receipts from export duties contribute heavily to government revenue, rapid and adverse changes in prices of exports have made budgeting and fiscal policy highly vulnerable to these fluctuations. Where imports are important as a source of supply to satisfy consumer demands on a wide front, and as a source of critical intermediate and capital goods to maintain levels of production and investment, again the public sector has been at the mercy of external forces in determining its priorities for development.

D. Least developed countries

25. In the least-developed countries, the role of the State in economic and social development has been extremely important. 1/ The private sector lacks the necessary structures, institutions and manpower. Private sector enterprises may not be able to mobilize resources, organize production activities and introduce technology. Government, in most instances, provides the most sophisticated and well-organized set of institutions for promoting economic and social development. However, the public sector itself suffers from weaknesses in the structure and nature of its institutions and the availability of personnel. The mobilization of resources is more difficult than in other developing countries because of the low level of incomes, the absence of high income enclaves that can be taxed easily, and the poor development of financial markets. These weaknesses stress the need for improvement in the machinery of government in the least-developed countries.

E. Other forms of intervention

26. The role of the public sector in relation to other sectors of economic activity can be viewed from many perspectives. From the perspective of inter-industrial relations, the public sector in some developing countries is the source of critical input. Where coal, electricity, steel and cement are produced mainly in the public sector, the dependency of the other sectors on manufacturing and of construction activity on performance in the public sector is heavy. Similarly, where fertilizer and chemicals for agriculture are produced in the public sector, the private sector depends heavily on the public sector for its supplies. An alternative source of dependency arises where import trade, and therefore supplies from abroad, are in the hands of state trading organizations. The critical factor, which in many cases may be long-distance transport by rail, is commonly owned by the public sector. The ownership and control over supplies of

critical input by the public sector gives it a large measure of power over the direction and the volume of activity in other sectors. An equally powerful instrument for the control of other sectors is the power wielded by the public sector over the allocation and channelling of credit. Some of this power derives from the functions of the central bank as the source of reserves and as the regulator for the banking system. In addition, in economies where banks and other financial institutions are owned by the public sector, as in India, Mexico and Pakistan, the power available to the public sector to influence other sectors is many times larger.

F. Administered prices

27. Quite apart from these relationships that arise from the ownership and control of input to activities in other sectors, the public sector in many developing countries acts to determine prices of both input and output of selected commodities. Control over wages by enforcing minimum wage legislation and over interest rates have consequences that pervade almost the entire economy. Agricultural requirements, such as fertilizer, pesticides and seed, are frequently subsidized in order to raise land productivity. A floor price to ensure a satisfactory return is a common feature of agricultural development policies in many developing countries. Similarly, ceiling prices on important consumer goods are enforced to moderate the rise in the cost of living. These subsidies on producers' and consumers' prices modify the profitability of activities in the affected areas from what they may have been without the intervention of the public sector. In certain situations, the complexity and the pervasiveness of administered prices have substantially reduced the effectiveness of prices as market signals for the allocation of resources.

G. Regulation

28. In most developing countries the public sector regulates enterprises in other sectors for a variety of reasons. The public sector, in most instances, prescribes the conditions under which banks, insurance companies and other financial institutions may be set up and formulates rules for their operation. These rules often cover minimum required capital, kind of liabilities they can incur, broad indications regarding the assets they may hold and the nature of accounts to be maintained and presented to the public. These regulations are enforced by public sector institutions such as the central bank, agencies for supervising insurance and finance companies and similar organs of the Government. The minimum objectives of the public sector in those instances are to protect the public against fraudulence and mismanagement. In many instances they are extended to include other purposes. Credit may be controlled or extended to particular groups of activities either to encourage or curb them. Funds of insurance agencies may be directed to particular uses, such as the purchase of government securities and treasury bills. The availability and terms of consumer finance may be regulated with a view to regulating demand in the aggregate or in specified sectors.

29. A further purpose of regulation is to ensure safety and certain minimum levels of comfort in the work place. Much "factory legislation" and inspection work

towards these ends. These regulations are particularly important in mining and similar hazardous occupations.

30. Recently, the public sector has taken to regulating the activities of other sectors, especially enterprises in large-scale industries, to minimize the effect on the environment. Large-scale manufacturing industries add toxic waste matter to the environment, with danger to both plant and animal life. Damage may also come in the form of soil erosion, salination and desertification, mainly in Africa. Regulation by the public sector to prevent degradation of the environment, or to reduce the danger caused in the course of productive activities, will occupy the attention of the public sector with increasing intensity.

31. A pervasive form of regulation undertaken by the public sector is that on the availability and the price of foreign exchange. Governments in most developing countries from time to time have directly allocated foreign exchange to various users rather than permit it to be allocated by means of the price mechanism. Prices have been used as a supplementary mechanism by establishing multiple exchange rates in many countries. The complexity of these regulations, and the fear of corruption in the public sector in allowing the private sector to circumvent the regulations, have more recently led to greater reliance on the price mechanism in several countries.

32. The public sector also regulates the functioning of markets in other sectors to ensure that monopoly power is kept in check. Established and powerful enterprises have been restricted from extending particular lines of activity so that they may not raise their market share further. Conditions have also been made more favourable for small-scale and new entrants into the market.

H. Foreign enterprises

33. Relations between the public sector and foreign enterprises in developing countries vary substantially. On the one hand, foreign enterprises bring in technology, including management know-how and capital, and open up export markets. On the other hand, they reduce the control of the economy by the public sector because their functioning and decisions tend to be governed by the requirements of global planning in their head offices. A recent and rapidly developing way of responding to the concerns of developing countries has been the establishment of joint ventures in which domestic and foreign enterprises collaborate to undertake economic activity. In other instances the public sector has limited penetration of the domestic economy by foreign enterprises and encouraged competing domestic enterprises.

I. Co-operative enterprises

34. Co-operative enterprises function in a variety of relations with the public sector. In most countries the formation of co-operative enterprises is encouraged and fostered by the public sector. Often, co-operative enterprises are direct instruments of government policy for the distribution of essential consumer goods,

for the supply of credit and other input to agriculture and as agencies marketing the output of their members. For Governments seeking to raise popular participation in the process of development, the co-operative sector has held a special attraction.

IV. PUBLIC ENTERPRISES AS THE MAIN INSTRUMENTS OF THE PUBLIC SECTOR

A. Wide and growing role for public enterprises

1. Spread of public enterprises

35. As instruments of public policy, public enterprises are now almost universal. Apart from their common use in centrally planned economies, they are widely used as instruments of public policy both in developed and developing market economy countries. In developing market economies, whether in Africa, Western Asia, Latin America or the Asia and Pacific regions, the long-term tendency has been for a more widespread use of public enterprises as instruments of the public sector.

36. Public enterprises are widely used at all levels of government whether federal (or central), state or municipal. The presence of public enterprises among the major sectors of economies is almost universal. In developing countries, public enterprises probably are most common for utilities (electricity, water and communications), in transport (land, water and air) and in manufacturing. In mining, public enterprises are especially important in such diverse countries as Brazil, Guyana, India, Iraq and Zambia. In the construction industry, public enterprises are of substantial importance in several countries where they undertake large programmes of irrigation works and land settlement, as in Malaysia and Sri Lanka. In manufacturing, public enterprises dominate in Iraq, Jordan, Morocco and the Syrian Arab Republic. In banking, public enterprises play an important and sometimes dominant role in India, Mexico, Pakistan and Uganda, to name a few. Most parts of the insurance industry are owned and operated by public enterprises in several countries, including India and Sri Lanka. In the tourist industry, public enterprises run hotels and tour services, as in Jamaica and Thailand. State trading organizations dominate export and import trade in many countries. In internal trade, public enterprises are important instruments of government policy in several countries, although at a distinctly lower level of significance than in international trade. In agriculture, however, which employs most of the labour and contributes the largest proportion to the GDP for any single sector, public enterprises have a much less marked presence than in most other sectors. Some ancillary services, such as the supply of fertilizer seed or tractors or the marketing of produce, are organized under public enterprises. Enterprises such as the marketing boards in West Africa, the Fertiliser Corporation of India, or the Paddy Marketing Board in Sri Lanka have been used as effective instruments of public sector policy.

2. Rapid growth of public enterprises

37. The proliferation of public enterprises also can be seen from their growth in most developing countries. In Western Asia, in Bahrain, Kuwait, Qatar, the United

Arab Emirates and Saudi Arabia, in 1975 there were 65 public enterprises, whereas in 1960 there had been none. Since the large-scale nationalization of private enterprises in 1964 in Iraq, many new public enterprises have developed for a variety of purposes. In Democratic Yemen, since 1976, there have been no new privately owned large-scale enterprises. In the ESCAP region there has been a marked growth in the number of public enterprises: in India the number has increased from five in 1951 to 153 in 1978; in Malaysia, from 10 in 1951 to 701 in 1979; and in Indonesia, from 103 in 1960 to 168 in 1979. In Latin America there was rapid growth of public enterprises in Guyana, Jamaica, Mexico and Trinidad and Tobago in the 1970s. In the ECA region public enterprises were created rapidly in Algeria, Ghana, the United Republic of Tanzania and Zambia. As an example of an economy where public enterprises are important, one might cite these figures for Mexico in 1975: value added in public enterprises was 11 per cent of GDP; public enterprises paid 13 per cent of all tax revenue; public enterprises exported 37 per cent of all commodity exports and imported 30 per cent of all commodity imports; and more than 50 per cent of all public sector investment originated from public enterprises. 2/

3. Public enterprises as instruments of policy

38. As an instrument of the public sector, public enterprises are used in a wide variety of policy areas. A long-standing policy among many Governments of both developed and developing countries, has been the ownership of such "natural" monopolies as electricity, telephone service, other communications systems and railways. In another policy sector, public enterprises have been used as an effective instrument in producing commodities of strategic value to the defense of a country and to the self-sustained growth of the economy. In some instances these requirements have been satisfied by one set of commodities. Public enterprises also have been used to assume control of critical sectors of an economy from foreign ownership - PETROBRAS in Brazil, PERTAMINA in Indonesia and several enterprises under the Charte Nationale in Algeria in 1976.

39. Public enterprises have also been used to reduce the concentration of economic power within the private sector. The reservation of 10 basic industries under the Economic Reform Order in 1972 in Pakistan was, in part, aimed at reducing the concentration of economic power in manufacturing and finance in the hands of a few entrepreneurs. Additional public enterprises have been used to gain control of the "commanding heights of the economy". Public ownership and the attendant ability to control the direction of operations in selected enterprises can provide a Government with power it would lack when it attempted to regulate and direct the same enterprises in the private sector. Banks and such industries as steel, cement and electricity, which can produce a common input to most economic activity are cases in point.

40. Public enterprises also have been used as instruments of government policy to bring about egalitarian patterns of development and to stabilize prices of selected commodities. Perhaps the best known examples of the latter are the marketing boards for various commodities in the export trade of several African countries. State trading organizations in many countries are used as instruments of policy in

international trade, as well as in managing foreign exchange reserves. Research and development of technology and products is a further public enterprise area.

41. As instruments for implementing policies of providing equity finance to enterprises in the private sector, public enterprises have played a seminal role. For example, the Pakistan Industrial Development Corporation, set up in 1950, contributed to the growth of enterprises in the private sector by contributing initial capital.

42. In the promotion and maintenance of employment, public enterprises have played an important role in several developing countries. Public enterprises have been established in many instances to continue activities in private sector enterprises on the verge of collapse, or planning to discharge their employees.

43. This attempt at enumeration of the variety of purposes for which enterprises have been used by government, although not exhaustive, highlights their importance as an instrument of public sector policy. Systematic comparative information in respect of the importance of public enterprises in these various uses among countries is scarce, but there is the distinct impression that in most developing countries, in a wide variety of policies, extending from industrialization to finance and from employment creation to the regulation of foreign trade, public enterprises indeed are an important instrument of the public sector.

B. Ways of increasing the efficacy of public enterprises

44. In these circumstances, increasing the efficiency of public enterprises is a matter of major importance in the achievement of the objectives of government policy. Within the broad framework of economic and social conditions and policy, Governments have striven to make public enterprises more efficacious instruments. The problems connected with lower levels of efficiency can be seen as those external to the enterprises and those internal to them. The external ones emanate from a conflict of objectives set for public enterprises and the multiplicity of authorities directing and supervising them. The internal ones originate in the response of public enterprises to market signals in mixed economies, in the nature of the techniques of management and management information and the scarcity of skilled management personnel. Improvements have been registered on all these fronts in most developing countries, much remains to be done.

1. Conflicting objectives

45. Many objectives for which public enterprises are used by Governments cover a good part of the spectrum of government activities in economic and social development. In most instances public enterprises have been enjoined to pursue many of these objectives simultaneously. Some of the objectives have been in mutual conflict. A common conflict is that between the need to earn a profit and yet also serve other economic and social objectives. Publicly owned banks are generally expected to run at a profit, yet government may require them to provide credit facilities in rural areas even at a loss. Bus services connecting thinly

populated settlements may not return costs, but are mandated for social and political reasons. In another instance, ceiling prices for the purchase of food grains by a public enterprise may be set at levels too low to provide incentives to producers because low prices are a necessary ingredient of policies aimed at keeping the cost of living down and reducing government's financial deficit. The development and adoption of advanced technology, at least in the short run, may run counter to policies of providing a larger number of opportunities for employment.

46. One consequence of these conflicts has been a mismeasure or an inability to assess the efficacy of public enterprises. A return on capital is a common and fairly easily understood measure of the success of a public enterprise, provided it is that which the public sector had set out to achieve; but, as shown, this may not be the case. Some public enterprises may resemble government departments in that they are not expected to show a profit. Others may resemble private enterprises in that profit is the paramount consideration. In between are combinations of these objectives in varying proportions. Without resolving these conflicts, or at least indicating an order of priority among them, public enterprises may not have clear objectives.

47. The resolution of these conflicts has not been easy either in principle or in practice. The nature of these complexities has been pervasive enough in some quarters for them to suggest the adoption of techniques in project evaluation and review for the assessment of the performance of public enterprises. 3/ As has been the experience in the work in project evaluation, the application of these techniques is not likely to provide unequivocal results which can be used without discrimination. On the other hand, used with circumspection and skill, these answers are likely to be superior to single measures of profit and loss in the assessment of the efficacy of public enterprises.

2. Direction, control and supervision

48. Public enterprises in developing countries are subject to a diversity of control and direction from other government agencies. In contrast, a private sector enterprise is held together by its need to show a profit. Each direction of change can be measured against this requirement so that a coherent and mutually consistent set of controls and supervisory procedures emerges. The concept of public purpose served by public enterprises is amorphous, inarticulate and variable. The price of a commodity produced by a public enterprise may be decided upon by a ministry of trade or food supplies whose objective may be to hold down prices. The wages may be determined by a ministry of labour whose objective may be to maintain satisfactory wages and working conditions. The ministry of economic affairs may require domestic products even though they may be costlier than imported substitutes. The ministry of finance may seek a surplus from the operations of the enterprise, and there may be no means of reconciling these conflicting priorities. The large number of agencies exercising such functions and the conflicts among them have resulted in costly delays and inefficiency in public enterprises.

49. There are several institutional arrangements in developing countries which have been used to provide control and supervision. In several developing countries in South Asia (India, Pakistan and Sri Lanka), public enterprises are under the control and supervision of a minister to whom they are assigned. There is, in addition, a central bureau in the ministry of finance to collect and analyse information and to perform other functions. One, in the case of India and Sri Lanka, is to service a standing committee of the legislature on lines somewhat similar to the Public Accounts Committee. The supervising body may be removed from a ministry and vested in a holding company, as in Singapore and Zambia. Some holding companies, such as PERTAMINA in Indonesia, may function with even greater freedom from the legislature when they generate resources from mining or petroleum. Finally, there is the control and supervision provided by presenting reports and accounts of enterprises by the auditor general before the legislature.

50. In many developing countries there have been attempts to keep a healthy distinction between policy formation, control and supervision, on the one hand, and the management of public enterprises, on the other. While the former are deemed well within the ambit of central agencies of the machinery of government, the latter functions have been considered to be best performed, except in extraordinary circumstances, without interference from the central agencies. Autonomy in management has been behind the rationale for creating public enterprises as distinct from other government agencies. It has been argued that ad hoc intervention would unwisely introduce procedures which properly belong in government departments and ministries.

3. Efficient management

51. Public enterprises have been a centre of much attention because of the need to raise their internal efficiency. Since most developing countries are mixed economies, one set of measures adopted for these purposes has been that public enterprises should follow market signals more closely and be subject to the discipline of the market. Consequently, public enterprises in several countries have had recourse to borrowing in the market rather than depending on the ministry of finance for working capital. In many cases lower prices for utilities owned by the public sector have been raised to the same level applied to similar customers in the private sector and exemption from taxes has been rescinded.

52. Efficiency in public enterprises also has been raised by the adoption of new techniques for making investment decisions and management. The more widespread adoption of project analysis to help budgeting decisions, together with systematic planning, have helped public enterprises function with economy and efficiency. The generation of information for improved management decisions has been another useful innovation. In enterprises with large volumes of transactions and rapid turnover, such as banks and electricity and telephone companies, the use of computers has helped to serve customers and manage cash assets more effectively.

53. The supply of management personnel is a long-standing problem with public enterprises in most countries. A long-term solution is the training of staff and adoption of policies to retain persons with adequate skills and experience in

management. A short-term expedient has been to obtain management teams on contract from the private sector, often from foreign sources. An alternative solution has been to establish joint ventures with private sector participation, the latter providing management.

V. STRENGTHENING THE PUBLIC SECTOR

54. The public sector has a pervasive influence on the development of the economies of all developing countries, as shown in the earlier sections of this report. The public sector produces goods and services, transports them, buys and sells them and consumes some. It is an important source of finance and it borrows from the public. In addition, the public sector plans, regulates and oversees the functioning and the development of the economy and is one of the main agents for transactions with the rest of the world. It also is an important agent of innovation and the spread of technology. In these and diverse other ways, the public sector contributes to the promotion of economic and social development in developing countries.

A. Administrative reform

55. A more efficient and effective public sector can bring about much improvement in these efforts. In very general terms, improvement can be sought in policy formulation, implementation and effect on the public. Policy analysis will bring out relationships often neglected - for example, connections to other policies, and the number of institutions that need to collaborate to avoid conflict and waste. An examination of implementation of policies, to which most attention has been traditionally accorded, helps to raise efficiency in the use of resources and increases the probability that the policy objectives are achieved. Although much less effort has been spent on inquiries into the impact of policies and programmes on the public, the effects of the analyses that have been carried out have influenced subsequent policies in several developing countries. An outstanding example of these studies is the impact of the "green revolution" in developing countries in Asia. The differing effects of these and similar policies on groups of the public characterized by differences in income, education and wealth have led to policies and programmes aimed to benefit these target groups.

56. The strength of the public sector in policy formulation, implementation and evaluation depends largely on the machinery of government. Sustained efforts have been made in developing countries to raise efficiency in public administration, although given the problem, much remains to be done. In most developing countries, there have been periodic examinations of the structure of public administration and working of the subsystems. Some attention has been paid to financial and personnel administration to identify systems that would work most effectively in each developing country. The reach of the machinery of government has been extended by the rapid growth of regulatory administration and public enterprises. Public administration has also had to face complex and new problems, such as bringing about better access to services by the disadvantaged and the adoption of new technology. Consequently, administration reform has taken on new meaning and shape in developing countries.

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B. Training personnel

57. Any significant strengthening of the public sector in this manner requires substantial resources and effort for the training of personnel. In the least-developed countries, the need for training is striking. In such other countries as Indonesia and Nigeria, the number of public sector employees has increased rapidly during the past few years. In practically all developing countries, there are the expanded and new functions of the public sector for which personnel need to be freshly trained. The situation is further complicated by the rapid growth of techniques and equipment for processing information for management, for which personnel need further training.

C. Financial management

58. Of the various skills and techniques that personnel in the public sector need to master, perhaps the most productive will be management, budgeting, accounting and auditing. The functions of management in large-scale projects and public enterprises have required sophisticated techniques of budgeting to enforce an efficient use of resources. In order to formulate, implement and evaluate budgets based on these new techniques, it also is necessary to maintain accounting and auditing functions so as to generate the information required for these purposes. Consequently, the techniques of programme and performance budgeting, cost accounting and performance auditing need to be adopted together in one programme of financial management. As there are wide variations among developing countries in the availability of skilled personnel, the training needs will themselves be varied. In some, the major requirement may be skills in bookkeeping and regulatory auditing. In countries with abundant supplies of these skills, it will be possible to undertake training personnel in more sophisticated techniques.

59. In training personnel in financial management, universities, staff training colleges and similar institutions need to play a major role. The concentration of teaching facilities at these institutions make feasible the more productive use of teachers, in contrast to a situation where trainers have to divide their time between training and other activities. The trainers would also be able to develop teaching materials to suit the particular features of each country rather than copying from other environments. These professionals at teaching institutions can also provide a pool of expertise to be drawn upon to assist the regular government machinery in examining problems and proposing remedies.

VI. EXPERIENCE OF DEVELOPING COUNTRIES

60. A useful line of activity at the international level is the exchange of experience and information among developing countries on the role of the public sector in promoting economic and social development and the problems encountered therein. This exchange is all the more necessary because there are few directly applicable lessons from history, as the present extent and nature of public sector participation is unprecedented. By the same token, it needs be emphasized that the experience of each developing country itself should be well analysed and understood

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so that such experience will be useful to other developing countries. Questions of particular interest to developing countries, and which can become the subject of fruitful exchange among them, include those relating to institutional structures and relations among various institutions in public administration, public enterprises and the way the machinery of government has addressed itself to the tasks emerging from new perceptions regarding development and training.

A. Forms of public sector intervention

61. As shown above, there are many ways in which the public sector in developing countries intervenes to promote development. There is direct intervention in productive activities, as exemplified by the growth of public enterprises in these sectors. There are régimes of economic regulation of varying degrees of rigidity over economic and social life in developing countries. Another mode of intervention by the public sector is that of using market signals to provide selective incentives. The choice of intervention is based on a multitude of factors: institutional strength of the public sector, capability of personnel to assume more onerous burdens, availability of alternative institutional mechanisms such as a well developed private sector, and the ideological stance of the Government in power. With each mode of intervention there have emerged certain problems with varying answers and solutions. A better understanding of the rationale for the choice of a particular mode and of the successes and problems ensuing therefrom would be of immense value to those concerned with the role of the public sector in promoting economic development.

B. Assessment of public enterprises

62. One marked consequence of the extension of the role of the public sector has been the rapid growth of public enterprises. There are several patterns of relations between public enterprises and other major institutions in the public sector, which continue to be matters of concern because the efficiency of these enterprises may partly depend on such institutional arrangements. Since public enterprises are a rapidly growing and important component of the machinery of government, improving their efficiency is important to the public sector. This task is complex and confusing because adequate measures for assessing performance in public enterprises are yet to be developed. The experience of public enterprises in regard to these aspects can be of much value to developing countries.

C. Decentralization

63. A major challenge before the public sector is decentralization. One purpose of decentralizing the machinery of government is to bring administration closer to the public. Decentralization may also provide better access to public sector services. Also, it has long been argued that decentralization simplifies processes and raises efficiency. Developing countries have acquired substantial experience in their efforts to decentralize public administration. Two particular issues should be examined further: first, those conditions and requirements that call for

decentralization and make success possible; second, the nature of the decentralized functions, the modifications and changes required in institutions, systems and personnel requirements, and the changes in financial procedures necessitated by decentralization.

D. Curriculum and teaching material

64. Training to meet the growing and changing needs of development has been a major preoccupation in public administration. From one point of view, it is a question of training more people in a short period, as in those countries in which the public sector has expanded rapidly. More importantly, however, there are fundamental questions regarding the curricula and material used in teaching institutions in developing countries. Much has been adopted from developed countries, but there have been some attempts to develop new curricula and teaching materials.

E. Activities of the United Nations system

65. Organizations in the United Nations system have undertaken to facilitate the exchange of experience and information on the role of the public sector in developing countries. The Department of Technical Co-operation for Development of the United Nations Secretariat, in co-operation with the Government of Pakistan, convened an international symposium on the economic performance of public enterprises in November 1981 at Islamabad. This symposium was in the nature of a pilot project and concentrated heavily on experiences in the host country. The Department also held a workshop on curricula design for management development at Arusha, United Republic of Tanzania, in July 1981. 4/ An interregional seminar on regulatory administration for development will be held in May 1983 at Bangkok. The United Nations Industrial and Development Organization convened an Expert Group Meeting on the Changing Role and Function of the Public Industrial Sector in Development at Vienna in October 1981. 5/ The deliberations threw much light on a wide range of issues relevant to the role of the public sector as an instrument of public policy. The International Centre for Public Enterprises in Developing Countries held an Expert Group Meeting on the Concept, Definition and Classification of Public Enterprises at Tangiers in December 1980, at which these wider issues regarding public enterprises were discussed. The United Nations Secretariat also has published several monographs which aim at transmitting information and experience regarding the role of the public sector among developing countries.

66. The major emphasis in these seminars and publications has been on the public enterprise sector, primarily because of the importance of such enterprises to the public and the gravity of the problems regarding them. However, there are wider considerations, mentioned in General Assembly resolution 34/137, in respect of which developing countries have acquired valuable experience. Accordingly, it would be most useful if opportunities were provided for the exchange of this experience at international seminars, the results of which could be subsequently disseminated to a wider audience.

VII. CONCLUSIONS

67. The public sector plays a dominant role in the development of developing countries. It mobilizes, either in the form of government revenue or loans, a large proportion of the total economic resources of a country. In allocating them to various uses, the public sector in large measure determines the main directions of economic and social development. In economies where the major financial institutions are government-owned, the mobilization of resources in the private sector itself occurs through banks that are public enterprises. The monetary and credit policies of the public sector contribute to decisions regarding the allocation of these resources.

68. The size of the public sector and the kinds of activity in which it engages provide a strong lever with which to move an economy towards desired objectives in economic and social development. Planning, laying down economic and social infra-structure, determining critical prices and regulating the activities of other sectors comprise a powerful set of policy instruments at the command of the public sector. In many of the least-developed countries, the public sector constitutes the principal institution able to bring about structural change. However, the scarcity of resources, institutional rigidities, management capacity in the domestic economy and conditions in the rest of the world substantially circumscribe the power of the public sector.

69. Public enterprises provide a further source of strength to the public sector. They are widely used as instruments of government policy and help to extend the reach of government into areas of policy that other institutions and agencies could not reach conveniently. Because of their hybrid nature as both public sector agencies and business enterprises, public enterprises constitute an effective means of collaborating with other sectors of the economy. However, there are many problems concerning their levels of efficacy as instruments of the public sector. These problems range from the need for a clearer definition and articulation of objectives and the institution of systematic and useful methods of control and supervision to improved internal management.

70. There is a rich variety of accumulated experience concerning the role of the public sector in the economic and social development of developing countries which has not been systematically reported to those who might best profit from the experience. The analysis, discussion and dissemination of such information can contribute to a better appreciation of the role of the public sector in promoting economic and social development.

Notes

1/ T. H. Green, "Role of the State as an agent of economic and social development in the least-developed countries", Journal of Development Planning, No. 6 (United Nations publication, Sales No. E.73.II.A.13).

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2/ "Public enterprise as an economic policy instrument in Mexico" (ID/WG.298/5). Paper prepared for the Expert Group Meeting on the Role of the Public Sector in the Industrialization of the Developing Countries, held at Vienna, 14-18 August 1979.

3/ Leroy P. Jones, "Towards a performance evaluation methodology for public enterprises, with special reference to Pakistan". Paper presented to the International Symposium on Economic Performance of Public Enterprises, held at Islamabad, 1981.

4/ Curricula Design for Management Development: Report of an Expert Group Workshop Held at Arusha, United Republic of Tanzania, 20-24 July 1981 (United Nations publication Sales No. E.82.II.A.18).

5/ Report of the Expert Group Meeting on the Changing Role and Function of the Public Industrial Sector in Development, held at Vienna, 5-9 October 1981 (ID/WD/343/18).
