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Chapter 1 : Table of contents for Local government reforms in countries in transition

local government reforms in countries in transition a global perspective, local government tax and land use policies in the united states understanding the links studies in fiscal federalism and state local finance, the christian moral life faithful discipleship for a global society.

The major donors have been meeting frequently in order to discuss development and debt problems and to devise aid strategies for African governments. In turn, foreign aid has increasingly been linked to a set of prescriptions for changes in both economic and political policies pursued by African governments. The so-called new world order also has had significant effects on African governments. As the influence and interest of the Soviet Union in Africa declined and later collapsed with its demise, Western states and the organizations they influence gained considerably greater leverage over African governments, surpassing the general client-dependent relationship of the 1970s and 1980s. In the 1990s, the international financial institutions announced that the implementation of structural adjustment and economic stabilization programs would be conditions for their assistance to African governments. Agency for International Development took the lead in demanding policy changes, such as currency devaluation, removal of subsidies for public services, reduction of state intervention in agricultural pricing and marketing, greater concern to the development needs of rural areas, privatization of parastatal bodies, and reduction in the size and cost of the public sector. In the early 1990s, donors began to show interest in promoting political change in addition to economic reforms. African Views, African Voices. The National Academies Press. The Development Advisory Committee of the Organization for Economic Cooperation and Development is on record in support of "participatory development," which includes democratization, improved governance, and human rights. The condition that political reforms be undertaken is now attached at least rhetorically to almost all Western aid. Actual donor practices vary: France proposes greater liberty and democracy, Great Britain recommends good government, the United States focuses on good governance, Japan talks about linking aid to reductions in military expenditures. Yet, regardless of the approach, there is increasingly strong agreement among donors that political reforms in Africa must result in reduced corruption and more financial accountability, better observance of human rights, independent media and an independent judiciary, participatory politics, and a liberalized market economy in order to move closer to the ultimate goal of meaningful economic growth and development. A number of political scientists participating in the Namibia workshop found it necessary to point out that the concepts of democracy and governance were interrelated, but were not the same. They indicated that "good governance entails the efficient and effective reciprocity between rulers and the ruled, with it incumbent upon government to be responsive. Majoritarian democracy, on the other hand, entailed a broad consensus on values and procedures, the participation in the selection of ruling elites, and the accountability of leadership to the electorate. Both concepts were related to processes in society within the context of reciprocity. Still, there was agreement in the meetings that African governments are deeply in need of governance reforms. In the Namibia meeting, one participant was of the opinion that the argument that all of Africa has practiced bad governance "is not an accurate statement. In reality, there are few Mobutu Sese Sekos. Most African governments have been in difficult situations and they have opted for the easy way out. Foreign governments did not insist on good governance, either. Even when policies failed, assistance kept coming. Only recently have donors been raising the governance issue, linking it to assistance in order to ensure that the economy and politics be liberalized. Increasingly, Africans are saying that such conditions should be tied to policy performance, but not to a particular blueprint for democracy. Africans should design their own approach to democracy, make a good-faith effort to govern well and to have programs work in an efficient manner, and strive for the development of a culture of democracy between the rulers and the ruled. Perhaps improved governance will take hold before democracy. Africa is liberalizing, but it will take time, and one must be prepared to persevere for a long haul. This has been disastrous for the economies in African countries. Thus, economic

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liberalization, empowering ordinary producers, may well be an aid to political democracy. Furthermore, in most African countries, the small number of individuals with power have managed to erode any semblance of accountability, legitimacy, democracy, and justice, which has been a basis of considerable disappointment to the planners, economists and policy makers who want African governments to introduce a reasonable and collective attack on poverty, disease, illiteracy, and other challenges to development. In the deliberations, certain desperately needed elements of good governance were identified, including popular participation in governance, accountability and transparency, the elimination of corruption, the protection of freedom of information and human rights, and the decentralization and devolution of power. Page 34 Share Cite Suggested Citation: This recognition emerged from the Arusha Conference "Putting the People First" of February, convened under the auspices of the United Nations Economic Commission for Africa and attended by over delegations representing grass roots organizations, nongovernmental organizations, United Nations agencies, and governments. The African Charter for Popular Participation in Development and Transformation, which was adopted by the plenary, holds that the absence of democracy is a principal reason for the persistent development challenges facing Africa: After all, it is to the people that the very benefits of development should and must accrue. In the three workshops, the importance of popular participation in building democratic society likewise was underscored: When one examines existing democratic societies, one realizes they have succeeded primarily because they have involved people to help make it work. Also, they have empowered those engaged in democratic projects. In short, they have succeeded by giving voice to those who have been voiceless. As such, critics of the government either are intimidated or absorbed. Page 35 Share Cite Suggested Citation: Foreign nongovernmental organizations also tend to work with governments and may be used by them in order to promote government patronage. For example, it was noted that "measures that require the registration of civic associations, such as trade unions or student movements, have been used by governments to dissolve associations on petty pretexts. It also was suggested that civic associations become institutionalized and begin to support one another. Explicit measures to this end have been taken in Zambia since the recent presidential elections. One participant also pointed out that nongovernmental organizations in Namibia were inculcating a sense of participatory democracy in their projects, including in the schools. In discussing the relationship between participation and efficiency, the question of what is meant by efficiency was raised. Participants suggested that "a technocratic approach to efficiency takes political issues out of the hands of the people and stifles participation. One classic example of this approach has been the imposition of structural adjustment programs, under which the entire management of the economy is removed from the realm of participatory politics. If, on the other hand, the efficiency of the government is to be measured by its ability to meet the needs of its people, then a high level of participation can only promote this end. Discussions could have helped people to be prepared for the impact of reforms. In this manner, perhaps the reforms even could have been softened. The misuse or diversion of assistance and domestic funds by corrupt officials, which was tolerated during the cold war to receive support in the international system, is being replaced by a new emphasis on good governance. In the past, said a number of participants, "aid appeared to be driven by certain political factors without a congruence of interests between givers and receivers. Among some participants, the assumption is that such groups can act as watchdogs, serving as the best deliverers of assistance; a number of participants did not agree, arguing that newly democratic governments should receive and channel such aid. With regard to public officials, participants pointed out that mechanisms must be devised to hold leaders responsible when they use public resources in ways that society considers unacceptable. To that end, they noted that any public accountability system should include periodic competition and a clear set of rules and expectations. Participants emphasized the notion that the principle of accountability, essential to democracy, requires exposing the truth, with stated and enforced consequences for violating the rules, without exception, even for those in power. The lack of accountability in Africa has led to the gross misuse of public resources. For example, single-party systems in Africa do not allow for much in the way of accountability. The effect has been rampant corruption and the deterioration of socioeconomic

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conditions”an indication that people in Africa were governed without being able to control their governors. This not only requires systems of financial accountability, but also the capacity and willingness to monitor the overall economic performance of the government. Another challenge discussed under the rubric of good governance was to achieve transparency in government transactions. In most African countries, participants noted that it is difficult to find functioning establishments in which government accounts, external procurement procedures, and central bank operations are discussed objectively: The state must be deprivatized [from domination by the few] and a public arena must be created where there would be room for argument and discussions based on what is good for the entire society. Things should be argued in public terms so that everyone can participate on an equal basis. Several participants pointed out that government should not conceal information from its citizens. A number of suggestions were put forward by participants regarding the ways in which transparency might be achieved in Africa. Some participants also raised the question of whether donors genuinely verify democratic conditions in recipient countries, such as Liberia and Kenya. In the case of Liberia, participants suggested U. With regard to Kenya, participants pointed out the inconsistency in application of the good government policy advocated by the British, compared with other bilateral donors. One participant argued, "Perhaps democracy is being used as a legitimization of intervention. There is a need for transparency in the advice donors give to African governments. When projects [that have been agreed on behind closed doors] fail, the onus is put on African governments. Page 38 Share Cite Suggested Citation: One participant stated, "Having worked for several aid agencies, I will add that the donors need to undertake governance reforms. I hope that the progressive and democratic forces in Africa both during and after the transition will demand those reforms of the donors. For example, demand the publication of confidential reports of the World Bank and International Monetary Fund. They are confidential only in lessening the level of accountability of these agencies to populations and opposition. I think there should be much more transparency in the policy-making process, especially during structural adjustment negotiations. That lack of transparency has satisfied only the donors and the governments, and it will be interesting to see, after the transition, whether newly democratic governments will open up this process to the press, and I think they should, because it will much improve the structural adjustment process. In most African countries, corruption constitutes an important means by which individual wants and needs, especially in patronage-ridden personal regimes, can be satisfied. Although corruption is a general problem for all governments, governments of developing countries tend to exhibit the problem in a particularly noteworthy way. In countries such as Nigeria, Ghana, Sierra Leone, Zaire, and the Central African Republic, corruption is so extensive that it is viewed as a way of life. Because of an absence of effective structures with autonomy and strength to check corruption, the governing elites of most African countries have engaged in high and sometimes egregious levels of corruption, increasingly diverting state resources for personal gain. In Zaire, for example, one participant mentioned that corruption has been termed a structural fact, with as much as 60 percent of the annual budget misappropriated by the governing elite. Foreign aid, noted the participants, although designed to contribute to development, also has served as an alternative source of wealth for corrupt elites. It was also pointed out that, to the extent that government has been immersed in patron-client relations and in cases in which state office is granted as a means to amass personal wealth, corruption has increased in scale and proportion. One significant suggestion advanced by participants in both the Benin and Namibia workshops was that public monies siphoned off by corrupt leaders and public officials and deposited in the West must be returned. They made a plea for donors to suggest steps that African countries could take that might help retrieve the stolen money deposited in foreign accounts by these public officials. One participant stated, "Stolen monies do not belong to the few individuals who perpetrated the thefts. The people of African countries were robbed. If donors were to try to help get this money back, it maybe would contribute to democracy and democratization. Although participants acknowledged that corruption in Africa emanated from the lack of democracy and accountability, they emphasized that corruption is not unique to Africa and also may be found in liberal democratic systems. Consequently, they were of the opinion that the real issue is the

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absence of institutions capable of tackling corruption. As one participant argued, "With regard to corruption and stolen money, my own advice is to let sleeping dogs lie and engage ourselves more in how to create institutions that will help make a repeat performance impossible. I also think we can suggest to donors that we want a change in the form in which aid comes.

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Chapter 2 : China's transitioning economy | World Finance

Local Government Reforms in Countries in Transition explores the impacts that the end of the Cold War and increased globalization have had on government around the world.

Early history[edit] The first example of local government in the Queensland area came into being before the separation of Queensland from New South Wales. The Municipalities Act [6] allowed for the creation of a municipality upon the petition of not less than 50 householders within a defined area. If no counter-petition with more signatures was received, the Governor was able to declare a municipality in the region. Once a municipality had been proclaimed, ratepayers could elect a council to represent them. The first to be declared was Brisbane, with a population of 5, and an area of Its first attempt in January was unsuccessful due to a counter-petition, but its second attempt with signatories was gazetted on 25 May and proclaimed by the Governor of New South Wales on 7 September On 29 November, the letters patent authorised by Queen Victoria which were to make Queensland a separate colony were published in New South Wales, and the petition was forwarded to the new Queensland governor , Sir George Ferguson Bowen. On 10 December , the same day that the letters patent were published in Queensland, the petition was regazetted. On 3 March the Town of Ipswich was proclaimed. By , almost all of Queensland was under some form of local administration, either as a municipality under the Local Government Act , or as a division under the Divisional Boards Act Municipal Institutions Act[edit] In September , the first comprehensive Queensland local government legislation, the Municipal Institutions Act , was enacted, repealing the previous Act. Firstly, a signed petition had to be presented to the Governor from a minimum of householders to create a new district or divide an existing one, or a minimum of 50 householders to extend an existing district to cover a neighbouring rural area. Once this had been done, the Governor could proclaim the change, and residents could then elect a council to represent them. Any man over the age of 21 who was a tenant, occupier, landlord or proprietor within the municipality could vote, and they were entitled to between one and three votes depending on the level of rates they paid. Only qualified voters could stand for council elections, which were conducted annually with one-third of the councillors retiring at each election. Once the council was elected, they selected a mayor from among their number. For the first time, municipalities could be divided into wards upon their own requestâ€”from two wards for a population under 1,, to four wards for a population over 5, According to the Act, the function of municipal councils was to maintain "the good rule and government of the municipality", and to provide public services and amenities. Examples of such anticipated by the Act included parks and reserves, libraries, cemeteries, water and sanitation services, roads, bridges, wharves, street lighting, public health, fire prevention, the regulation of building construction and the regulation and issuing of a range of licences for uses of land. In most other respects, the Local Government Act followed on from the Act. The Act divided all lands in the Colony not already included into municipalities into 74 divisions, each to be governed by a Board of between 3 and 9 members. Elections were to be conducted by postal ballot. In â€” and again in , significant changes were made to local government in south-eastern Queensland and also in far northern Queensland. It introduced adult franchise into local government elections, bringing them into line with the state and federal parliament previously the voters were restricted to ratepayers. From July , local councils were elected every three years instead of annually. A City had to be proclaimed by the Governor following certain criteria being met. In , a number of local governments in Brisbane were amalgamated into the City of Brisbane , covering what was then the entire metropolitan area. Its council, Brisbane City Council , effectively became a "super-council" with some powers normally reserved for the state. It has its own Act of Parliament, the City of Brisbane Act , and a population today of over 1 million. In , the Electoral and Administrative Review Commission was set up to investigate and report on a range of reforms to Queensland public administration, and one area of its purview was the Local Government Act and local council boundaries. As a result of its recommendations, the Goss Labor government then in charge amalgamated

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several councils and a new Local Government Act was introduced. Formally recognised management bodies known as Indigenous community councils or DOGIT councils were set up to administer the land covered in the deed on behalf of the community. These bodies had quite different responsibilities to traditional local governments due to the nature of land ownership involved and the different relationship of the council to the community. A considerable number of them were amalgamated into either the Torres Strait Island Region or the Northern Peninsula Area Region which are Local Government Act bodies with special features, with lower-order community councils once again managing individual deeds and grants. Twenty-first century[edit] Local Government Reform Commission[edit] The Local Government Reform Commission was an independent, purpose specific authority established by the Beattie Labor Queensland Government on 1 May to recommend the most appropriate future structure and boundaries for local government in Queensland. This was in part due to the number of financially weak councils with small populations in rural areas, dating from an earlier time when industry and population had justified their creation. Every local government was reviewed, except Brisbane City Council , already having the largest population of any local government area in Australia. Background[edit] With a concern about sustainability of Queensland local governments, the Local Government Association of Queensland instigated reform of local government. Of the councils, agreed to investigate their long-term future through the Size, Shape and Sustainability SSS program, however it failed to deliver timely, meaningful reform. The Commission reported back on 27 July , recommending massive amalgamations all over the State into "regions" administered by regional councils and centred on major towns or centres, based on a range of criteria such as economy of scale, community of interest and financial sustainability. The Minister for Local Government wrote to all Mayors in March , requesting they assess the progress of the SSS program, what they believed the SSS reform agenda could achieve, and in what time frame. The responses to the Minister showed that significant reform was not going to be achieved by the SSS program before the next local government elections, due in March The Queensland Treasury Corporation prepared financial sustainability reviews for councils. Other studies by a number of independent bodies – such as the Queensland Auditor-General of Queensland , PricewaterhouseCoopers , and McGrath Nichol – found similar financial problems with the local government sector. The amalgamation program was not without considerable controversy in many of the affected areas and even a threat of Federal intervention from the Howard Government , who funded plebiscites on the change in December in many affected areas, which recorded a strong "No" vote in most cases but with fairly low turnout by Australian referendum standards. The Commission was a panel of seven: The Opposition leader, Jeff Seeney , pledged to de-amalgamate councils with community support by way of a poll if they came to office. De-amalgamation[edit] Despite the creation of the new local government authorities in , many citizens continued to object to the council amalgamations. During the Queensland state election campaign, the Liberal National Party promised to reconsider the amalgamations. Having won government on 24 March , they invited former shires wishing to de-amalgamate to make submissions which: Viable proposals would then be put to a referendum of citizens in the former shire for a majority vote on de-amalgamation. Douglas, [28] Livingstone, [29] Mareeba [30] and Noosa. In all four cases, a majority voted in favour of de-amalgamation.

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Chapter 3 : Local Government Reforms in Countries in Transition: A Global Perspective - Google Books

Local Government Reforms in Countries in Transition explores the impacts that the end of the Cold War and increased globalization have had on government around the world. The decentralization of national governments has led to a greater role for local governments; public administration and democratic representation are the new arena of local.

The results, published in January, exceeded the expectations of most, including that of the IMF, which had forecast a more-than-respectable growth rate of 6. But what makes the rate particularly impressive is its occurrence in spite of measures taken by Beijing – including necessary curbs on lending and manufacturing – which had threatened to stifle expansion prospects. As efforts for both continue, many again expect growth to be impacted in Beijing is all too aware of the importance of the transition. Now, after six years of slowed growth, the state is pushing forward with greater momentum, implementing essential reforms and promoting growth that is based upon quality, sustainability and efficiency – factors that now trump speed and size in their importance. At full capacity For decades, China had focused on the aggressive expansion of its manufacturing capabilities and output. This strategy essentially enabled China to achieve double-digit GDP growth for close to three decades – a feat that is nothing short of spectacular for a nation of its size. From the very beginning, however, the strategy was a double-edged sword, being simply unsustainable. And so today, one of the biggest problems facing the Chinese economy is overcapacity. As Hoffman explained, such scenarios generate low, and sometimes even negative, productivity growth. If the investments eventually prove to be unviable commercially, this then turns into bad debt. Through the former, the rate of investment and manufacturing capacity stays in tune with demand, thereby remaining steady, but appropriate. Following such a route is of paramount importance for China, now more so than ever before; after years of producing at overcapacity, an overreliance on government funding and ballooning debt have reached dire levels. For years, smog-filled skies have been the everyday norm for the citizens of metropolises such as Beijing, Shanghai and Guangdong. As stated by Lee: Stringent anti-pollution policies were introduced to 28 cities last year, which included reining in production at heavy industry factories. Specifically, the urban areas across the north of the country had to reduce steel capacity by half and aluminium capacity by around a third over the most polluting period of the year the months between November and March. The demand for steel also took a hit as places like Zhengzhou suspended the construction of roads, buildings and water facilities to fight pollution. Meanwhile, illegal or outdated steel mines, coal mines and aluminium smelters are in the process of being closed down. Ultimately, however, the winter saw a sharp improvement in the quality of air in Beijing – undoubtedly a major milestone for the capital and the country as a whole, which can now set forth with a new outlook of optimism for the change that can be achieved through collective support. These organisations are given credit by the state, with which they can make investments, regardless of whether they are risky or commercially viable. If the investment is unproductive, however, it only creates a one-off GDP boost. The only way for money-losing SOEs to survive is to continue borrowing, to continue investing, to continue building capacity. New borrowing then evergreens the old loans, and new loans are taken for more investing, and so forth. Indeed, the process of manoeuvring such a vast shift would be more difficult in a solely private-sector-driven environment. The government is trying to take significant measures in order to force mergers to make them more efficient going forward – so that is all really good stuff that is happening there. Consequently, SOEs continue to crowd out opportunity for the private sector, which is where productivity growth is most likely to result. The debt dragon While the issues surrounding SOEs remain uncertain at present, one challenge that China seems to be tackling with fervour is its reduction in risky lending which, thanks to the introduction of more robust financial policies, was one of its biggest achievements of Growth, the organisation purports, must now take second place to improving the financial system. Hoffman explained why this is so important: In parallel, non-performing debt constrains the amount of bank lending and government financing that can flow to maximally productive and beneficial purposes in the economy and

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society. Risky debt where ultimate ownership of the debt and its liabilities are unknown can have catastrophic consequences on healthy market players, hence wiping out positive economic activity. At the tail end of last year, for example, Beijing targeted the cheap capital that has flooded the market of late, thanks to the onslaught of online microlenders. Circumventing traditional lenders, borrowers could instead obtain funding for practically anything with just a few clicks from a financial injection to their start-up to a personal loan for a new car. It perhaps comes as little surprise then that, according to the central bank, the business was responsible for a whopping RMB 1. News about aggressive loan collection agents also began to spread, as did the harmful nature of short-term, unsecured cash advances. In effect, the central bank and its regional branches can no longer license new microlenders. Their offline counterparts, meanwhile, cannot operate outside their registered locations. Tighter mortgage rules and a clampdown on speculation within the property market are other areas that are also being targeted. Despite measures to curb speculative purchases, which began in late , prices have continued to climb, albeit at a slower rate. Subsequently, in November, regulators announced further measures, including mechanisms to prevent funds from being channelled illegally into the market, as well as ensuring a more balanced capital allocation between real estate and other industries. Through an announcement televised on state-owned China Central Television, the PBOC, the Ministry of Housing and Urban-Rural Development, and the Ministry of Land and Resources also instructed provinces to maintain their tightening measures, as lax regulation could lead to fluctuations in the market and financial risks. Another step due this year is the improvement of land market management, in a bid to prevent high prices pushing up property prices. At present, the development of traditional service sectors such as healthcare and public education has been slow given the entrenchment of the state, which has resulted in issues such as excessive red tape, bloated budgets and bureaucratic inefficiency. Focusing instead on newer, more nimble industries like e-commerce, technology and private education would give more space for growth generation. This focus is already seeing results. In , the services sector grew to be worth RMB The state is contributing some Such a boost is expected to have a dramatic impact on the sector, in addition to bolstering the number of jobs within. According to the Central Intelligence Agency, there are already more than million people working in services, in areas ranging from hotels and restaurants to shops and real estate. But there is much more room for growth, and this is key for the population. Crucially, higher employment in the services sector correlates with higher wages, which will not only improve quality of life and reduce poverty levels but also lead to higher consumption, which in turn will further prop up the economy. You have a rising middle class, who are consuming far more services than they would have done previously, so you need to see that transition from a manufacturing and investment-led economy to a services-consumption driven economy. So in a way, what I would say is that this kind of transition is healthy it is exactly what China needs. Furthermore, as economic development dictates, its transition to a consumption-led economy is the only way that quality growth in the long term can be achieved.

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Chapter 4 : Local government in Queensland - Wikipedia

Maha El-Taji - Arab Local Councils in Israel: The Democratic State and the Hamula Countries in Transition
Janice Caulfield - Local Government Reform in China: A Rational Actor Perspective
Tamir Moustafa - The Political Obstacles to Local Government Reform in Egypt

Soviet-type economic planning The economic malaise affecting the Comecon countries " low growth rates and diminishing returns on investment " led many domestic and Western economists to advocate market-based solutions and a sequenced programme of economic reform. It was recognized that micro-economic reform and macro-economic stabilization had to be combined carefully. Price liberalization without prior remedial measures to eliminate macro-economic imbalances, including an escalating fiscal deficit, a growing money supply due to a high level of borrowing by state-owned enterprises, and the accumulated savings of households " monetary overhang " could result in macro-economic destabilization instead of micro-economic efficiency. Unless entrepreneurs enjoyed secure property rights and farmers owned their farms the process of Schumpeterian " creative destruction " would limit the reallocation of resources and prevent profitable enterprises from expanding to absorb the workers displaced from the liquidation of non-viable enterprises. A hardening of the budget constraints at state-owned enterprises would halt the drain on the state budget from subsidization but would require additional expenditure to counteract the resulting unemployment and drop in aggregate household spending. Monetary overhang meant that price liberalization might convert "repressed inflation" into open inflation, increase the price level still further and generate a price spiral. The transition to a market economy would require state intervention alongside market liberalization, privatization and deregulation. Rationing of essential consumer goods, trade quotas and tariffs and an active monetary policy to ensure that there was sufficient liquidity to maintain commerce might be needed. The strategy was strongly influenced by IMF and World Bank analyses of successful and unsuccessful stabilization programmes which had been adopted in Latin America in the s. The strategy incorporated a number of interdependent measures including macro-economic stabilization; the liberalization of wholesale and retail prices; the removal of constraints to the development of private enterprises and the privatization of state-owned enterprises; the elimination of subsidies and the imposition of hard budget constraints; and the creation of an export-oriented economy that was open to foreign trade and investment. The creation of a social safety net targeted at the individual to compensate for the removal of job security and the removal of price controls on staple goods was also part of the strategy. Policy-makers were persuaded that political credibility took precedence over a sequenced reform plan and to introduce macro-economic stabilization measures ahead of structural measures that would by their nature take longer to implement. The "credibility" of the transition process was enhanced by the adoption of the Washington Consensus favoured by the IMF and the World Bank. Western advisers and domestic experts working with the national governments and the IMF introduced stabilization programmes aiming to achieve external and internal balance, which became known as shock therapy. It was argued that "one cannot jump over a chasm in two leaps". They favoured free trade and exchange rate convertibility rather than trade protection and capital controls, which might have checked capital flight. They tended to support privatization without prior industrial restructuring; an exception was to be found in Eastern Germany where the Treuhand Trust Agency prepared state-owned enterprises for the market at considerable cost to the government. It had been expected that the introduction of current account convertibility and foreign trade liberalization would force a currency devaluation that would support export-led growth. Consumers reacted by reducing their purchases and by substituting better quality imported goods in place of domestically produced goods. Falling sales led to the collapse of many domestic enterprises, with personnel lay-offs or reduced hours of work and pay. This further reduced effective demand. As imports grew and exporters failed to respond to opportunities in world markets due to the poor quality of their products and lack of resources for investment, the trade deficit expanded, putting downward pressure on the exchange

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rate. Many wholesalers and retailers marked prices according to their dollar values and the falling exchange rate fed inflation. The central banks in several countries raised interest rates and tightened credit conditions, depriving state agencies and enterprises of working capital. These in turn found it impossible to pay wages on time, dampening effective demand further. Economic output declined much more than expected. The decline in output lasted until for all transition economies. By , economic output had declined across all transition economies by 41 percent compared to its level. The Central and Eastern European economies began growing again around , with Poland, which had begun its transition programme earliest emerging from recession in . The Baltic States came out of recession in and the rest of the former Soviet Union around . Inflation remained above 20 percent a year except in the Czech Republic and Hungary until the mids. Across all transition economies the peak annual inflation rate was percent percent in the CIS. Labour force surveys undertaken by the International Labour Organization showed significantly higher rates of joblessness and there was considerable internal migration. Local-manufactured higher quality consumer goods became available and won market share back from imports. Stabilization of the exchange rate was made more difficult by large-scale capital flight, with domestic agents sending part of their earning abroad to destinations where they believed their capital was more secure. Some economists have argued that the growth performance of the transition economies stemmed from the low level of development, decades of trade isolation and distortions in the socialist planned economies. They have emphasized that the transition strategies adopted reflected the need to resolve the economic crisis besetting the socialist planned economies and the overriding objective was the transformation to capitalist market economies rather than the fostering of economic growth and welfare. Although the foundations had been laid for a functioning market economy through sustained liberalization, comprehensive privatization, openness to international trade and investment, and the establishment of democratic political systems there remained institutional challenges. Liberalized markets were not necessarily competitive and political freedom had not prevented powerful private interests from exercising undue influence. Growth in the transition economies had been driven by trade integration into the world economy with "impressive" export performance, and by "rapid capital inflows and a credit boom". But such growth had proved volatile and the EBRD considered that governments in the transition economies should foster the development of domestic capital markets and improve the business environment, including financial institutions, real estate markets and the energy, transport and communications infrastructure. The EBRD expressed concerns about regulatory independence and enforcement, price setting, and the market power of incumbent infrastructure operators. Poverty re-emerged with between 20 and 50 percent of people living below the national poverty line in the transition economies. The UN Development Programme calculated that overall poverty in Eastern Europe and the CIS increased from 4 percent of the population in to 32 percent by , or from 14 million people to million. In other words, it took nearly 20 years to restore the level of output that had existed prior to the transition. The slowdown hit government revenues and widened fiscal deficits but almost all transition economies had experienced a partial recovery and had maintained low and stable inflation since . Some nations have been experimenting with market reform for several decades, while others are relatively recent adopters e. In some cases reforms have been accompanied with political upheaval, such as the overthrow of a dictator Romania , the collapse of a government the Soviet Union , a declaration of independence Croatia , or integration with another country East Germany. In other cases economic reforms have been adopted by incumbent governments with little interest in political change China , Laos , Vietnam. Some countries, such as Vietnam, have experienced macro-economic upheavals over different periods of transition, even transition turmoil. Mr Tanzi stated that these spending programs must be financed from public revenues generatedâ€”through taxationâ€”without imposing excessive burdens on the private sector. These outcomes had not yet been achieved by and progress in establishing well-functioning market economies had stalled since the s. Price liberalization, small-scale privatization and the opening-up of trade and foreign exchange markets were mostly complete by the end of the s. However economic reform had slowed in areas such governance, enterprise restructuring and competition policy, which remained substantially below the

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standard of other developed market economies. The highest inequality of opportunity was found in the Balkans and Central Asia. In terms of legal regulations and access to education and health services, inequality of opportunity related to gender was low in Europe and Central Asia but medium to high in respect of labour practices, employment and entrepreneurship and in access to finance. In Central Asia women also experienced significant lack of access to health services, as was the case in Arab countries. These gains had been driven by sustained growth in productivity as obsolete capital stock was scrapped and production shifted to take advantage of the opening-up of foreign trade, price liberalization and foreign direct investment. The report acknowledged that the academic literature was divided on whether economic development fostered democracy but argued that there was nonetheless strong empirical support for the hypothesis. It suggested that countries with high inequality were less inclined to support a limited and accountable state. Those countries with large natural resource endowments, for example oil and gas producers like Russia and Kazakhstan, had less accountable governments and faced less electoral pressure to tackle powerful vested interests because the government could rely on resource rents and did not have to tax the population heavily. Countries with a strong institutional environment – that is, effective rule of law, secure property rights and uncorrupted public administration and corporate governance – were better placed to attract investment and undertake restructuring and regulatory change. Open-up trade and finance, which made reform more resilient to popular pressure "market aversion" and meant that countries could access the EU single market either as member states or through association agreements such as those being negotiated with Ukraine, Moldova and Georgia ; Encourage transparent and accountable government, with media and civil society scrutiny, and political competition at elections; Invest in human capital, especially by improving the quality of tertiary education. There are countries outside of Europe, emerging from a socialist-type command economy towards a market-based economy e. Moreover, in a wider sense the definition of transition economy refers to all countries which attempt to change their basic constitutional elements towards market-style fundamentals. Their origin could be also in a post-colonial situation, in a heavily regulated Asian-style economy , in a Latin American post-dictatorship or even in a somehow economically underdeveloped country in Africa.

Chapter 5 : Transition economy - Wikipedia

Local Government Reforms in Countries in Transition A Global Perspective Vincent Hoffmann-Martinot, Fred Lazin, Matt Evans, Hellmut Wollmann Local Government Reforms in Countries in Transition explores the impacts that the end of the Cold War and increased globalization have had on government around the world.