





Public Sector Transformation
(PST)

The Czech Republic Case




Public Sector Transformation

- × Introduction - PST as a part of a global transformation of a Czech Society after 1989
- × Public Sector and Public Finance
 - × Principles and Goals
 - × Current Structure of the Public Sector
 - × Issues
- × Discussion



Global principles

<u>Politics</u>	<u>Economics</u>	<u>Social</u>
• democracy	• competition & market	• no state paternalism
• plurality	• mixed economy	• individual responsibility
• freedom	• privatization	• social safety net



Principles for the PST

- × diminishing of and changes in the economic role of the government
- × privatisation, plurality
- × new fiscal and budget policy
- × new social policy - social, health care, education reforms



Changed role of the Government

- x from state monopoly to pluralism
- x from directive commands and plan to organizing, standard legal environment, and economic incentives
- x from preferred state ownership to an equal treatment for all kinds of ownership
- x from the tough centralism to some decentralization
- x lowering the level of redistribution



Privatisation

- x The specific nature of privatisation - it was a tool of eliminating a major systemic feature of the communist system - primarily ideological objectives!
- x Government's top priority was to privatise the public sector quickly.



Privatization - methods

- x restitution
- x „small-scale“ privatization (services)
- x “large-scale” privatization (in order to privatize large industrial enterprises)
 - x “They have either been sold directly to pre-approved buyers or transformed into joint-stock companies whose shares were sold either
 - x directly to investors
 - x or through voucher privatization.

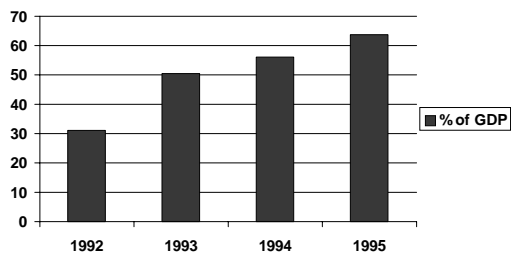


Privatization 1

- x the share of the private sector was not higher than 4.2% of GDP before 1990
- x less than 2% of registered property was private
- x 63% of GDP from private sector in 1995
 - x 85% services
 - x 90% agriculture
 - x 40% industrial output
- x much higher now



Non-state sphere share in GDP



Privatization 2

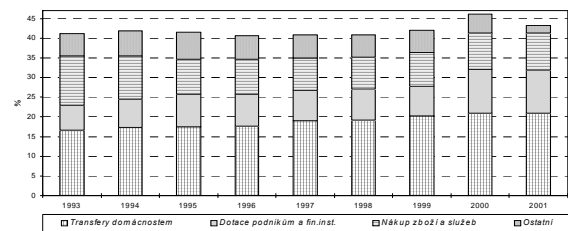
- × „small“ privatization in 1990 (services)
- × two waves of a coupon privatization
- × 8.5 mil. stock-holders after 1995
- × major owners - banks and investment funds
- × massive foreign investment

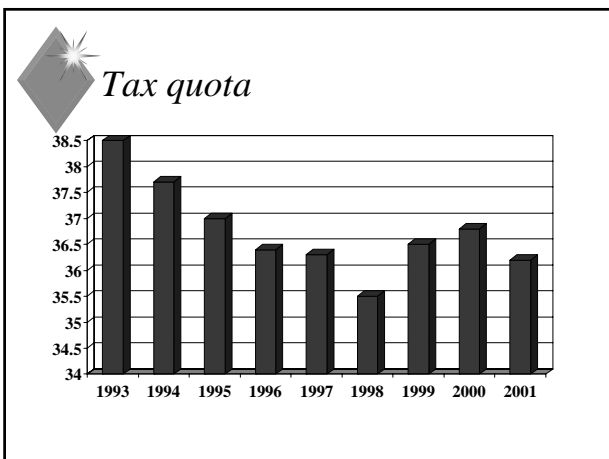
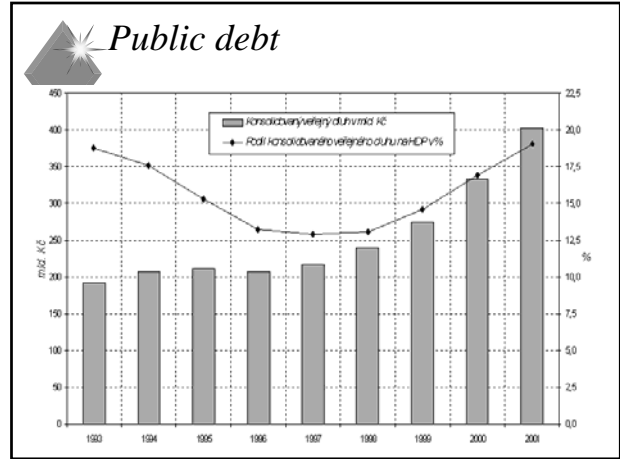
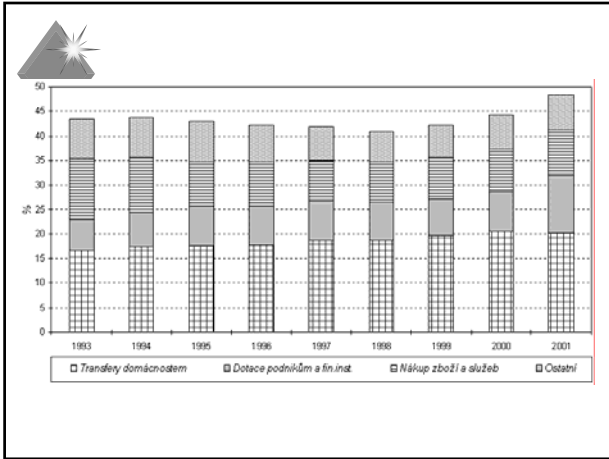
„Capitalism without a capital...“



Fiscal policy strategy '93

- × graduate decline in the general budget's share on GDP
- × balanced public budgets
- × stabilized public debt at current nominal level
- × a new tax system based on a neutrality, equity, and simplicity





- ### Social policy strategy
- x stronger individual responsibility
 - x reform of the social benefit system
 - x reform of the health care systém

 - x market incentives



Selected Issues

- x Privatization and Definition of the „Public Interest“
 - x Changes in Institutional Structure
 - x Non-for-Profit Sector
- x Public Control & Lack of Accountability
- x Mandatory Expenditures Growth



Privatization and Definition of the „Public Interest“

- x Privatization as an ideological goal
- x Not clear what should be the role of the government (education, health care, culture, housing, etc.)
- x Equity x efficiency mix
- x Cream skinning



Non-for-Profit Organizations

- x a proper legislation is still absent
- x government's reluctance to lose control
- x culturally “new”, sponsoring, donating is not developed enough



Public Control

- x non-of-my business attitude
- x “beer critiques”
- x media
- x political culture



Lack of Accountability

- x private secrecy
- x public money cannot be traced
- x an information code is just brand new - a right to be informed



Mandatory Expenditures

	95	96	97	98	99	2000
revenues	440	482	509	537	557	594
total. exp.	432	484	524	567	597	634
mandatory	305	357	400	439	500	529
other	127	127	125	127	98	104