

52. Governments need to manage the *process of policy formulation, coordination and implementation* in an effective manner to improve the functioning of the public sector as a whole. In its absence, Cabinets lack adequate information (including budgetary analyses) to make policy decisions with a full consideration of the options. The lack of coordination results in costly overlap and inadequate follow up of implementation. *Improving the budgetary process* in Ministries of Finance and sectoral ministries covering budget preparation, financial reporting and monitoring performance will improve the capacity of the governments to use the budget as an effective tool to further their development agenda. It should also improve economic management as a whole including debt management. The quality of the civil service is critical for the performance of the entire public sector. *Reform of the civil service* in an integrated manner following a review of its various aspects such as recruitment and training, performance monitoring and evaluation, salary structure and manpower planning needs to be pursued as a priority in many countries. Action has also to be taken to *strengthen the functioning of the Audit Office* to improve the performance of the public sector. This will require legislation, staff training and the establishment of audit procedures (among others) and internal audit offices in individual ministries and other government agencies.

Promoting the Role of the Private Sector

53. The role of the state has been discussed in an earlier section of this paper. The state is being increasingly required to provide an enabling framework for the private sector to play a larger role in the economy. In this environment, several activities can be supported to bring about a better interface between the two sectors. One could be *the establishment of government/private sector business councils and other mechanisms* to promote dialogue between the two sectors. These were pioneered in Japan within the Asian region and have been replicated in other countries and found to be effective in facilitating the exchange of information and removing impediments to growth in the private sector. Another could be *improving corporate governance* to ensure greater transparency and accountability in the context of reform of public enterprises and the growth of the private sector. A third area is to *establish a transparent legal and regulatory framework for financial markets* to function in member countries. The inability to establish effective supervision of the financial system has been a major cause of the financial turmoil that affected East and South East Asia during