

KOREA'S PUBLIC SECTOR REFORM AFTER CURRENCY CRISIS: MOTIVATIONS, VISIONS AND STRATEGIES

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Abstract: This paper reviews the motivations, visions and strategies of the *Kim Dae-jung* Administration's public sector reform initiative, identifies promising features and problems, and brings up future tasks. A framework of analysis is set up based on systems analysis and change management. The initiative's visions are largely successful in terms of setting up an infrastructure of structural reforms and institutionalizing the initiative as they properly focus on value-for-money and democracy. However, the new initiative pays relatively less attention to procedural democracy, an essential element to remedy the lop-sided operation of the Korean government. In accordance with five checkpoints suggested by the framework of analysis, the new initiative's strategies are examined. Key features of the strategies are the followings: (i) tough leadership backed up by powerful driving agencies; (ii) top-down approaches; (iii) comprehensive scope with scattered safe harbors; (iv) conflicts and distortions from myopic perspectives and political motives; and (v) higher intensity and faster pace in compelled uniformity. Corresponding to these features, we suggested several tasks to be addressed. Among other things, a bottom-up approach and a clean up of the political context prior to or at least simultaneously with the new public management drive are indispensable for a successful reform.

INTRODUCTION

Korea's financial crisis in late 1997 and unprecedented socioeconomic difficulty thereafter are attributed mainly to widespread moral hazard accumulated for decades. Though everybody may share the guilt in this regard, the heaviest blame should be laid on government.

Launching at a whirlpool of deep economic trouble, the *Kim Dae-jung* Administration adopted a platform of 'Parallel Development of Democracy and Market Economy' and took an aggressive initiative to reform the Korean public sector. In particular, the new Administration aimed at 'Government of the People,' an efficient and better-serving government. Recognizing that "government is no more than an enterprise whose stockholders are taxpayers" (MPB, 2000), the Administration

has vigorously pursued the establishment of governance, rather than traditional public administration, by entrepreneur government to maximize citizens' satisfaction during the past three years.

Whether the reform initiative has been successful is debatable. Some attribute the settlement of the economic crisis to such initiative while others worry about the adverse effects of Westminsterian managerial approach the fruits of which are yet to be proven.

Considering that a reform in general goes through a series of phases that usually require a considerable length of time, as evidenced by British experiences, and that the current reform initiative is still in progress, it is too early to evaluate its overall performance. Nevertheless, it would be meaningful to examine the visions and strategies of the initiative, identify their features and suggest future tasks.

Accordingly, this paper reviews the motivations,

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visions and strategies of the *Kim Dae-jung* Administration's public sector reform initiative during the past three years, identifies promising features and problems, and brings up future tasks. The scope of analysis covers the whole public sector including central government, local authorities and government-affiliated institutions. As the methods of analysis, 'vicarious problem solving' for the visions and 'backward induction' for the motivations and strategies are adopted respectively. Due to the broad scope of the subject and for lack of space, detailed microanalysis will be avoided.

Following this introduction, section II establishes a framework of analysis and section III reasons the motivations of the initiative. Sections IV and V, respectively, review the visions and strategies of the initiative and discuss future tasks. The final section concludes.

A FRAMEWORK OF ANALYSIS

A reform is in essence a policy process to actively seek a substantial change in the public sector. In this context, we set up an analytic framework based on systems analysis and change management.¹⁾ The scope of analysis confines the framework to: (i) motivations (backgrounds) of the reform; (ii) visions adopted in input process; and (iii) strategies applied in conversion process. Both output and feedback processes are beyond the scope of this paper.

Visions are analyzed in view of the backgrounds and motivations of the initiative and the intrinsic missions of government. We consider the backgrounds in terms of three aspects: (i) structural problems; (ii) historic transitions; and (iii) international trends. Government missions imply that core values at which the reform may aim melt into 'public accountability.' Public accountability is

broken down to: (i) 'value-for-money' (VFM); and (ii) democracy which is in turn subdivided into procedural and substantive democracy.

VFM incorporates the so-called 3 Es (economy, efficiency and effectiveness)²⁾ and has something in common with productivity, contestability, decentralization, devolution, deregulation, streamlining, and standardization. Procedural democracy comprises representativeness, responsiveness and transparency while substantive democracy is connected with equity and responsiveness.³⁾

Key check points for reform strategies, in the context of change management, include: (i) the expertise, novelty, and integrity of leaders and a core group; (ii) the contestability, bilaterality and transparency of the process and the adequacy of evoking sympathy and forming coalition leading to an endogenous, autonomous and bottom-up reform; (iii) the comprehensiveness of the scope applied by the reform;⁴⁾ (iv) the maintenance of the keynote, namely, the consistency, coherence and congruence among and within action plans and programs; and finally (v) the intensity and pace of the reform. <Figure 1> demonstrates the framework of analysis outlined above.

2) Economy normally refers to obtaining inputs at less cost or reducing wastes. Efficiency represents a relationship between resources (inputs) used and output produced. Effectiveness corresponds to the extent to which an objective is achieved or a relationship between the intended and actual effect of outputs in achieving the objective. Multiplying these three would show VFM. (OECD, 1995)

3) Responsiveness is linked to flexibility, customer-friendliness, accessibility and timeliness whereas transparency is connected with legality, regularity, openness, clearness and democracy (OECD, 1996a).

4) Specifically, a reform may cover the following four aspects: (i) rearranging missions and roles; (ii) restructuring organizations and jurisdictions; (iii) reengineering operational systems (e. g., strategic planning, policy making, input control, production process, performance management, and feedback); and (iv) rebuilding the consciousness of public servants and organizational culture.

1) For change management, see Pascale and Athos (1981) and Kotter (1995).

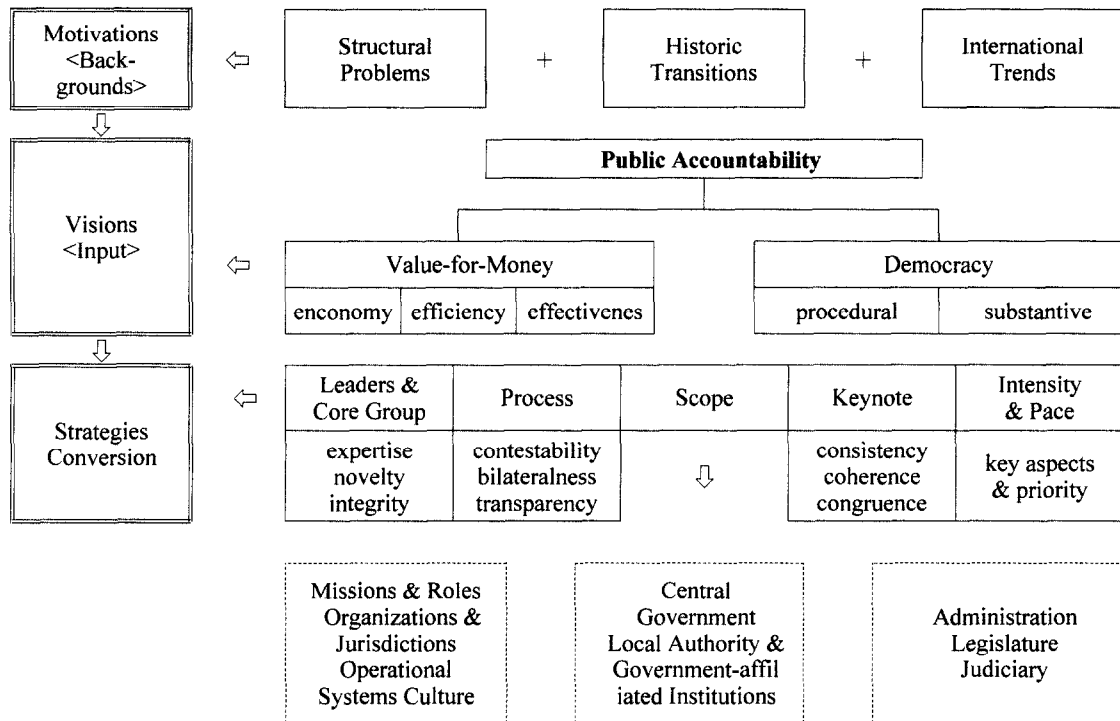


Figure 1. A Framework of Analysis

MOTIVATIONS OF THE REFORM INITIATIVE

To evaluate visions and strategies, we first consider the backgrounds of the initiative and reason the motivations there of in terms of structural problems, historic transitions and international trends.

Structural Problems

The structural problems of the Korean public sector may be summarized as the following two: (i) lop-sided operation of government based on authoritarian leadership; and (ii) 'performance deficits' due to low value-added management.⁵⁾

First, lop-sided operation of government derives from diverse origins: (i) a highly-centralized

regime of *Chosun* Dynasty; (ii) patriarchal legacy of Confucianism; (iii) harsh rule of Japanese imperialism; (iv) military dictatorship taking advantage of the confrontation between two Koreas; and (v) government-led condensed development for the last four decades.

As a consequence, the missions and roles of the Korean government are centralized, far-reaching, intervening, and monopolized. Diversities and creativities of local authorities and the private sector are not much promoted as they should be. In contrast, government's unique and inherent duties, such as protecting private properties, maintaining public orders, providing educational services, and establishing a social safety net, to alleviate market failures and to enhance distributive justice, are not satisfactorily carried out.

The public decision-making process is opaque like a black box and is frequently abstracted from elaborate public deliberation. As expected, the lack of transparency results in trial and errors of public policies and corrupt behavior of decision makers. Further, each public servant holds firmly his own

5) Bahk (1998) presents detailed arguments and relevant examples.

ground and exercises a unique veto right against a civil applicant. The result being, public service quality is poor, public corruption is pervasive, and a public office is not easy to access.

In short, the principles of the 'rule of law' and 'checks and balances' are yet to be established.⁶⁾ This is the main reason why the Korean government is generally regarded as a big government despite that it is in appearance a small government in terms of the amount of budget or the number of public servants.

A performance deficit, another structural problem of the Korean public sector, is caused mainly by inflexible bureaucracy. The organizational structure of government is too much differentiated horizontally and multi-tiered hierarchically. This has to do in part with the fact that high-ranking and managing posts have consistently increased benefiting by the lack of pressures for cut-back management thanks to continuous economic growth. The implication is that roles of departments, divisions and sections within government are overlapping with each other, related policies are often in a discord, cycle times are longer than normal, and too many regulations and contact points create an unnecessary bottleneck to processing civil applications.

Personnel management is based on seniority, apprenticeship and all but perfect job security. This hinders fair competition among public servants and their creativity only to facilitate safety-first attitudes and rent-seeking activities. Further, the practice of revolving doors unilaterally applied from supervisory authorities to affiliated public entities and frequent shuffling for rotational assignment reduce the expertise of public servants and the coherence of public policies.

Revenues and expenditures are budgeted incrementally on a line-item basis. Public budgeting is

no better than a guesswork and does not properly reflect VFM. It is thus difficult to figure out what and how much public expenditure has achieved. Planning after budgeting is not exceptional. Log-rolling and pork-barrel politics prevail resulting in the breakup and tied-up allocation of public investment.

Moreover, the manner in which government operates heavily depends on labor-intensive paperwork, overburdened reporting and multi-nested decision making. Low value-added operation, such as reprocessing, rearranging, tabulating and editing, occupy most of the time which public servants spend. Deeply rooted sectionalism prevents units even within a department from sharing valuable works and essential data, leading to the duplication of similar works and the redundant build-up of same data bases in a slightly different format. The knowledge base and the policy planning capacity are lagging behind the private sector as well.

Historic Transitions

The reform initiative was facilitated by historic transitions as in the subsequent three regards. First, the *Kim Dae-jung* Administration faced, paradoxically enough, a relatively favorable atmosphere to a reform thanks to the currency crisis. The worst economic crisis since 1980 made a sense of the reform mature among citizens and even public servants. Everybody was willing to take pains of a reform to overcome the pending crisis. The unprecedented fiscal deficit, due to the urgent restructuring of the financial sector, rapidly increasing unemployment and declining tax revenues, also made cut-back management inevitable.

Second, a peaceful transfer of power from the ruling party to the opposition camp also ignited a reform. It was natural that new ruling party members tend to look upon existing government systems and public servants with distrust. It may be safe to bet that they also wanted to gain a firm

6) For elaborate analysis of this point from historical context, see Jung (2000).

foothold early by bashing old bureaucrats and by differentiating themselves from previous leaders. In particular, it was the New Administration's interest to attack the old regime and reinforce the reform initiative since so doing may insulate itself from the responsibility for the currency crisis.⁷⁾ Third, the upcoming new millennium and the fiftieth anniversary of the establishment of the Korean government boosted the expectation for an epochal reform as well.

International Trends

International trends also contributed to the reform initiative. First, thanks to widespread new liberalism stirred up by welfare traps, high unemployment and accumulated fiscal deficits of developed countries since late 1970, public sector reforms in line with 'new public management' (NPM) made headway as a globally synchronized phenomenon.

Second, borderless globalization closed the gap in the marginal productivities of factors across countries. Accordingly, the country competitiveness will ultimately depend on natural resources and government services as their cross border movements are restricted. Being lacking in natural resources, Korea must count on the competitiveness of its public sector.

Third, continuous bit bang required the ways in which government carries out its tasks to change. Centralized efficiency was lagging behind decentralized creativity. Paperwork and on-the-spot service lost ground to cyberspace and nonstop service respectively. A reduction in both transaction and monitoring costs was worthy of close attention as well.

VISIONS OF THE REFORM INITIATIVE

Overview: Goals, Objectives and Key Measures

Out of the motivations described in section III, the new Administration set up three goals: (i) a small government; (ii) an efficient government; and (iii) a better-serving government. The objectives matching these goals are: (i) restructuring (minimizing roles, posts and personnel) for a small government; (ii) reengineering (focusing on contestability and performance) personnel, fiscal and performance management systems for an efficient government; and (iii) rebuilding (recognizing citizens as customers) public services for a better-serving government.

To achieve the above goals and objectives, diverse measures were taken. First, restructuring includes: (i) streamlining and slimming public sector organizations; (ii) downsizing public servants; (iii) privatizing government-owned enterprises and consolidating daughter companies thereof; (iv) introducing market principles into the management of government-subscribed institutions; (v) consolidating educational and training agencies for public servants; (vi) devolving functions and duties of central government upon local authorities; (vii) outsourcing public tasks; (viii) establishing arm's length agencies; and (ix) stepping up deregulation.

Second, reengineering involves: (i) shortening the mandatory retirement ages of public servants and lessening their job security; (ii) introducing management by objectives (MBO) and performance-related bonuses; (iii) establishing the Civil Service Commission (CSC); (iv) expanding an open and contract-based personnel system; (v) introducing a voucher system for education and training; (vi) enhancing the flexibility of a budgetary process and the discretion (e. g., an increased allowance of

7) Cho (1999) criticizes the reform initiative, based on the causal stories of Stone (1989), for the initiative shifted a responsibility for the currency crisis on 'big government' rather than on 'big politics.'

carry-overs) of budget spenders; (vii) tightening performance management and creating incentives for budget savings; (viii) strengthening both autonomy and accountability of government-owned enterprises; (ix) reducing various retirement grants and integrating government subsidies; and (x) holding an annual contest of public sector innovations.

Lastly, rebuilding public services encompasses: (i) enacting public service standards (PSS) of administrative agencies and customer charters of government-owned enterprises; (ii) instituting the codes of conduct for public servants; and (iii) establishing the Special Commission on Anti-Corruption (SCAC).

Such long-listed measures along with the goals and objectives of the initiative are generally in conformity with the Westminsterian approach to the public sector reform. In essence, the initiative intended to shift a paradigm of the public sector from 'public administration' to 'new public management' (NPM).

Promising Features

Checking up the initiative's visions (goals, objectives and corresponding measures) with the framework of analysis reveals the subsequent aspects as promising features.

To begin with, the initiative's visions have been largely successful in terms of setting up an infrastructure of structural reforms and institutionalizing the initiative. Public sector reforms in the past failed partly because they lacked in proper visions or long-term blueprints. This is a sharp contrast to the current initiative which adopts new liberalism as an ideological foundation. The existence of visions, regardless of whether right or wrong, could minimize patchworks, stopgaps, trial and errors, and distortions in the painful reform process which is vulnerable to resistance and opposition.

In light of the structural problems explained in

section III, the new initiative's visions properly focus on VFM and democracy as well. They are also consistent with worldwide reform waves and the spirit of the age: (i) limiting government roles to governance instead of intervention; (ii) managing customer-friendlily; (iii) respecting market principles and competing with the private sector for public services; (iv) budgeting for results and etc. The initiative has an eye on VFM since it is in pursuit of results or performance rather than simple efficiency. It also aspires both procedural and substantive democracy.

Noteworthy is that critics⁸⁾ against the visions based on NPM are rapidly increasing as the reform proceeds. They are as diverse and biting as falling under the followings: (i) NPM is not applicable to Korea as its historical and cultural contexts of the public sector are much different from those of western countries (Kim, 1999) and it pays no attention to Asian value; (ii) The current visions may induce an 'inverse goal displacement'; (iii) The visions attribute problems caused by 'big politics' to 'big government'; (iv) NPM does not properly identify key differences between government and business (Kang, 1998) and thus neglects the value of democracy and equity; (v) NPM is only a paradigm of questions rather than that of answers (Lynn, 1998); (vi) Citizens are not homogeneous customers but heterogeneous principals (Bahk, 2000); and (vii) No evidence is shown so far that NPM is overall better than public administration (Park, 2000).

As explained later, some of these critics merit attention. However, most of them may be attributable to: (i) misunderstanding of new liberalism or NPM; (ii) overgeneralization or exaggeration of the malfunction of NPM; or (iii) confusion of visions with strategies or distortions at an implementation stage of the initiative.⁹⁾ In sum,

8) For instance, Lee (1999), Kim (1999), Park (2000), Huh (2000), and Jung (2000).

9) For the rationale behind these arguments, see Bahk

they are not as severe as disturbing the substance of the visions.

Problems and Tasks

Notwithstanding the promising features shown above, the visions of the new initiative are not free from blemish. We identify their problems and suggest some tasks to be addressed in the future as follows.

Above all, they lay disproportionate emphasis on VFM relative to democracy. In particular, they seem to pay less attention to procedural democracy. NPM for VFM is suitable to alleviate a performance deficit, one structural problem of the Korean public sector as described in section III. However, NPM, which first came on stage in the western countries where internal and external controls against government are active, falls short of a remedy to the other structural problem, i. e., lop-sided operation of government.

In consideration of the lack of legality and transparency, a fundamental feature of government operation in Korea, the highest priority should be given to procedural democracy. Without the 'rule of law' and 'checks and balances' firmly established, both VFM and substantive democracy would not do good much.

The other issue is that the new Administration's visions heavily depend on market principles and take unique features of government into little consideration. Despite NPM actually distinguishes the public sector from the private one, the initiative's visions lean closely toward market and business. For instance, they replace the term 'public management' by 'business administration' It is necessary to introduce market-oriented incentives into government in order to manage performance thereof and to promote competition therein. On the other hand, it is equally necessary to identify inherent differences between government and

market and thus to properly discriminate one against the other.

Regarding taxpayers and government, respectively, as stockholders and a private enterprise is too naive to be accepted. It is a matter of common knowledge that interests of stockholders are homogeneous whereas those of taxpayers are heterogeneous and at times contradictory to each other. It would be thus extremely difficult, if not impossible, to satisfy all the taxpayers simultaneously. In a sense, 'Government of the People' might be nothing but a mirage. As is well known, voluntary exchanges based on a marginal principle dominate market. No payment, no service. To the contrary, government provides goods and services paid by taxes or other revenues raised by the principles of 'all or nothing' or 'compelled universality.'¹⁰⁾

A typical example of inappropriately applying market principles to the public sector is urging government-subscribed research institutes to vie for commercial projects with private research institutes. The former's key mission is to promote research and development (R&D) activities with positive externalities, i. e., to ease market failures associated with R&D. If such mission were already achieved in some fields or no longer needed, the concerned institute should be shut down. Otherwise, the institute should strive to accomplish its essential mission.

10) The third sector located in between government and market is governed by voluntary contributions. Schelling (1978) points out that the free market may not do much, or anything, to distribute opportunities and resources among people the way we might like them distributed, and it may not lead people to like the activities we wish they liked. It encourages individualist rather than group values and it may fail to protect people against their own shortsightedness and self-indulgence.

STRATEGIES OF THE REFORM INITIATIVE

In accordance with five checkpoints presented by the framework of analysis in section II, we examine the strategies of the reform initiative and identify their key features.

Tough Leadership Backed up by Powerful Driving Agencies

In carrying out the reform initiative, President *Kim Dae-jung* has exerted a top-dog style of leadership as opposed to fat-cat, puppy-dog or lean-and-hungry-dog one.¹¹⁾ It goes without saying that the President is skeptical of the past bureaucracy and eager for a fundamental, radical and all-out change as he had been a member of the opposing party for more than forty years. A couple of episodes prove this point. The President once ordered the so-called '50% deregulation' to be fulfilled by the end of 1998, which was regarded as undue by many. He also pushed the Planning and Budget Commission (PBC), a newly-created driving agency, to diagnose the management of all of the central agencies instead of a handful of model agencies as initially recommended by the PBC.

Such tough leadership was backed up by a powerful driving agency which bore exclusive responsibility of the initiative. In fact, it is one of the most peculiar features of the new initiative that the PBC initiated, designed and implemented the public sector reform. Closely resembling the U.S. Office of Management and Budget (OMB), the PBC, established in 1998, considered itself as a driving force for reform. The PBC, turned into the Ministry of Planning and Budget (MPB) under the Prime Minister in 1999, was powerful and largely

successful in implementing the reform since: (i) it was under the immediate control of the President; (ii) it was empowered to macro-budgeting as well as to strategic planning for reform; and (iii) it appointed several private experts to key posts, which is rare in the Korean government, ensuring expertise, novelty and integrity.

The PBC before and MPB later is not the only driving agency. Three-time major restructuring of central government ended up with a more centralized organizational structure than before. The authorities of central management agencies, including the MPB and the CSC, are wider in the scope and stronger in the extent than ever. Their official status were also upgraded. The number of personnel dealing with central management increased as well. It is undeniable that an efficient and consistent drive for reform requires central management agencies to take charge and eat dirt. That does not mean, however, that central management agencies must be either powerful or fat. It is a foregone conclusion that, the more powerful central management agencies are, the less effective and the more expensive is their management due to a combination of rising transaction costs and deteriorating aspiration of public servants.

Top-down Approaches

A point closely related to tough leadership is that the new initiative took a top-down approach which might have been unavoidable in retrospect. But such an approach took its toll on the reform. Among other things, a lack of aspiration of public servants for reform is the most expensive cost. The conception of the initiative is monopolized by a core group (Kim, 1998) and the overall implementation process is unilateral as shown by: (i) the extensive diagnosis of management of central agencies in 1999; (ii) the establishment of a joint board of directors for government-

11) For an excellent description of each type of leadership, see Tirole (1988).

subscribed research institutes in 1998; (iii) the introduction of an economic value added system into government-owned enterprises in 1999; and (iv) the prescription of the allegedly 'Ten Commandments' of public servants in 1999.

It would be a mistake to force a top-down reform on public servants to minimize resistance against reform. A unilateral, uniform and standardized reform imposed from above or outside would only increase red tapes, double-dealings and bypasses. While a framework of the reform may be provided by a core group, action plans, working programs and time tables should be prepared by each institution concerned. Otherwise, the core group might face a situation of running alone sooner or later.¹²⁾

A prevailing mood of bashing public servants is another obstacle. A witch trial demoralizes and disheartens public servants, thereby weakens their willingness to join in the reform efforts. This is the main reason why a bottom-up approach is better than the other for a successful reform as shown by the British and American experiences. To give a stylized example, an accountably-operated agency, the Korean version of an arm's length agency, is an insulting terminology compared to a self-controlled or autonomously-operated agency since accountability is just the reverse side of autonomy and *vice versa*.

In any case, it is crucial to build up a learning organization, internalize an innovative atmosphere among public servants and thus induce an endogenous and autonomous reform. The model cases of such a bottom-up approach are: (i) the so-called 'tax service on the right track' reform by the National Tax Service (NTS); and (ii) the establishment of the 'Online Procedures Enhancement for Civil Application' (OPEN) by Seoul

Metropolitan City.

An important element of the bottom-up approach is the delegation of centrally managed administrative functions to subordinate organizations or lower branches. The new initiative falls short of expectation in this regard. No doubt several measures for decentralization such as deregulation, establishing arm's length agencies, and creating a joint board of directors for government-subscribed research institutes were taken. However, whether such measures have exerted any practical impact is arguable. For instance, those working for public enterprises or government-subscribed research institutes complain about continuing but implicit intervention by government.

A similar story holds true to decision making within an organization. Deep-rooted concentration of authorities has not been altered substantially. This is because horizontally differentiated departments, divisions or sections were somewhat consolidated for broad banding but little progress has been made in vertical integration and flattening.

Comprehensive Scope with Scattered Safe Harbors

Some progress has been made in that, unlike the past reforms, the initiative is sweeping and wide-ranging in terms of target organizations and working programs. First, the new initiative reaches central government, local authorities and government-affiliated organizations. The across-the-board all-out reform makes it possible for every public organization and each public servant to share pains from downsizing, slimming and cutbacks. Competition for a better reform program is facilitated and model cases are copied through benchmarking as well.

Second, the initiative covers not only downsizing, slimming and restructuring hardware, as had been the case for the past reforms, but also rearranging missions and roles, reengineering operational systems and rebuilding the organizational culture.

12) In light of the British experiences, Goldsworthy (1998) recommends to comply with the principles established by a central management agency but abstain from designing action plans.

At an early stage of the reform, the new Administration seemed to repeat the mistakes of the past reforms, as it lay an emphasis on downsizing. As reform went on, however, the Administration shifted its focus from hardware to software. An extensive diagnosis of central government, conducted from late 1998 through early 1999, is a good example. The diagnosis examined the allocation of missions and roles among various agencies, selected high-ranking posts supposed to be open to private experts and arm's length agencies, streamlined work flows and derived performance indicators.

However, self-serving motives of special interest groups and pork-barrel politics, accelerated by the sixteenth general election in 2000, saved several safe harbors and shelters from the reform drive. They should be subject to public deliberation for comprehensive reform.

Future tasks include the followings: (i) strengthening anti-corruption efforts; (ii) restructuring independent agencies (e. g., those involved in criminal justice, public audit, national defence and intelligence); (iii) merging the jurisdictions of doughnut-type local provinces with adjacent metropolitan cities and streamlining their multi-tiered pyramid structure; (iv) unifying the current dual system of local autonomy with educational local authorities separated from general local authorities; (v) transferring some of the police functions related to citizens' daily life to local authorities from central government; (vi) improving the budget and accounting system to more accurately reflect actual costs and performance; and (vii) designing a fair performance evaluation mechanism.

Among these, the importance of anti-corruption efforts can not be stressed too much.¹³⁾ In the first

13) According to Nam (2000) and Hwang (2000), a majority of the scholars and public servants who participated in a survey pointed out that anti-corruption is the most important factor to a successful public

year of the new Administration, anti-corruption efforts focused on *ad hoc* detection of corrupt officials and intermittent inspection campaigns. Little progress was made in the anti-corruption systems except a few scattered patchworks, which were no more than reluctant responses to the scandals revealed sporadically.¹⁴⁾ As the experiences of *Kim Young Sam* Administration testify, tightening inspection activities alone would not effectively deter corruption. Rather it may encourage overcompliance and the 'safety-first' attitude of public servants. In 1999, the new Administration announced a master plan with a strong willingness to combat against corruption. Shortly, (the Special Commission on Anti-Corruption; SCAC), a presidential advisory arm, was founded. Whether the SCAC will successfully accomplish its missions is yet to be seen.

The OECD (1996b) made the approaches to corruption between a *low road* and a *high road*. The former focuses on regulation and control against corruption while the latter does on norms and aspiration for integrity. Which is better depends on culture, practices and history. If corruption is widespread, however, a *low road* approach may be more effective than the other to get out of a social trap, an inferior equilibrium in multi-person prisoner's dilemmas.

Since NPM is prone to corruption, its adverse impacts on public ethics should be considered as well. They include: (i) patronage and favoritism facilitated by open personnel management; (ii) a conflict of interests raised by revolving doors; (iii) an inflow of improper practices of the private sector into the public sector through outsourcing

sector reform.

14) In response to a series of corrupt cases such as 'lawyer Lee's farewell money,' 'a lobby against closing Kyungki Bank,' 'luxurious clothing' and etc., the Administration enacted: (i) a special prosecutor system; (ii) the public codes of conduct; and (iii) the registration of military services for elected or high-ranking public officials.

and commercialization; and (iv) corruption by private participants in public works.¹⁵⁾

Conflicts and Distortions from Myopic Perspectives and Political Motives

A reform should be carried out on a long-term and continuing basis from a farsighted perspective. However, many suspect that the new initiative sets the endpoint of reform at the expiration of the New Administration's tenure of five years. This implies either that the initiative proceeds in a hurry as the case of three-month long job analysis or that it threw away sensitive and complicated issues without an attempt as the case of streamlining the multi-tiered pyramid structure of local authorities. In addition, frequent reshuffles of Cabinet portfolios are likely to shorten the time horizon of the reform initiative.

Myopic perspectives tend to distort the keynote of the initiative and move a reform back and forth. For example, the new Administration abolished the two Vice Prime Ministers in early 1998, but reestablished them in less than three years.

Furthermore, action plans and working programs are at times contradicting to each other to obscure the orientation of the initiative. The reason has to do with it that symptomatic programs are carelessly adopted without verification out of an ostentatious display motive. Kotter (1995) shows empirically that an unsuccessful reform contains more contradicting programs than otherwise. Working programs of one area should be in the same spirit of those of the other areas (e. g., politics, finance, education and labor) as well.¹⁶⁾

Politically motivated distortions of principles have been another serious blow to the reform drive. To begin with, political rhetorics were issued recklessly almost every six month as listed up in the following order: (i) 'parallel development of democracy and market economy' in 1998; (ii) 'another establishment of the country' in 1998; (iii) 'a knowledge-based country' in 1999; (iv) 'productive welfare' in 1999; (v) 'new politics for the new millennium' in 2000; (vi) 'two Koreas in unity' in 2000; (vii) and 'strictly law-enforcing powerful government' in 2001. They have just clouded up the focus of the initiative.

Contrary to its platform, the new Administration also circumvents the rule of law and official procedures from time to time. It often relies on an arbitrary discretion for pushing with the initiative. For instance, though the controversy had come to an end by the second restructuring of central government, the establishment of the PBC as a result of the first restructuring left room for unconstitutionality.¹⁷⁾

Even explicit and articulate principles of reform are distorted in some cases. At one time, the president of a government-owned enterprise, appointed on a contract basis through open competition and supposed to work for a fixed term of three years, was fired abruptly during his tenure without full particulars. A practice of unilaterally revolving doors from government is yet to be diminished especially in the financial sector.

Such political distortions may have been well expected as the efforts of cleaning up the political context of Korean public administration neither preceded nor went side by side with the NPM

15) Instead of traditional 3 Es, the OECD (1996b) thus proposes 4 Es, adding ethics to the 3 Es, for the criteria of NPM.

16) Here is a good example. The new initiative decided to maintain an affirmative quota system for female officials, which was introduced during the *Kim Young Sam* Administration, to accelerate women's participation in government. The new Administration, never-

theless, revived once-abolished bonus points for veterans in an extremely competitive examination for entering civil service. The latter device, intended to reduce the evasion of compulsory military service, resulted in discriminating against women applicants in favor of veterans.

17) Some argue that macro-budgeting of the PBC was only a technical violation.

drive. The reform neglected, on purpose, to transform 'big politics' into 'small politics.' This seems mainly due to the ruling party's intention to run a touch-and-go coalition government with the conservative third political party.

Higher Intensity and Faster Pace in Compelled Uniformity

The initiative takes some credit for its higher intensity and faster pace than the past reforms. It touches diverse core measures that are likely to have a real impact on the government operation or to raise tensions of public servants. Corresponding to the former are: (i) privatization and outsourcing; (ii) arm's length agencies; (iii) double entry bookkeeping and accrual basis accounting; (iv) electronic processing of civil petitions and procurement; and (v) incentives for budget savings. The latter includes: (i) shortening mandatory retirement ages; (ii) relaxing the security of public jobs; (iii) open and contract-based personnel management; (iv) congressional hearings on political appointees; (v) MBO; and (vi) public service standards (PSS) and customer charters.

In respect of downsizing organizations and personnel, cutting down running expenses and deregulation, the intensity of the new initiative is higher than ever and the pace of the reform far exceeds its precedents'. To this, the economic crisis, a transfer of political power, an increasing fiscal deficit and the novelty of the PBC seem to have contributed.

Not all the reform measures, however, look promising. Some are expected to peter out. Others cry wine and sell vinegar. Such examples are: (i) performance measurement and performance-related bonuses; (ii) peer appraisal and bilateral evaluation; (iii) a special prosecutor system; and (iv) converting a hierarchical work practice into team-based management.

Note that it is difficult to conclude whether a revolution or an evolution is more desirable than the other. *Lee Kuan Yew*, the former Prime Minister of Singapore, suggests that the gradual and steady approach adopted by *Teng Hsiao-ping* is superior to the radical big bang of *Gorvachev* judging by their performance up to the present. Lee's claim sounds a bit surprising since he preferred a radical approach like the famous '3C' (Clean Water, Clean Street, Clean Administration) policies. A similar observation may be made on the British strategy of ongoing improvement instead of radical transformation (Goldsworthy, 1998).

At any rate, it would be silly to stick to the pace of reform and displace goals with means. The purpose of a public sector reform is to enhance VFM and democracy, not to pursue 'a reform for just reform itself.' The new Administration seems to frequently make great account of visible and short-term achievement, but disregard long-term impacts and hidden potentials. Such myopic perspectives, not uncommon among the Koreans, cause 'inverse goal displacement' and provoke compelled uniformity in the reform process.

To demonstrate some achievement within a short span of time, across-the-board programs, with no allowance for specific circumstances of an agency, were adopted without reluctance. The 1998 deregulation, which required each central agency to reduce the number of regulative functions by 50%, is a notorious example. The same reasoning applies to downsizing local authorities and restructuring government-subscribed research institutes.

CONCLUSION

This paper reviewed the motivations, visions and strategies of the *Kim Dae-jung* Administration's public sector reform initiative, identified promising features and problems, and brought up future tasks it should address. A framework of analysis was set

up based on systems analysis and change management.

The initiative's visions are largely successful in terms of setting up an infrastructure of structural reforms and institutionalizing the initiative as they properly focus on VFM and democracy. Though critics against the visions based on NPM are rapidly increasing as the reform proceeds, they are not as severe as disturbing the substance of the visions. However, the new initiative pays relatively less attention to procedural democracy, an essential element to remedy the lop-sided operation of the Korean government.

In accordance with five checkpoints suggested by the framework of analysis, the new initiative's strategies were examined. Key features of the strategies were identified as in the followings: (i) tough leadership backed up by powerful driving agencies; (ii) top-down approaches; (iii) comprehensive scope with scattered safe harbors; (iv) conflicts and distortions from myopic perspectives and political motives; and (v) higher intensity and faster pace in compelled uniformity.

Corresponding to these features, we suggested several tasks to be addressed in the near future. In particular, it would be indispensable for a successful reform to adopt a bottom-up approach and clean up the political context prior to or at least simultaneously with the NPM drive.

For sure, the new Administration functions more efficiently and public servants perform better than the past due to the reform initiative. Not enough fundamental changes, however, have occurred in terms of government roles and the ways in which government carries out its tasks. Several surveys show that, by and large, citizens perceive the reform as unsatisfactory relative to the private sector. While the intensity of reform is higher and its pace is faster than before, both leave much to be desired, when due regard is paid to the possibility of another economic crisis.

In retrospect, the *Kim Young Sam* Administration

also pursued actively its own public sector reform and accomplished a nontrivial success. Despite such efforts, the previous Administration was not able to appropriately tackle the currency crisis in 1997. On this account, the *Kim Dae-jung* Administration must learn from the past three years especially with regard to the strategies of the reform initiative.

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