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**Learning to compete: improving the public service in developing
Asia**

In today's interconnected world, Asian governments are learning to compete on many levels. Work once assumed to be the role of government, such as roads, electric service, water and irrigation, is now open to private financing, construction and management in China, Indonesia, Malaysia and Thailand. Micro-finance institutions are set up by NGOs in Bangladesh when government development banks fail to reach the poor. In Cambodia, health services are being provided by NGOs and community groups at a much higher standard than services provided by government.

Governments and the countries they serve also have to compete more than ever for private investment. Local businesses beyond a minimum size can compare investment opportunities in neighboring countries, and choose the most attractive. Countries need to compete

¹ Views expressed in the address are personal views of the speaker and may not reflect the views of the institution he is affiliated with.

for the best investors: the ones willing to invest for the long term, in businesses producing high-value, knowledge-intensive jobs.

Both national and international investors look at many factors before making investments. Among the most important are business-related aspects of the quality of governance. Countries with low inflation, and a predictable regulatory environment where contracts are honored and laws enforced are more likely to attract the best investors. Countries not meeting these criteria are only likely to attract short-term, in-and-out investors. They invest mainly in low-value-added industries, or in sectors like air transport where the principal assets can be easily removed when there is trouble.

Similar factors are important in competing for the country's most-skilled professionals and managers, who increasingly face global job opportunities. They want good career prospects, predictable laws, reasonable taxes, and communities to live in which provide quality education, health care, utilities and other public services.

Finally, governments are increasingly having to compete for scarce international aid resources. The decline of official development assistance worldwide in 1997 by 13 per cent highlights the severity of the challenge to the Bank and similar institutions in providing development assistance. Donor agencies are being forced to be much more careful in selecting projects to fund. Asian governments are learning to compete for these declining resources.

Thus, improving the public service is more important than ever. Why have some Asian public services learned to compete by improving their public service, while others have failed to do so?

Today, I will give some examples of each. I was here 2 months ago for a similar workshop sponsored by UNDP, and gave many other examples then. I won't repeat these here, though many would be relevant to the arguments I am making today. I also won't repeat my explanation then of what aspects of governance are of particular interest to the ADB.

I have thought carefully about my choice of words today, and decided to use the word "improvement" rather than "reform". The reason is that "improvement" suggests changes that need to be continuous. Every organization needs to keep "improving" in response to changing conditions and expectations of clients. By contrast, "reform" suggests a much bigger change that is done once in response to a crisis. Although some of the examples of "improvements" can be called reforms, I prefer to stress the continuous nature of the improvements that these countries need to make.

I am also not going to get into the many issues raised by the New Public Management (NPM), as evidenced by reforms in the UK, New Zealand, and elsewhere. I was giving a similar talk in New Zealand in October, and struck by the depth of questioning of the NPM model in that country. The recent change of government is one sign of this. Among other things, New Zealanders are questioning using a

business model for managing government, which treats its constituents as customers in an arm's-length trading relationship. People are realizing they are not merely customers of government; they are also subjects (who have obligations), citizens (who have rights), and clients (who have complex needs). Thus, even New Zealand needs a wide range of management models for providing public services.

Most countries of developing Asia have the additional challenge that they do not have a civil service with most key appointments made on merit, and a predictable system of rule of law. Thus, they need be cautious with improvements such as output budgeting, accrual accounting, placing public employees on fixed-term contracts, and removing all central control and monitoring of government personnel. It is risky to attempt introducing performance-based budgeting if basic costing, accounting, and audit systems are not in order, and if political commitment for fiscal discipline is not assured. I think that Martin Minogue's excellent paper raised these issues well, and I won't go over this ground again, even though the topic is an important one.

Communicating objectives to all stakeholders

The first lesson from Asian experiences in improving the public service having a clear objective. You may know the story of the army general that had just taken up a new command, and stumbled on a sleeping soldier while reviewing his troops. The soldier says: "Hey! I am trying to sleep!", then, realizing it's the new commanding general,

mumbles some apology. The general replies: “Don’t worry son, you’re the only soldier in this Army who knows what he’s trying to do”.

Government change agents need first to know themselves what they are trying to do. Are they trying to cut costs? Are they trying to improve the quality or coverage of public services? Are they trying to reduce corruption and waste? Are they trying to free up resources from low-priority uses, and shift to improving pay, or improving operating and maintenance budgets? Once they are clear where they want to go, they need to communicate this clearly and persuasively to all stakeholders. During this process, different views may be raised and debated, and as a result the original objectives changed. This is fine as long as the end result is an improved, more competitive public service.

Positive example: *India*

A good example of objective setting and good communication the Gujarat Public Sector Resource Management Program, 1996 (PSRMP) in India. I am using this example to point out that many of the best opportunities for public service improvement in developing Asia are at the sub-national level, in provinces, districts, and municipalities. This may also be the case in Vietnam².

² See Dennis A. Rondinelli and Le Ngoc Hung, “Administrative restructuring for economic transformation in Vietnam”, in *International Review of Administrative Sciences*, Vol. 63 (1997), pp. 509-528; and Sudipto Mundle and Brian Van Arkadie, “The Rural-Urban Transition in Vietnam: Some Selected Issues”, Occasional Paper No. 15, Manila: ADB, 1997.

The ADB's initial analysis in Gujarat state found a number of problems such as fiscal imbalance, the pervasive weaknesses in the state's public finances, its stagnating tax base, expenditure blowouts, low levels of fiscal and administrative capacity, and the inordinate size and influence of Gujarat's SOEs which had stifled any future development of its infrastructure base in ports, power and roads. There were in addition governance issues, including lack of transparency in decision making systems, monopolistic practices, systemic legal weaknesses, the absence of a regulatory framework to encourage and govern the entry of the private sector into the state economy and producing a smaller, more responsive and accountable public sector

The Gujarat Public Sector Resource Management Program has three principal foci: public finance reforms, SOE reforms and infrastructural development. The loan design has clear reporting lines directly to Cabinet. The acceptance of this structure by the Government of Gujarat clearly signals the appropriate measure of political will, avoids the trap of either specially formed or too many implementation players and provides a mechanism for the rapid address and resolution of any issues which inevitably arise in the course of the prosecution of the program.

The Gujarat program is also noteworthy for the approach taken in regard to its social impact and risk assessments. For example, in terms of the SOE reform component, it is clear that there has been a determined effort to deal with SOEs on a case by case basis, with the

Privatization Group of Price Waterhouse assessing the performance and institutional capabilities of all those targeted under the program so that any privatization program might be more realistically timed .The labor unions were also consulted at an early stage in the management of the worker retrenchments and the Government has financed both a redundancy scheme and a state renewal fund to act as a further social safety net for retrenched workers. Other mitigation features which distinguish this loan from others reviewed include the structuring of mass re-training opportunities through the Gandhi Labor Institute and stronger public consultative mechanisms.

There is also genuine realism in the risk assessment for the program, since it traverses the issues of bolstering and sustaining political will, union and labor instability, the risks associated with lack of experience and capacity in the SOE reform program, maintaining budget deficit targets whilst funding a retrenchment program, weaning the private sector off its reliance on industrial concessions and exemptions, and finally, the risk associated with the pace and sequencing of infrastructure policy reform. For each of these risks, specific measures have been built into the structure of the program to meet them .

To summarize, we think that in terms of its treatment of governance, public management and capacity building issues, the Gujarat PSRMP has demonstrated a number of strengths:

- The quality of its planning and preparation, undertaken at a genuinely formative stage, and the congruence of that preparation with Bank strategy.
- Its identification of the key governance challenges and the "up front" economic and sector work which was undertaken prior to loan approval which sought to address those issues. A clear threshold understanding of the pace and sequencing of sectoral and institutional reforms. Clear evidence of DMC "political will" having been established.
- A project structure which sought to minimize both the number of implementation "players" and any unnecessary ad hoc arrangements.
- Persuasive social impact and risk assessments together with a considered set of mitigation measures.

Challenges not yet met: *Nepal*

The lack of competitiveness of Nepal's Public Service was highlighted by a 1991 Administrative Reform Commission, which made wide-ranging recommendations. Yet most are still awaiting implementation. Governments continue to politicize the bureaucracy through frequent transfers of staff in politically desirable positions. Managerial accountability and performance evaluation is weak. Salaries are too low to live on. As a result, economic management is weak, with an increase in the budget deficit from 5 to over 6 percent of GDP last year. Revenue collection is only 11 percent of GDP, in comparison to an average 15% for countries at the same developmental stage.

Corruption is rampant. The number of the poor has almost doubled in the past 20 years.

To address these problems, the government agreed to an ADB project starting last July to formulate an action plan for civil service reform. The objective is to carry out initial diagnostic activities, including a functional review of ministries, a Civil Service census, and a study on the fiscal implications of decentralization. Most governments can initiate factual and analytical work in these areas even when the probability of actual reforms is a long way off. This work can have payoffs, even if more far reaching reforms are delayed indefinitely. For example, a well-designed census yields information on 'ghost' workers and fraudulent wage payments, which almost all governments will find easy to do something about. There is no overt constituency for theft. Also, a census brings to light major distortions and provides the human resource database necessary for eventual personnel management improvements.

Another part of the approach is to carry out relatively uncontroversial tasks to test the government's potential willingness for genuine reform. If it proves impossible to take easy initial steps, the hard ones will not have much of a chance at success. On the other hand, if the exercise is even partially successful, it could help open up part of the personnel management and service process to public scrutiny, and to begin building public support for future reform. Generally, it is society's readiness, not the government's, that is most important for eventual success.

There's an old saying that people get the government they deserve. Administrative culture tends to reflect the norms of society at large. The behavior of public servants is determined in part by the expectations of the public. Providing information to the public on public service administration can help to change these expectations, which may in turn start to put pressure on the government for meaningful change.

Although the approach seems coherent in theory, it hasn't yet worked in practice. The executing agency, the Ministry of General Administration, has been unwilling to sign off on the design of the survey questionnaire for the census. Sufficient counterpart funds haven't yet been released to adequately finance the census. A High-level Steering Committee for the functional reviews hasn't yet been formed. The Bank may also be too rigid in sticking to a project design which is now 18 months old. For example, since the project was designed, other donors have started up work in the area of fiscal decentralization. The Bank should consider using the available resources under the project for other activities.

The task of improving the public service is always a long-term effort, and it may be that the challenges in Nepal will be solved. Yet there are some lessons in this experience that others may want to consider. In the Nepal case, the objectives were clear to some, including the ADB and the Ministry of Finance, but they were clearly not understood (or agreed to) by the executing agency, the Ministry of

General Administration. Perhaps there was not enough effort to communicate the objectives and their underlying logic to the Executing Agency. This could have been done prior to launching the project, or could have been built into the project as a separate objective.

The experience in Nepal and other countries suggests that sustained impact and changes can only begin to take shape with clear objectives, and the commitment of all key actors to these objectives. The challenge for international financial institutions and the Ministries of Finance they work closely with is not to impose models that may have worked elsewhere, but to convince and assist key people and organizations to define their own effective solutions.

A closely related point is that the project as originally designed may not include sufficient positive incentives for key participants to win their support. Although there are always negative elements in public service improvement, such as downsizing, restructuring, and stricter regulations, there has to be a positive side as well. There has to be reason for civil servants to at least hope to become part of an improved public service, the chance of turning themselves from losers into winners. Each officer's average probability of access to the new system may be low, but a non-zero average probability, combined with the individuals' capacity to raise their chances through personal effort, with the help of appropriate training, in a process seen to be fair, may be enough to motivate people into supporting the project.

We should have no illusion that incorporating the role of hope in public service improvements can remove, or even substantially reduce, resistance to the reform. It can, however, turn many opponents into supporters; at the margin, this may make the difference between success and failure.

How fast can improvement take place?

The second set of lessons coming out of recent experience concerns the speed of improvement: whether or not improvements need to be comprehensive and rapid. Jeff Sachs and his friends in Poland, for example, suggest that a big bang serves to burn bridges and thus minimizes the possibility of a reversion to the old ways. Some New Zealand analysts have also used the same argument about improvements in that country. Yet there are just as many cases of self-consciously gradual improvements, such as in Australia, Indonesia, Korea, Portugal, and Vietnam. The conclusion is that the important element is not simply whether a program is rapid or comprehensive, but whether it is appropriate to the needs of the situation.³

Many Asian governments have found that a gradualist approach to improving their competitiveness is preferable to any attempt at “shock therapy”. Gradualist improvements may be the outcome of complex

³ John Williamson and Stephan Haggard, “The Political Conditions for Economic Reform” in John Williamson, ed. *The Political Economy of Policy Reform*. Washington, DC: Institute for International Economics, 1994, p. 583-584

interest group patterns, social, economic, and international events, and weak policy and administrative capacity by the state, An important reason for the success of such improvements has been that the slow pace and specially-tailored sequencing allowed time for adjustments to take place so that there were far more “winners” than “losers”, thus providing strong political support for the improvements.

A related point is that successful improvements in Asia typically had credibility as home-grown products. Also, the hardening of the external budget constraint was an important motivation in countries for fiscal discipline, and the reduction of subsidies to state-owned enterprises. The fact that improvements were genuinely home grown made them more credible politically, and more effective because they were tailored to unique local conditions. For example, they often departed from orthodox sequencing and, despite high fiscal deficits at the outset, delayed unpopular fiscal austerity for later in the process when the economic benefits of improvements were obvious to all.

Yet for the same home grown reasons, market-oriented institutions are extremely weak in some of these countries, thus giving rise to market imperfections and weak competitiveness, showing up particularly since the market downturn in the region since 1997.

Now that they have succeeded in the mainly unguided emergence of unregulated markets, they face different challenges in developing a sound basis for market-led growth, including rule of law,

transparency, and effective government regulation. This is proving difficult for four reasons, first because:

- The prior success was mainly reactive to external economic pressures and bottom-up societal changes. The next stage of improvement requires a more proactive approach, for which governments have little preparation or precedent.
- Political elites who enjoy rents and privileges under the present system, have much to lose from cutting back the remaining market distortions and opaque bureaucratic systems;
- If foreign aid is committed based on promises of future performance, there will be risks of moral hazard (taking the financial pressure off the government for improvement) and a tainting of the improvements by foreign involvement;
- The region is still recovering from the worst downturn in 30 years, thus presenting a much more difficult regional context for improvement than over the previous decade.
- Prior success with economic policy improvements is no guarantee of success with the institutional improvements needed today.

Despite these challenges, Asian public services are continuing to improve for many reasons:

- Political regimes want to stay in power, and recognize that improving the public service can be an effective tool for helping to redefine themselves to become more relevant in the light of a new

economic situation, thus ensuring the continued support of their citizens.

- Along the same lines, fighting corruption is increasingly seen as an insurance policy to protect future political stability. Or put the other way around, not having a sound anti-corruption strategy opens the regime up to the risk of serious malcontent in the near future.
- The strengthening of market economies increasingly highlights differences between national, provincial, municipal and other government units, including differences between different municipalities or different provinces. Improving public service systems can help to resolve these differences.

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Sensible downsizing with a conscience

I would now like to go over another issue that frequently comes up: can governments downsize with a conscience? In one country from the region, a Comprehensive Reform Program has reduced the number of ministries from 34 to 9, cut the civil service by 10%, improved the legislative framework for governance, introduced a VAT, and carried out financial reforms among other things.

Experience from the region and elsewhere shows that downsizing exercises are risky, and often not carried out in the best possible manner. The first logical thing to do is to carry out outstanding dismissal procedures, lay off those of retirement age and give notice to poor performers. Yet what is happening in some countries is that poor performers and those who should have been out anyway are

being given golden handshakes which are costly to the Govt. Worse than that, the emphasis on laying off staff turns people against the reform program, causes unnecessary stress to public sector employees and their families and has a detrimental effect on the morale of those remaining. It also means that time is taken up with processing redundancies and dealing with the fall-out. This typically places demands on the most capable public service employees whose energy is needed elsewhere.

Thus, the sensible response in many countries is to do the easy dismissals first, and then look at what you have left compared to what you need. You would then retrain to fill gaps if possible, and only layoff those who just can't be placed anywhere.

Many governments do not take this logical approach. They say (or donors demand) that there isn't time, and that downsizing is urgent to reduce pressure on the budget. Therefore, a voluntary approach is announced, where anyone can apply to leave and be rewarded with a golden handshake.

This alternative approach of across-the-board staff cuts may not be any faster than the more sensible approach. In one country in the region, the resistance to an across-the-board redundancy program and the lack of competent TA support resulted in a delay of at least 6 months. Six months was probably all that would have been required to do the job in stages.

Secondly, It is essential to have a social impact/consultation person on board as part of the initial Advisory team. This was planned for the CRP (largely in response to lessons learned from another PIC's experience) but was not implemented. The economic and public sector reform advisors were put in place at the beginning and the social impact person wasn't appointed until some 18 months later. The tasks that should be assigned to this position are:

- * establishing data-bases and base-lines for monitoring the impacts of the reforms,
- * providing social impact input to policies as they are developed,
- * ensuring that all stakeholders are informed and consulted about the various components of the reform programme through some sort of formally recognised structure, and
- * ensuring that press releases are regularly distributed to the media so that people know what is going on and hear about the achievements of the program.

If the community (including NGOs, private sector and provinces) are not involved and informed and committed to the changes, the reforms may not have the level of support necessary for sustainability. In the country carrying out the CRP the appointment of an advisor to the press officer was delayed for 2 years, and the opposition have been having a field day!

Finally, It is essential that governments and donors stop appointing untrained people (usually economists) into public management

improvement, social impact assessment, and community involvement jobs. The reverse would never be tolerated (say, asking social impact experts to do economic analysis).

Measuring public service improvements

The average citizen needs to know the extent to which the expressed intentions of government are matched by results. If s(he) supports the intentions but doesn't see the results, s(he) might vote for a new government in the next election, or become active in a citizen's group working for change including reducing taxes paying for unwanted activities, or move to a new locality which is better governed. Citizen's groups and businesses want the same sort of information to help them decide how to design and where to target their advocacy and lobbying efforts. Government officials and politicians want to know these things to determine how good a job they are doing, and whether or not mid-course corrections are needed. Donor agencies and other investors want to know these things to help in making sound investment decisions. As official development assistance declines, and is replaced by investment from private investors, pension funds, and the like, development financing is likely to be more and more attracted to countries with favorable governance indicators⁴. International agencies want to know these things to find out if governments are abiding by international conventions and treaties they have signed. The ADB is developing performance criteria for determining allocation of subsidized loans (ADF) to

countries. Quality of public service criteria will play an important part in this.

Efforts to improve the public service can be measured in terms of effort or in terms of results.⁵ Let's look at both of these in turn. Measuring and rewarding genuine, individual effort can boost morale, and serve as a demonstrator for others. This can, in turn, improve the public service. In addition, many of the tangible results of improvement take a long time to materialize. Measuring and rewarding effort can give earlier payback to hard-working staff, who might otherwise get overly discouraged.

However, in carrying out public service improvements, it is advisable to rely mainly on results. Among the reasons for this is that effort is less easily measurable, and is an excellent alibi for lack of results.

There are four types of results: in terms of inputs, outputs, outcomes (including impacts), and process.

Input

Inputs are the resources used to produce a service --- e.g., consultants, buildings, vehicles, and computers. The social value of inputs is measured by their cost. The performance criterion

⁴ This issue has been explored extensively by the Money Matters Institute, at <www.worldpaper.org>

⁵ The section draws from, *inter alia*, "Fostering performance orientation in public administration", in Salvatore Schiavo-Campo and Pachampet Sundaram, *Public Administration and Civil Service in Developing Countries* (Manila: ADB, forthcoming in March 2000).

corresponding to inputs is economy, meaning the timely acquisition of good quality inputs at lowest cost. Going back to the example of Nepal, the latest Country Portfolio Review Meeting of the ADB's work found that contract awards were 100 percent of the target, and disbursements were 103 percent of the target. The disbursement ratio was 14.1 percent, which is higher than the Bankwide ratio of 10 percent. All of these input measures are positive, despite the institutional problems that I discussed earlier.

Output

Output is the service itself –e.g. the completion of a study, or of a Civil Service Census. The social value of outputs is approximated by the market price for the same or the closest equivalent service (or in its absence by total unit cost). The performance criterion corresponding to outputs is efficiency, i.e., minimizing total input cost per unit of output (or maximizing the quantity of output in relation to a given total cost of inputs. For example, of 28 ADB projects that have been evaluated to date in Sri Lanka, 43 percent were generally successful, 46 partially successful, and 11 percent unsuccessful. These evaluations are typical measures of output.

One output typically cited as part of public administration improvement is the reduction in the number of ministries. Although this output may have an important symbolic purpose, the tangible output depends on what the government was trying to achieve. For example, in Singapore, there have been three goals of reorganizing

ministries: reducing the portfolio mix of unrelated functions within ministries, transferring closely related functions in various ministries to one ministry, and improving the central coordination of activities of ministries and statutory boards. In transition countries of Eastern and Central Europe, centralized administrative systems are finding themselves out of sync with their decentralized market economies. Ministries are restructured because their tasks have radically changed, or become obsolete in the emerging market economies. In other cases, new ministries need to be created to address new functions of government in the transition. Ministries of interior have shifted from the control to service mode as decentralization proceeds. And so forth. In a study of Asian and Arab states, the number of population served per ministry ranged from 14,000 to over 56 million showing that there is no “correct” number of ministries on this basis.

Outcome

Outcome is the purpose that is achieved by producing the output --- e.g. the reduction of poverty. The social value of outcomes is difficult to assess, except as revealed by public reaction in the political area, or by cross-national comparisons. The performance criterion corresponding to outcomes is effectiveness, i.e. maximizing outcomes in relation to the outputs produced. Impact is a related but different indicator, which measures the value added from a particular activity. Many factors usually work together to produce a significant outcome, so it is nearly impossible to measure impact. An example of outcome is the improvement in living standards in Vietnam since the

Doi Moi reforms were introduced. In comparison to the 40 poorest countries in the world in 1986, Viet Nam had the highest economic growth rate over the next decade, while maintaining or improving human development performance. The poverty rate was cut from around 75% to 55% between 1984 and 1992. Real income as measured by household surveys rose by 39% in real terms between 1992-1998, while the poverty rate was cut to 30% in the same period.

Process

Finally, process is the manner in which inputs are procured, outputs produced, or outcomes achieved. The value of good process is high, but not always easy to measure. For inputs, good process consists of intelligent compliance with input acquisition and utilization rules, and integrity. Process indicators are a useful proxy for performance when outputs or outcomes cannot be defined with clarity (e.g. “bedside manners” in health services, or “rules for free debate” in policy formulation. Outputs achieved with bad processes are tainted, and will likely not be sustained. For example, downsizing of a Civil Service which violates employees legal rights may be challenged in court and overturned.

The importance of process highlights the fact that measuring public service improvement, like other aspects of governance, does not lend itself to simple cause and effect analysis. Almost invariably, a governance outcome is the result of a highly complex mix of factors and set of interrelationships over an extended period of time. Some

emphasize this quality of governance in their work by employing the term "ecology of governance." Just as natural ecology focuses on the complex relations between organisms and their environment, the ecology of governance focuses on the equally complex relations between institutions (like parliaments) and their political, social and economic environments.

This perspective draws attention to the crucial dimension of relationships in measuring governance performance. In the case of parliaments, for example, there are three sets of relationships that are important. First, there is a parliament's relationships with citizens in general and particularly with the marginalized. Parliament should be an institution that facilitates participation of citizens in the political process and if it does not it is likely close to useless (or worse). Second, there are the relationships with other institutional actors in the state, civil society and economy, particularly other state actors (e.g.: the executive, the judiciary). Here the key contributions of parliament have to do with accountability and transparency. Third, there is the role of parliaments in transnational relationships (e.g.: their role in overseeing relations between government and the IFIs.) This latter dimension of governance reflects the deepening impact of globalization on national political processes⁶.

When results measurement is cost effective and appropriate, one should use whatever combination of indicators that is suitable for the activity, sector, country, and time being measured. Choosing the right

combination raises many methodological issues and tradeoffs. For example, there is the common problem that “what you see is not always what you get”. The number of ministries may be reduced while the number of civil servants stays the same, since new ministries simply combine old ones. Laws and regulations enacted may not be enforced. Anti-corruption units may focus on eliminating political opponents. Expatriate advisors may be used not to train counterparts, but to carry out policy formulation and coordination roles, thus sidelining counterparts, who are seen by insecure rulers as potential threats if they know too much. Staff given specialized training may be transferred to assignments where the training is irrelevant for the same reason, thus perpetuating problems of low government effectiveness. Thus, one needs to be careful what one measures, and what inferences are drawn. Some governments claim to have improved public services, but on close inspection have not.

Donor Coordination

Although governments have to do most of the work improving public services by themselves, donors can play some useful roles, and could be doing a better job coordinating with each other. In all areas of improving the public service, experience shows the importance of donor coordination in avoiding duplication of effort, and preventing a situation arising where a developing country is presented with conflicting models and ends up picking bits from each that may be incompatible.

⁶ See < <http://parlcent.gc.ca> >

Donors are trying to do this at the country level through the CG or Roundtable process. There are also regional and global coordination initiatives. One of these is the Working Group on Public Sector Reform, helping to coordinate the work of 10 donor agencies active in the field. This group first came together in 1993. Initially under the leadership of UNDP, and within the framework of the Special Program of Assistance for Africa (SPA), the group produced Guiding Principles (GPs) on Civil Service Reform. A meeting in April 1999 convened by the Netherlands Ministry of Foreign Affairs assessed the usefulness to date of the GPs. The meeting agreed that the formal coordination mechanism represented by the GPs has played a useful role, but not guaranteed collaboration and synergy among donors on the ground. An action plan was agreed on to improve the situation, to extend the group's work to all developing regions, and to collect and disseminate -via a web site⁷ up-to-date information for practitioners. The next meeting will take place in Manila in March 2000.

A second donor coordination effort is the Multilateral Development Bank (MDB) Working Group on Governance, Anti-corruption, and Capacity Building, as one of 6 working groups⁸ helping to guide the work of MDBs. This group first met in December 1997 in Washington, hosted by the World Bank, and has met on average once a year since then. The goal is to obtain greater coherence in policies and procedures through exchanging ideas, sharing research findings,

⁷ See < <http://www.adb.org/wgpsr/default.html>>

⁸ The others deal with procurement, evaluation cooperation, environment, financial sector fundamentals and reform, and support to private infrastructure.

sharing blacklist information, forging new links, and organizing joint activities. The next meeting is scheduled to take place in Manila in January 2000.

A third type of donor coordination takes place at the regional level. [This meeting today is an example of that, where many donors are represented]. In another example, the ADB has annual coordination meetings with each of the World Bank's vice-presidencies working on Asia. The most recent meeting, focusing on South Asia, brought together 16 senior staff from the ADB and 25 from the World Bank in Islamabad last July, and focused on four themes: regional cooperation, urban development and water supply, financial sector, and governance. Among the possible coordination measures identified and discussed at the meeting in the governance area included:

- Preparing governance issues papers country-by-country, taking a broad view of systemic constraints and opportunities, and leading to a strategic vision for donor support. Specific opportunities discussed for 2000 include Pakistan (combining planned ADB issues paper with World Bank chapters on governance and law in forthcoming Country Economic Review) and Bangladesh (combining ADB issues paper with World Bank National Institutional Assessment).
- In lending operations and TA grants that address core governance issues in individual countries. One Bank will sometimes take the lead, other will support, e.g. ADB leads in Nepal CSR and

Pakistan legal and judicial reform, World Bank leads in Bangladesh legal and judicial reform. The two banks must work closely together in supporting governance improvements, or both will fail.

- Jointly bring together promising practices on public service improvement, disseminated through publications, websites, workshops, study visits. E.g. Close World Bank collaboration on ADB books on PEM and public administration, a September anti-corruption workshop with participation from the ADB, World Bank, UNDP, OECD, and Transparency International, an October workshop in Manila on sub-national governance with World Bank Institute, and the November Manila Social forum co-sponsored by the ADB and the World Bank.
- Work together to build stronger coalitions for improvement. World Bank has shared it's work on development communications, and offered to put on workshop in Manila
- As the ADB moves to performance lending with governance-related triggers, ensure ADB and WB triggers are consistent.
- Ensure consistency country-by-country in implementing respective anti-corruption work of 2 banks. For example, ADB's Pakistan Representative shared his anti-corruption plans, and World Bank shared draft Pakistan corruption study it recently completed.
- Share documents at an earlier stage, on assurance of confidentiality until document has been formally released.

There are other forms of donor coordination that are in the early stage of formulation. The World Bank's Comprehensive Development Framework being applied in Vietnam is intended to get all donors to support government priorities in a coordinated fashion. In another initiative, the World Bank has established a high-level advisory council on governance and anti-corruption to improve the effectiveness of its work. The ADB and other donors are talking with the World Bank about joining forces to receive common guidance from this council.

Conclusions and Lessons

This brief survey indicates that progress is possible in improving the public service, and learning to compete, but that there are many risks along the way. The experience shows that comprehensive improvements cannot succeed when political conditions are not supportive. Still, it is possible under such conditions to improve targeted administrative functions and policies, thus establishing the basic conditions to facilitate the implementation of a more comprehensive program at a later date.

Experience suggests that in some circumstances it may be politically possible to introduce improvements ahead of public opinion and achieve results sufficiently quickly to sustain them by changing public opinion. In others it may make more sense to build public support as the program is developed, as in public service improvement at the community level where the community is closely interconnected.

There is a related point. Much of the dialogue on public service improvement takes place between international organizations on the one hand, and a handful of officials from developing countries such as heads of central banks, ministers of finance, and a few of their staff. Yet these same international organizations hold up democracy and increased participation as essential for successful development. There's a bit of "do what I say, not what I do" in this. This was a central issue motivating the protests in Seattle against the WTO last week. Perhaps the dialogue on improvement would be more productive if donors talked with a more diverse group of people.

Examples show that governments cannot achieve rightsizing in the absence of political will. They also shows that capacity building initiatives require, in addition to training, reasonable incentives, recruitment and promotion based on merit, expanded delegation, and transfers done with more regard for the impact on task performance. Other experience highlights the importance of correct sequencing in downsizing efforts: first invoking outstanding dismissal procedures, laying off those of retirement age and giving notice to poor performers, and only then launching voluntary retirement measures. It also highlights that donors need to draw more on expertise in public management improvement, social impact assessment, and community involvement.

We discussed some other possible lessons from past improvements. Sometimes successful action requires a catastrophe (e.g.

hyperinflation, military defeat or coup) to destroy the power of special interest groups and create opportunities. However, other reforming countries have successfully proceeded without this. Successful reforming countries include both democracies and those with authoritarian rule. Some reformers succeed by taking advantage of honeymoons immediately after they take office; others succeed by taking their time. Sometimes, improvements that are genuinely home grown are more credible politically, and more effective because they were tailored to unique local conditions; in these conditions, the use of external advisors could make things worse. In other cases, countries get stuck, and have a genuine need for external assistance. Some successful reformers have used comprehensive and rapid changes to burn bridges and minimize the possibility of a reversion to the old ways. Others have used a self-consciously gradual approach. The important element is not whether a program is gradual or comprehensive or home grown or democratic or responding to a crisis, but whether it is appropriate to the needs of the situation.

Determined leadership is often a critical success factor, where leaders can look beyond short-term political advantage. Indeed, improving the public service can be an effective tool for helping a political regime to redefine itself to become more relevant in the light of a new economic situation, thus ensuring the continued support of its citizens.

This is only a small part of the rich experience with public service improvement in the region, and worldwide. I encourage you to read

some of the materials referenced in this paper, including the websites. A final lesson coming out of recent experience is the importance of donor coordination in giving consistent support on PSR. Donors are trying to do this at the country level through the CG or Roundtable process. There are also regional and global coordination initiatives, including the Public Sector Reform Working Group, helping to coordinate the work of 10 donor agencies active in the field, and the MDB Working Group on Governance, Anti-corruption, and Capacity Building, helping to guide the work of MDBs in this area.

I look forward to discussing any of these points with you during the breaks and discussion periods today. Thank you for your attention.