

Chapter 21

Improving Public Administration in Developing Countries and Transition Economies: Some Lessons of Experience

Doctors say of tuberculosis that in the early stages it is easy to cure but difficult to diagnose, whereas in the late stages it is easy to diagnose but difficult to cure. It is the same of the affairs of state.

— *Nicoló Macchiavelli*

Symmetrically with the structure of Chapter 1, the first section of this concluding chapter lists the generic conditions for public management reforms, and the second section assembles the “Directions of Improvement” sections of the preceding chapters—thus providing a comprehensive summary of key issues, reform possibilities, and constraints.

THE GENERAL CONTEXT OF ADMINISTRATIVE CHANGE

At one extreme, improvements in public administration are impossible in countries saddled with entrenched rapacious regimes wholly lacking in accountability to the population. For these patrimonial regimes, which are by definition uninterested in efficiency and development, public administration reform risks a loss of control and of opportunities to plunder the national economy and the environment. It is therefore a mistake to assume that all governments are interested in improving the economic conditions of civil servants and the efficiency of public management. On the contrary, for a rapacious unrepresentative regime, an underpaid, de-skilled, ineffective public administration is an asset: it keeps public employees dependent for their survival on the regime’s handouts, impels their corruption, precludes their “exit,” and turns them into reluctant accomplices. In these “kleptocracies,” while there might perhaps be

conceivable reasons for certain kinds of external involvement, assistance to improve the government administration is a wasteful delusion.

At the other extreme, lasting structural improvements in public management are never easy, simple, or quick. Therefore, most developing countries and transition economies fall into the intermediate category, for which public management reform is difficult and time-consuming, but is manageable. We know it is manageable, because experience shows that it has been managed in several countries (e.g., Bolivia, Botswana, Republic of Korea, Singapore, and Thailand). For administrative reform to have a chance of succeeding, however, several conditions are required.

General Conditions for Sustainable Improvements

International experience shows that there are six general conditions for constructive efforts to improve public administration in developing countries and transition economies.

“Ownership”: The basic prerequisite

Not surprisingly, the general condition for successful structural public management reform is genuine ownership of the reform—by the government as a whole if systemic issues are to be addressed, or by a major player in government if the strategy begins with reforms in an individual sector or administrative function. In either case, support from the highest political levels is necessary. Fact-finding and cost-containment measures have less stringent ownership requirements—but without active local involvement at the appropriate level the returns to these measures will be minimal because of lack of follow-up. Beyond fact-finding and cost containment, administrative changes simply cannot be implemented in sustainable fashion on the basis of the stakeholders’ benign neglect, let alone over their opposition.

Vision

A coherent long-term *and public* vision is mandatory. It is important for sustainable reform that government flesh out in concrete detail the generic goal of a right-sized, efficient, and responsive administration, oriented toward providing an enabling environment for the private sector while protecting important public interests. Rhetoric alone won’t do: to the extent possible, targets should be precise (not necessarily quantitative),

the intended criteria explicit, and timetables reasonably specific. Without a coherent and specific vision of the public administration as it should become, pragmatism becomes ad-hockery, external support dissipates, and haphazard reform actions come to a stop. But, however fine, *the vision of a few cannot be a living guide for the actions of the many*. The process of involving the public in defining a vision of the profile and behavior of government organizations is crucial to the practical value of the vision as a policy guide.

Selectivity

Among other things, a clear long-term vision permits selectivity—which is inevitable because it is obviously unrealistic to try to reform the administrative system all at once. Interventions should be focused on those sectors or functions that meet three criteria. The sectors or functions should be: (i) important; (ii) amenable to significant improvement in a reasonable period; and (iii) likely to generate role-model effects or positive pressures for public management improvements elsewhere. Thus, selectivity does not mean picking winners and losers, focusing on partial solutions to an inherently systemic problem, or ring-fencing privileged reform enclaves. Instead, *selectivity is a criterion for optimal sequencing*, by strengthening in turn different institutional linkages, in the context of the clear long-term vision mentioned above.

Sensitivity

This criterion entails primarily an understanding of the situation of those affected and of social constraints. It is well-known that expatriate advisers do not always possess such an understanding. But often, the country's own policymakers and high government officials are out of touch with administrative realities as well; and officials in the capital are frequently oblivious of the state of public services in local areas. It is essential, therefore, to identify those who do know such realities firsthand, and listen to them. A public management reform program rests on sand if it is elaborated without consulting those who have relevant information and those whose cooperation will be needed to implement the program.

Stamina

Stamina and patience are required by the long gestation of public administration reforms. With their heavy institutional content, such reforms call for a long-term investment of imagination and resources, and for the

willingness of government and donors to stay the course. It is necessary to state this obvious requirement because all too often complex reforms are undertaken “on the cheap,” thus guaranteeing their failure regardless of how well targeted and designed they may otherwise be.

Implementation capacity

Unlike first stage “stroke of the pen” policy changes such as price decontrol or exchange-rate devaluation, most public administration changes are second-stage “affirmative reforms,” which require careful and consistent implementation efforts over time. Adequate implementation capacity is therefore a must. However, the required capacity need not preexist in its entirety. It can grow apace with reform implementation itself, provided that the administrative reform design explicitly includes such a capacity-building component and is carefully sequenced to assure that its reach does not exceed its implementation grasp.

How to Get from Here to There: Some Strategic Lessons¹

Notwithstanding the importance of a long-term vision for administrative reform, it is the dynamic question of *how* to get there that has suffered the worst disregard, because it is so murky and difficult. It is not surprising that, when faced with the size of the gap between reform goals and institutional realities in many countries, reasonable people shy away from any involvement in government reform and anticorruption efforts. But common sense and growing international experience point to various ways to begin to bridge this gap, among which are the following.

The torto-hare approach

The strategic focus should be on identifying areas where it is feasible to move very fast, and areas where it is essential to build carefully a solid institutional foundation required for sustainable reform. To use the metaphor of road traffic, “torto-hare” was the slogan (*tarta-lepre* in Italian, combining tortoise [*tartaruga*] and hare [*lepre*]) coined by the Italian traffic police in the 1960s to describe optimal driver behavior: drive fast or slow, depending on the circumstances. The worst approach to driving in erratic traffic and poor visibility is to go on cruise control, whether at high or at low speed.

In this perspective, the dichotomy between big bang reforms and “gradualism” is false. The premise of the big-bang (or shock therapy)

approach is that partial reforms will have no effect in the absence of simultaneous rapid reforms in complementary areas. The premise of the gradualist approach is that there is only so much change a society can stand at any one time, and the attempt to do too much will end up in a failure to accomplish anything. Both premises are valid, but stretching them to their logical extremes leads to untenable prescriptions. The extreme version of shock therapy, reforming everything at once, is utterly unrealistic and risks causing extreme damage in a plural society driven by ethnic animosities; at the other extreme, the “fundamentalist” interpretation of gradualism becomes a justification for perpetual tinkering around the edges without any progress. The obvious alternative to such ideological approaches is a pragmatic *analysis* of the benefits, costs, opportunities, and risks of specific administrative changes in a specific country. Accordingly, administrative reform should be as fast as possible when circumstances permit, and as slow as necessary when accountability needs to catch up, absorptive capacity to grow, or public tolerance to be rebuilt. (Again, however, a coherent overall vision is mandatory.)

Testing for readiness

It is important, therefore, not to assume that circumstances are always propitious for change. Among the myriad practical ways for a government to test the system’s readiness, three can be mentioned:

- Undertake some specific action, no matter how modest, as a trigger of significant involvement. If it proves impossible to take easy initial steps, the harder ones to follow will not have much chance of success. Furthermore, to do so will flush out at an early stage the reform opponents.
- Devise a “transparency test” to open up some part of the personnel management or administrative apparatus to public scrutiny, and to begin building public support for improvement therein.
- Issue a candid public statement concerning key administrative weaknesses and reform options, as a basis for initiating a public dialogue.

More generally, it is *society’s* readiness, not the government’s, that is at issue. As the old saw has it, in a democracy people get the government they deserve. But in authoritarian regimes, too, the administrative culture reflects the norms of society at large. *The behavior of public organizations is determined in part by the expectations of the public.* Thus, information, good

practice dissemination, and other ways to create public demand for reform and to raise general expectations of good government are needed to complement executive efforts to improve administrative efficiency.

Fact-finding: A constructive beginning

Lasting improvements in government performance are politically delicate, of long gestation, and difficult to implement. Nevertheless, in most cases governments can initiate factual and analytical work even when the probability of actual reforms is a long way off.

This fact-finding and analytical work is both an obvious prerequisite to eventual sensible reform, and a nonconfrontational first stage of the change process. Governments are not always aware of problems in their own administrations until the facts are uncovered and, usually, the bare facts make the direction of improvement painfully obvious. Even when political or social circumstances are not conducive to actual change, governments are often amenable to functional reviews of government organizations, assessments of procedures, improvements of information systems, pilot surveys of user opinions, and the like.

The futility of "paper reforms"

Formal changes in public administration are hollow in the absence of effective monitoring and enforcement mechanisms. Administering, monitoring, and enforcing mechanisms take time, resources, and genuine commitment at several levels to become operational. Yet, two tendencies often converge in practice to sidestep these requirements. The first tendency is the temptation of politicians and foreign donors alike to declare a problem solved and move on to the next item on the agenda. Thus, for example, the reorganization of an ineffective ministry can be publicized as a "result" without any attention to the other elements needed to improve the functioning of the ministry in practice. The other tendency is the habit of control-minded elites to try to effect behavioral change by decree. (Military and other authoritarian regimes are particularly prone to this illusion.) There is overwhelming evidence that such change, if any, is purely transitory. As stressed throughout this book, attention to implementation issues is essential for the probability of success of the reform.

Operational Approaches

Grounded on the above general considerations, two interrelated operational approaches to improving public management in developing countries can be suggested: (i) strengthening intrasystem linkages; and (ii) fostering the creation of “efficient nuclei.”

Strengthening internal linkages: The essence of “capacity building”

In many developing countries, and in most transition economies, the absence of systematic lines of interagency communication and the lack of incentives to share information (which is often viewed as a personal asset) result in fragmented policy formulation and atomized decision making. The challenge is how to improve communications and reduce the cost of information within the public sector.

It is always difficult to decide whether to strengthen one government agency or another; the outcome of bureaucratic “turf” disputes is uncertain; and the risks of losing an organizational bet are potentially severe. The guiding operational criterion for sustainable improvement should therefore be to strengthen the linkages between the components of the public administration, both among central ministries, and between them and subnational entities. Strengthening the institutional and information linkages within the administrative system has important advantages: it (i) does not prejudice the appropriate transition path for the system as a whole; (ii) entails a direct reduction in transaction costs; and (iii) is most likely to have positive implications for transparency and accountability. It is essential to encourage *positive* interaction among government agencies, not by rhetoric, but by specific incentives for greater information exchange, training, and cooperation. This point leads to the second approach suggested here.

Efficient nuclei vs. enclaves

Action to strengthen linkages facilitates but does not in itself spread new rules and efficient organizational practices. There must also exist dynamic agents of change that can generate the positive messages to be transmitted throughout the system by the improved communication channels. These agents, these efficient nuclei, must be deliberately created to perform a few key selected public functions.

A guiding criterion for selecting these key functions is precisely their contribution to maximizing the linkages within the public sector. By analogy with Albert Hirschman's "unbalanced growth" approach of 30 years ago (Hirschman 1958), *efficient nuclei should be created largely on the basis of their potential for spreading new institutions and organizational practices throughout the public management system.*

A nucleus of administrative efficiency should also meet the following practical standards.

- Be small, and deliberately meritocratic, both in the initial selection of staff and in the evaluation of staff performance.
- Have flexible and simple procedures.
- Provide sufficient compensation for staff (this may require fixed-term contracts, to permit adequate incentives without compromising eventual decisions on an affordable civil service compensation structure).
- Have adequate material and financial resources.
- Use local talent, with external advisers used only when demonstrably necessary.
- Be a transitional arrangement, with a clear sunset clause and advance specification of the procedures for reassignment of its staff throughout the relevant government agencies.
- Operate not only to perform specific tasks but also a teaching-by-doing function, in cooperation with other agencies.

The approach is applicable in a variety of administrative areas. An illustration can be given in the area of procurement. As discussed in Chapter 9, delegating the procurement function to line ministries is risky in the absence of sufficient capacity at the center to formulate sound procurement standards and rules, and make sure they are applied. The spending agencies, however, also need advice and assistance in this area, to avoid generating an atmosphere of pervasive mistrust and the ensuing micromanagement from the top that compromises both the efficiency and the integrity of the procurement process. By the efficient nucleus approach, the central unit charged with procurement responsibility would be required to provide assistance to the spending agencies in the flexible implementation of the procurement procedures—thus at the same time improving the practicality of the procurement procedures and strengthening the agencies' capacity to carry out their own procurement. The relationship between the central unit and the ministries' procurement offices would encompass

cooperation and mutual assistance and not only oversight and control, and would therefore encourage informal exchanges of information and advice as and when needed.

In contrast, it is essential to resist the temptation to “ring-fence” segments of the new modernized public administration in order to insulate them from the existing inefficient system. *Enclaves do not work in institutional development any more than they do for physical development projects.* There are two basic differences between an efficient nucleus and an enclave. First, an efficient nucleus is aimed at spreading institutional improvements throughout the system. Second, efficient nuclei should be encouraged to emerge within an existing organization, to reform it from the inside—a benign mutation rather than a threat. Enclave projects, on the other hand, normally either ignore or bypass the existing organizations. The organizational strongholds being bypassed refuse to wither away, and actively resist and subvert the reform process. One major reason for the negative experience with enclaves is that the enclave approach shuts out the *people* in the existing organizations and gives them no hope of participating in the reform process, thus guaranteeing their opposition. The outcome is illustrated, among many other events, by the situation of Bolivia in the 1980s (Box 21.1).

Box 21.1

Bolivia: Donor-Abetted Administrative Duality

In the early 1980s, Bolivia faced a severe economic crisis reflecting ineffective macroeconomic management, political instability, and institutional problems, and resulting in acute hyperinflation (an average of 1,600 percent during 1980-1985). The crisis also led to administrative chaos in the ministries and affiliated agencies. The structural adjustment process introduced in 1985 demonstrated that government institutions were not competent to fulfill their roles. This forced political authorities to use specialized external teams financed by international assistance. However, while foreign assistance was a good source of technical support in the short term, it became a part of the problem, by causing distortions in personnel policies and pay structure in the public administration, raiding the best personnel, and weakening domestic capacity. In turn, the increasing weakness in domestic capacity began to threaten the sustainability of the policy reforms.

As a result, the state’s central administration in effect came to consist of two groups—a smaller well-qualified group receiving support from foreign

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Box 21.1 (cont'd.)

assistance projects, and the larger group remaining in the old structure of public administration, underpaid, less skilled, and wasting its time on administrative tasks of little relevance. The larger group was also demoralized because of poor career prospects and political interference in hiring and promotion. Moreover, the existence of a privileged group in public administration made it difficult to apply personnel policies consistently.

These trends were eventually reversed, through a public administration reform program partly financed by foreign aid itself. In effect, to remedy the negative impact of short-sighted technical assistance of the past, foreign aid was used to finance the improvement in incentives needed to send the qualified local professionals back home to their own civil service.

Source: Chaudhry, Reid, and Malik (1994).

The role of hope

It is important that administrative reforms incorporate a *potential* benefit for all individuals in the system—the hope of becoming part of the new institutions, the chance of turning themselves from reform losers to reform winners. The individual’s probability of access to the new system may be low, but people can still be motivated into supporting the reform by the prospect of improving their chances through personal effort, with the help of appropriate training. The key proviso is that there must be absolute confidence in the equality of opportunity of access to the new system.

Governments should have no illusion that incorporating the “role of hope” in public administration reform programs will remove resistance to the reform. It can, however, turn many opponents into supporters and, at the margin, spell the difference between success and failure. Also, fairly administered training-for-access programs can have an important demonstration effect in terms of the principle of reward for effort and performance, rather than for political or ideological loyalty. In any event, assuming that everyone in the “old guard” is useless or an adversary is wrong, providing equal opportunity of access is the right thing to do.

“Internal structural adjustment”

A way of managing the transition from a dysfunctional to a radically different system is to give individual administrative units positive incentives

to reform, and then place the burden of proof on them. By analogy to structural adjustment programs, the formulation of a coherent administrative reform program by the country's government permits defining the required adjustment for all ministries, and hence setting appropriate performance criteria for each. Ministries that meet those criteria would, for example, become eligible to use a new salary scale, or be exempt from recruitment freezes, or receive greater budgetary allocations, or a combination of incentives—in the context of a business plan consistent with the overall reform program. For such an approach to succeed, it is, of course, essential to have an autonomous and credible mechanism of evaluation of organizational performance. In Japan, good results have been obtained by having outside agencies initiate and arbitrate reform, giving discretion to administrative entities in achieving broad reform goals, and recognizing the importance of psychological motivation. In other countries, international participation may be necessary for the credibility of the approach.

REFORM PRIORITIES AND SEQUENCING OF REFORMS

This section assembles the “Directions of Improvement” recommendations from each of the previous chapters. The convenience to the reader of having a self-contained reform and sequencing agenda justifies this duplication. (This section should be read in conjunction with the last section of Chapter 1, which summarizes the key points of the various aspects of public administration.)

Government Machinery and Organization

Policy Formulation and Coordination

The first requirement of an effective administrative apparatus is to define and communicate to it clear policy directives and decisions. Therefore, there is a need for institutions capable of producing decisions that are consistent, affordable, and capable of being implemented. There is also a need to improve transparency and predictability in the policy process, so that powerful individual ministers do not short-circuit the system and undermine collective goals in pursuit of their parochial interests.

Improvements in cabinet systems and related organizations should be geared to better performance on five basic tasks: (i) provide intelligence and early warning regarding the policy items likely to come before the cabinet; (ii) ensure that all agencies and ministries with a stake in a given

issue are adequately consulted; (iii) provide supporting analysis and the careful consideration of options; (iv) record and disseminate decisions; and (v) monitor implementation and follow-through.

Among the key principles of policy formulation, probably the least observed in developing countries is the principle of discipline. Promulgating policies that are “dead on arrival” because they are unrealistic, devalues the policymaking process and reduces the impact of leadership. It is essential, therefore, to introduce concrete provisions for greater discipline in policy formulation, as for example a requirement that no decision can be presented for cabinet approval unless it is fully costed and is consistent with other legislation and rules.

Experience demonstrates that there are many routes to more effective policy coordination. Pronounced differences exist not only between countries but within the same country over time. These differences matter in terms of the speed and cost-effectiveness with which decisions are reached, as well as the degree of ownership among various ministries and departments responsible for implementing those decisions. But there is clearly no one “right” answer to the question of how policy-making institutions should be improved, provided that the improvements focus on the five tasks noted above. Generally, however, the size of the decision-making group can be small and hence its decision-making effectiveness greater, to the extent that there are mechanisms to assure broad consultation with other government entities and the public.

It is important, therefore, not to look at central policy formulation mechanisms in a vacuum. Often, their success is supported by additional coordinating mechanisms. These range from cabinet subcommittees to interministerial task forces and working groups to congressional liaison offices and business-government coordinating councils, and can perform a useful complementary role. Also very important is for governments to find ways to encourage informal cooperation at all levels of administration, and remove obstacles to the free flow of information within government.

These considerations are of particular relevance for donor agencies, which have recently begun to assist the effectiveness of central decision-making mechanisms in developing countries. The resources involved are often very small, but hold significant promise for assisting the efforts of many developing countries to improve the quality of their service delivery, regulatory functions, and public administration in general.

Organizational structure of central government

Few recommendations can be advanced in an area as political and dependent on country characteristics as the organization of government. However, certain general approaches can be advanced.

By and large, developing countries are usually more heterogeneous than developed countries, and their independence is more recent. Therefore, while the functional principle dominates the organization of central government in developed countries, much of the developing world could usefully consider the value of ministries serving a particular geographic area or clientele, whenever government reorganization appears appropriate.

Also, there is a certain trade-off between coordination and accountability: a larger number of ministries makes coordination more difficult but facilitates the placement of responsibility. Again as a broad generalization, in developing countries weak accountability is more of a problem and a risk than loose coordination of decisions. To that extent, whatever the number of ministries, care should be taken to assure clear assignment of responsibility and rules for accountability. Nevertheless, while the specific number of ministries depends largely on country size, goals and circumstances, most developing countries of average size can probably get by with 12-18 ministries, and the very small countries with fewer than ten.

Concerning the regulatory framework, the situation is complicated in most developing countries by the regulations inherited from the former colonial authorities, which are not only likely to be obsolete, but were designed in the first place for control and exploitation rather than protection of the local citizenry and encouragement of competition. To these were added the many more regulations promulgated after independence. Nevertheless, the key issue in most developing countries is not the quality of regulation, but its tax and erratic enforcement. Most countries would therefore benefit from a two-pronged effort at regulatory reform by: (i) extensive pruning of the welter of regulation; and (ii) building the capacity for robust, nondiscriminatory, and predictable enforcement of the key regulations—particularly those that protect competition, public safety and health, the environment, and land use.

Organizational structure of subnational and local government

Because a first requirement for accountability is a clear assignment of responsibility, it is advisable to specify by law the powers of each level of

subnational government, in those cases where they remain ambiguous. It is highly inadvisable, however, to codify administrative customs or other informal modes of behavior, as custom when codified loses its natural capacity to adapt to change.

Weak capacity of subnational government to exercise certain functions should be an indication of the need to strengthen such capacity, and not an excuse for withholding legal sanction for the responsibilities it is expected to exercise. Central and intermediate levels of government can strengthen both the powers and the capacity of local government by:

- entrusting to elected local bodies the government of urban and rural areas, with clear functions and commensurate resources;
- avoiding the central appointment of local leaders, and resisting the temptation to intervene except when local governance is violated or at risk;
- fostering the creation of mechanisms for accountability and responsiveness of local government to the citizens, and for appropriate public participation;
- enabling local governments to appoint qualified staff, and providing such technical and managerial assistance as local government may require to function effectively; and
- assuring the effective audit of local government activity, and an appeals channel for the redress of citizens' grievances.

Considering the growing importance of large urban centers and megacities, and especially the large numbers of marginal and poor people residing in those agglomerations in developing countries, central and provincial governments have a special responsibility to:

- help devise integrated region-wide solutions for land-use, transport, and environmental problems, as well as for the provision of a minimum level of services to the poorer groups, primarily shelter, clean water, and waste disposal;
- assure that megacity governance responds to the same basic requirements as good governance in general—particularly participation;
- prevent particularistic interests of individual municipalities, or of privileged groups, from exploiting the unplanned expansion of megacities to their own advantage; and
- help address the issues of internal migration, along with measures to assist the recovery of impoverished inner cities.

It is much easier to anticipate and prevent the problems of megacities (as, for example, was done in Seoul) than to remedy them after they have surfaced in their most severe form (as, for example, in Jakarta and Manila). Nevertheless, improvements in megacity governance, and resolute action by all levels of government, are essential to prevent those problems from becoming worse still, and can succeed if they are well-coordinated and sustained over a period of time.

Decentralization: What, when, and how

Experience worldwide shows that decentralization can be a mechanism to improve political stability, deliver service more efficiently and effectively, reduce the level of poverty, and promote equity. Governments intending to decentralize functions should note the following general principles:

- Decentralization should be understood as a means rather than an end in itself. The goal is to heighten the overall quality of governance.
- There needs to be consensus and support from different sectors for adopting decentralization measures.
- In cases where decentralization is a new development, subnational governments should be given time to learn and gradually adapt to the new system. In parallel, control and regulatory mechanisms should be instituted to guide subnational government operations.
- Decentralization should be a sequenced set of well-conceived policies and implementation of policies should be carefully planned and executed. The risks of hasty action are particularly great in developing countries.
- Normally, the country's constitution should embody the broad outlines of decentralization, enabling laws the specific parameters, and administrative rules the details of implementation. In countries where decentralization laws were made piecemeal, it is highly advisable to codify all legislation relating to decentralization to maintain coherence and spot duplications and inconsistencies.
- Ensure that mechanisms for public participation and autonomous decision making are installed in the legal and regulatory framework and institutionalized in implementation. Subnational governments must be directed to encourage citizens to participate in decision making.
- Specify the responsibilities for each level of government, and those to be jointly shared by the central and subnational governments. To

avoid turf competition and confusion, it is important to be clear about which particular functions are to be delegated, deconcentrated, and devolved. Deconcentrate functions that are national in scope and over which the center wishes to have direct control; delegate special and highly technical functions; and devolve functions that are local in scope.

- To the extent practicable, government functions should be assigned to the lowest possible level of government. There should be a convincing justification, such as spillover and externalities, for assigning them to higher levels of government.
- Ensure that subnational governments are capable to carry out functions and responsibilities transferred to them. Transfer of functions and authority to subnational governments needs to be matched with transfer of appropriate technology, skills, and financial and manpower resources.
- Ensure human resource development and organizational capacity building until the time when subnational governments can independently sustain their own needs.
- Especially in devolution, central government needs to enact regulation to ensure national standards of public services and prevent local government actions from interfering with or contradicting national policies and goals.
- Allow some flexibility to local government in implementing decentralization mandates.

It is important that government enforce vertical coordination among different levels of government, and encourage horizontal coordination among agencies and subnational government at the district and city level. Interagency coordination should lead to convergent actions by field agencies, avoiding duplication of local staff and programs, and exploiting economies of scale. Caution should be taken to avoid both overregulation and undercontrol by central government.

Nonministerial government bodies and corporate governance of public enterprises

Because direct government delivery of public services is only one of several options, developing countries should periodically reexamine the effectiveness of direct delivery of public services relative to possibilities for the involvement of private businesses and nongovernment organizations (NGOs). This is especially advisable in local government, which is normally

responsible for providing those services that are generally more suitable for nongovernment delivery. Close monitoring is needed, however, to prevent service quality and access from declining as a result of capture by powerful local private interests.

A similar middle-of-the-road approach is advisable for handling the relationship between service policy and implementation. A sharp separation between the two functions is inadvisable in most countries, and the creation of an autonomous executive agency exclusively responsible for service delivery is an especially bad idea in developing countries. However, the two functions are in fact distinct. It is advisable for countries, within the existing organizational arrangements, to consider ways in which to sharpen the focus on formulating good service policy and standards, while at the same time giving more flexibility to government managers in the actual delivery of the public services. The appropriate improvements will depend largely on country characteristics, the service in question, and the organization of the government. Generally, however, the issue of how to give greater freedom to government managers to deliver services more efficiently should be viewed in conjunction with budgetary procedures (especially the desirability of some flexibility in reallocating budget within the same category) and the mechanism evaluation of public managers' performance.

In a majority of developing countries and transitional economies, the public enterprise sector as a whole is a drain on the public finances, without an offsetting benefit in terms of providing services to groups that would be underserved by private business. There is therefore a strong case for *both* reducing the size of the sector through privatization and improving the efficiency and responsiveness of enterprises that remain in the public sector. Because privatization carries special risks in countries with governance weaknesses, developing countries should pay close attention to the process of privatization, with all the expert assistance they can obtain. External donor agencies, too, need to shift their focus from the quantity to the quality of privatization, from the "what" to the "how" of the handling of privatization.

Concerning the improvement of the efficiency and responsiveness of the remaining public enterprises, reforms in corporate governance are necessary in many developing countries and most transitional economies. In this area, the selective approach recommended above is not desirable, because corporate governance reforms and procedures must be uniform for the entire sector.

The following measures, among others, can help ensure the benefits of corporatization:

- Establish a single corporate form and avoid both hybrid organizational solutions (which muddy up accountability) and sector-specific schemes (which permit the ministries to retain undue influence).
- Ensure open communication and credibility, particularly vis-à-vis the employees.
- Monitor the activities of reluctant enterprise managers during the corporatization process.

In selecting an agent to represent the state, it is preferable to establish a single central public agency rather than split the oversight role among different agencies, or entrust it to an existing entity with a different mandate. Such a central public agency would be responsible for the oversight of every public enterprise, but the regulatory function should be vested in separate agencies to avoid conflicts of interests.

When considering the creation of a board of directors, the following are needed.

- First, evaluate whether a board is preferable to other mechanisms of effective control, on the basis of the availability of good board members and the size and nature of the enterprises in question.
- Clarify board objectives and give the board adequate authority.
- Select independent and competent board members representing different constituencies—predominantly from the private sector.
- Help boards organize themselves and provide training where lacking. The formation of an institute for directors to provide such training is worth considering, ideally on a subregional basis for several countries.
- Provide adequate incentives and accountability systems. Board members' remuneration must be competitive with that of the management of enterprises, and procedures must be established to review board members' performance, including in particular the robustness of their supervision of enterprise management.

Performance and management contracts are not a panacea and are in most cases problematic. Therefore

- Performance contracts should be used selectively.
- The information on which the enterprise performance targets are set should be made available to both parties.
- An independent body should be established to act as an arbiter and conflict resolution mechanism.
- Performance indicators should be derived from an agreed three- to five-year plan, and performance targets should be adjusted only when major factors outside the control of managers change.
- Once performance targets have been set, managers should be free to manage, subject only to general government policies and contractual provisions.
- If circumstances are not conducive to detailed performance contracting, a performance agreement can still provide the basis for a constructive dialogue on performance, provided that significant positive or negative consequences result for the enterprise managers.
- Because of the severe risks of management contracts (with private managers) in developing countries, when it is absolutely necessary to enter into such contracts the government should consider hiring an independent external entity to monitor and supervise the management on its behalf.

Managing Government Resources

Managing central government expenditures

The approach to improving central government budgeting should be pragmatic, providing a menu of options rather than single “best-practice” models. However, certain principles are universal:

- making sure that changes in public expenditure management strengthen the four pillars of governance (accountability, transparency, predictability, and participation);
- using improvements in public expenditure management partly to reduce opportunities for corruption, both home-grown and imported;
- paying attention not only to fiscal discipline, but also to strategic resource allocation, good operational management, and due process; and
- stretching the horizon of budgeting beyond the immediate future, through a concrete multiyear approach, when feasible, but at a minimum at the level of systematic reflection and dialogue.

In addition to these general principles, experience suggests three practical rules for assessing the merits of recommendations to improve expenditure management in the specific country context:

- Getting the basics right is a must for the process of spending the people's money, especially in poor countries where the people can least afford costly experiments. In the words of the Conference on Fiscal Policy and Reform (2–4 February 1999, Apia, Samoa): "...fundamental elements of budgeting preparation, implementation, and monitoring that permit effective control, promote transparency, foster accountability, and ensure legitimacy need to be firmly in place before highly sophisticated concepts of budget management...[are] introduced."
- Any measure to improve public expenditure management in developing countries must raise the country's own capacity to manage its public expenditure. An improvement in public expenditure management designed and implemented primarily by expatriate specialists is no improvement at all; quite the contrary, it may even worsen matters. Neither can improvements last if they are imposed top-down by the central agency with little involvement or implementation capacity of the sector ministries.
- Assess the record of actual success or failure of the measure being recommended by independently obtaining feedback from other countries that have experimented with it.

On *budget preparation*, priority actions are a reasonably comprehensive budget coverage, disclosure of policies that have an immediate or future fiscal impact (e.g., contingent liabilities), and a good expenditure classification. In addition, efficient line-item cash budgeting must be established on a solid basis before considering a move to other budgeting systems.

Hard financial constraints, flowing from a consistent macroeconomic framework, are essential at the start of the budget preparation process, to give the line ministries the predictability needed to design their expenditure programs, in conformity with government sector policy. Good operational management requires that line ministries be accountable for implementing their programs, but they can be held accountable only if they have sufficient authority to design those programs.

To move toward a *multiyear budgeting perspective*, the first priority is to prepare aggregate expenditure estimates by function and broad economic

category, and review the forward costs of programs when preparing the budget. As the next stage, multiyear expenditure programs can be prepared, including only programs/projects for which financing is assured—thus focusing only on ongoing policies. As a final stage, a formal and detailed medium-term expenditure framework can be prepared, with the same coverage and degree of detail as the annual budget. To achieve this final goal, a progressive approach can be considered. Aid-dependent countries should first prepare a strong and realistic public investment program (consistent with available resources and without “white elephant” projects). Other countries could focus on other costly expenditure items, e.g., pensions and other entitlements. In addition, preparing a full sector expenditure program for one or two key sectors can yield useful experience in multiyear programming.

Improvements in *budget execution* generally entail enhanced expenditure control, more efficient spending, and better cash management. Improved expenditure control results mainly from timely and predictable release of funds; effective controls and monitoring at each stage of the expenditure cycle (commitment, verification, and payment); clear procedures for registering commitments; and, of course, sound and well-enforced procedures for procurement (discussed later). Improvements in efficiency call for flexible rules for virements; some possibility for carry-over of authorized spending to the next year; and progressive decentralization of controls, but in parallel with a reinforcement of audit and financial reporting. Finally, priority actions for better cash management include a realistic cash plan consistent with the budgeted expenditure; centralization of cash balances (not necessarily of actual payments); and timely tracking of government borrowings and repayments.

In *audit*, efficiency (value-for-money) audits may be considered only after a strong financial and compliance audit is clearly established, and all resources should be concentrated on that basic priority. Similarly, in *accounting* the priority is on establishing a solid cash accounting basis and consolidating the operations of extrabudgetary funds—complemented, however, by a commitment register, accrual accounting for debt, and the recording of contingent liabilities. Further improvements could include modified accrual accounting and the formulation of asset registers—at least for the more valuable assets at risk. A move to full accrual accounting should not be considered until the previous steps are firmly in place (except for public sector commercial activities, where accrual accounting is essential). Finally, *performance orientation* in budgeting can be fostered in

several ways other than the formal introduction of quantitative performance indicators or performance budgeting, as explained later.

Managing local government expenditure and fiscal decentralization

The first priority in this area is to review the distribution of fiscal responsibilities between levels of government to make sure that it is clear and explicit. Next, it is necessary to verify that the formal assignment of responsibilities is in fact carried out and, where it is not, to assess whether the lack of implementation derives from insufficient local capacity or from central government interference.

It is also important to combat the temptation to “download” fiscal problems by devolving expenditure responsibilities to local governments without the means to carry them out. This practice makes it difficult for local governments to operate, and at the same time gives them an alibi for bad performance. Defining fiscal targets for general government instead of only for the central government (as recommended in the International Monetary Fund Code of Fiscal Transparency) would help accomplish this purpose. In developing countries and transitional economies, therefore, improving fiscal statistics at the local government level is important not only to promote a healthy fiscal policy overall, but also to help protect local governments against unfunded mandates.

Because fiscal decentralization carries costs and risks as well as benefits, it is essential to examine, *case by case*, whether a specific move toward fiscal devolution is likely to carry a net benefit. Such an examination should rest in part on the feedback of informed persons from local government and civil society, rather than a mere desk review by a central entity. Local administrative capacity is an important determinant of the effectiveness of decentralization. Weak local capacity is not necessarily a reason to keep expenditure responsibilities centralized. However, every move toward fiscal decentralization should be accompanied by measures to strengthen local capacity and governance, and should assure that independent channels of feedback and complaint between the local population and the central government are open.

It is especially important to consider the impact of fiscal decentralization measures on poverty, income distribution, and regional inequalities. Although all major policy changes entail shifts in the interpersonal and interregional allocation of resources, when a loss is likely

for poor and vulnerable groups, appropriate compensatory measures must be incorporated in the design of decentralization and forcefully implemented. Again, there is no substitute for ascertaining the views of local civil society in this respect.

When assigning taxes to local governments, it is necessary to encourage coordination across jurisdictions, to avoid undesirable competition in offering tax incentives, double taxation, or tax loopholes. Such coordination can also exploit scale economies in tax administration and improve local administrative capacity by benefiting from the experience of other jurisdictions. Coordination in the tax area can thus become a testing ground for greater general cooperation and, to that extent, can alleviate local capacity constraints and build regional social capital.

Property taxes are the most suitable for assignment to local government, especially in developing countries where the only alternative may be overreliance on transfers from central government. Taxes on certain types of property, such as automobiles, are inherently progressive and relatively easy to administer. However, taxes on land and buildings, which can yield much greater revenue, are difficult to administer and are a frequent source of corruption. Improvements in this area are therefore important for effective fiscal decentralization in developing countries, but always difficult—especially in regions with weak governance and powerful local elites. Directions of improvement include mainly

- giving local governments the freedom to set their own property tax rate;
- improving the property tax valuation system;
- giving the assessing agency direct financial incentives to maintain the tax base and keep assessments up to date;
- strengthening procedures for collecting real estate taxes, normally including the power to seize the concerned property for nonpayment of taxes;
- assuring effective external audit of tax valuations and the assessment process; and
- introducing robust measures to raise the cost of corruption.

The objectives of fiscal transfers are often in conflict—between stabilizing and reducing of regional disparities, or between compensating for benefit spillovers and setting national service standards. Hence, it is important to ensure that the fiscal transfer system as a whole is internally

consistent and trade-offs between objectives are explicit. In practice, this entails relying not on a single type of grant but on a judicious combination of conditional and unconditional, capped and open-ended, and capital and current grants.

In revenue sharing, it is advisable to move away from annual bargaining (which is time-consuming, heavily politicized, and a potential source of corruption) and toward a rule-based arrangement, whereby only the overall amount to be transferred is decided annually, with the distribution to regions and localities governed by explicit criteria. In addition, the tax assignment and revenue-sharing rules must provide the right incentives for efficiency and fiscal discipline by local governments. For example, certain tax-sharing arrangements can lead local governments to put all efforts into collecting those taxes that give them the most benefit, and neglect the rest. A review of the actual behavior of local government in response to central rules, based partly on a survey of informed local opinion, can help pinpoint those rules that have had a disincentive effect, and can be a good basis for improving the fiscal regulatory framework.

Rule-based mechanisms, e.g., centrally set limits on local debt, borrowing, expenditure arrears, and approval of major loans, are also used to assure fiscal discipline in local government. In developing countries, where capital markets are undeveloped and there is an implicit assumption that the central government will bail out local governments if they get into trouble, such direct controls are unavoidable. It is important, however, to exercise them efficiently, avoiding cumbersome and intrusive controls that micromanage local government under the guise of controlling its borrowing.

Acquiring goods and services: Public procurement

In developing and transitional economies, improving the procurement system to meet standards of economy, competition, accountability, and honesty generally requires moving to:

- simplified legal and regulatory framework for procurement;
- clear organizational arrangements, combining centralized procurement policy/oversight with decentralized operations;
- improved public access to information and documentation;
- measures to ensure that only civil servants of competence and integrity are in charge of government procurement, and providing

for commensurate rewards through career options and frequent rotation;

- simple and transparent process of procurement, whichever method is chosen;
- more effective mechanisms to curb fraud, abuse, and corruption, with appropriate assistance from international organizations; and
- more attention to contract execution and monitoring.

In many developing countries, efforts to close loopholes for corruption or to achieve social goals have created increasingly detailed regulations and centralized control. The problem is especially acute for the acquisition of technology and other products that change rapidly and have a short product cycle. A major improvement would be to review the value thresholds above which the complex bidding rules apply in their entirety, and to raise these thresholds with inflation. In many developing countries, low-value items make up the bulk of procurement, especially in local government and field offices, and complicated regulations intended to prevent the misappropriation of very small sums generate far greater transaction costs for both the government and the private supplier. Worse, as noted in Chapter 1, they are usually ineffective in preventing large-scale corruption, precisely because of their complexity and the resulting delays, discretion, and lack of transparency. The main direction of improvement is to achieve a better balance between controls and managerial flexibility. Most developing countries need fewer but clearer and more robust rules, together with swift and predictable enforcement.

In developing countries, the uneven documentation and bidding procedures of different government entities compound the problem of excessive controls. Standard bid documents for goods and services, as well as work contracts, are in fact enforced for donor-assisted projects. Major improvements in economy and integrity would result from extending such standard bidding documents to all government procurement because their use reduces opportunities for undue discretion, collusion, and extortion. Developing countries can also benefit from external assistance to improve the regulatory and organizational framework, and build capacity in their procurement offices, but should not rely mainly on external consultants for actual procurement operations.

Other improvements in procurement in developing countries could be realized by addressing the slowness of the dispute resolution mechanisms. The process is slow partly because of weaknesses in the judicial system and

partly because of the complex appeal procedures. The process of recovering money from suppliers in case of bad performance or default is cumbersome and often fruitless because of antiquated foreclosure laws and the manipulation of bankruptcy laws by defaulters. Contractors, too, face protracted legal battles in recovering disputed sums from government. With the government and the contractors thus forced to take steps to protect themselves from these eventualities, transaction costs increase for both sides, making the purchase of goods and services, and contracting, much more costly in the government than in the private sector. Overall weaknesses in the judicial system are a broader problem, which could be dealt with by establishing a streamlined and fast-track procedure for appealing administrative court decisions on procurement disputes.

Finally, although the process of procuring goods, services, and works is critical for the economical and effective use of public funds, procurement issues have not received much attention from senior public managers and political leaders. In part, senior managers are not interested in the mechanics of procurement; they are also concerned with keeping their distance (and deniability) from potential waste or corruption scandals. Yet, they must realize the great importance of procurement in an efficient, effective, and honest government, and place it at the center of their responsibility rather than shunting it off to lower-level staff. In turn, political leaders must give them their support in the exercise of this delicate responsibility.

Government employment and compensation policies

Civil service improvement is often identified with the cost-containment measures of personnel retrenchment and real-wage reduction for fiscal reasons. (This explains much of the suspicion attached to civil service reform in developing countries.) However, while the cost-containment dimension is important in many countries, civil service improvement is a much broader challenge, and should be seen within the general context of public administration and governance practices. The goal of government employment and wage policy is neither to minimize employment nor to compress wages, but to achieve a workforce with the size, skill mix, motivation, professional ethos, and accountability needed to: provide quality public services; reduce transaction costs for the private sector; design and implement economic policy; execute budgets and investment projects; preserve key assets of society; and facilitate institutional development throughout the economy.

Unlike firing people and cutting salaries, these structural reforms carry potential social and political gains, in addition to the economic ones. Of course, they are also far more complex and of long gestation, partly from the need to develop a professional ethos, which is as important as technical competence. In this complex task, as in all public administration, improvements must rest on a bedrock of greater accountability. Inefficiency and corruption in the civil service do usually call for measures in both employment and better incentives. However, without improvements in effective accountability, retrenchment and more adequate incentives will simply result in a smaller and well-paid, but still inefficient and corrupt civil service.

As discussed in Chapter 1, accountability (like wage adequacy and overstaffing) is a relative notion. Strengthening civil servants' internal accountability to their administrative superiors may be necessary. But strengthening internal administrative accountability is rarely sufficient to produce an improvement in government efficiency and quality of services to the public because internal controls are often ineffective—especially when the social ethos tolerates collusion between supervisors and subordinates. Stronger outward accountability, therefore, is essential for greater responsiveness to the needs of the public and thus to improved service quality—whether it is the individual civil servant who is directly accountable, or the service unit, or the ministerial department as a whole. Outward accountability can be increased in a variety of ways—user surveys, individual name tags, investigative journalism, media access (e.g., radio talk programs), whistleblower laws, public opinion polling, etc. (Chapters 13 and 16.)

In trying to move away from an underperforming and underpaid civil service, without massive fiscal implications or immediate wholesale reform, the following transitional measures emerge from recent international practice. It is essential that such measures be a transition to *something*, and hence that they be formulated as part of a coherent and concrete vision of reform and implemented as a step in the sequence leading to that reform. If taken in isolation, such transitional measures would produce little but the institutional enclaves that so richly failed throughout the developing world. To mention a few:

- In the acquisition of new blood for the civil service, it is possible to create a two-tier system (as in Poland) whereby new staff are recruited at the new salary scale and are expected to meet higher standards of qualification. Over time, the new system will expand as the old one

contracts, eventually leading to a unified system with better-qualified, better-paid staff. Like dual exchange rate systems, this approach will work only if it is transitory.

- Even at the present inadequate salaries, young and better-trained people can be induced to join government service for limited periods if given challenging responsibilities and solid training (as in Estonia). When they leave, others can be recruited. The training requirements within the government sector are semipermanent, but the capacity of the economy as a whole is enhanced; the general understanding of the work of government is improved; the average performance of government employees rises; and positive models are offered to permanent employees for their own betterment.
- Special transitional arrangements for contract employees (higher-skilled, paid above the existing scale) can be workable (as in Lebanon), provided that the allocation of such contractual posts to government bodies is decided at high levels; that each appointment is cleared individually and personally by high authority; and that these arrangements are part of a genuine transition to an overall salary reform.
- Individual negotiations between new staff and ministries (as in Guyana) should never be permitted, as they result in glaring distortions and inequities, and compromise prospects for sustainable improvement.
- Capacity constraints in developing and transitional countries suggest the desirability of unified classification and pay systems (such as those in Japan, France, the Netherlands, etc.), rather than differentiated classifications for different entities of government.
- All possible encouragement should be given to mobility within government, and obstacles and artificial constraints removed. In particular, the fragmentation of the civil service into a variety of separate professional cadres hampers mobility and fosters rigidity and lack of communications within the civil service. Mobility, transfer provisions, etc., should be formulated transparently and after appropriate consultation with stakeholders.
- Upward feedback, that is, confidential surveys to obtain the views of subordinates, is essential for the evaluation of managers' performance.

Finally, while a coherent vision of the endpoint of civil service reform is essential, it is also necessary to provide guidelines for the transition from "here" to "there."

Immediate measures could include:

- a freeze on recruitment;
- the sequestering of future vacancies arising out of retirement, termination, death, or resignation;
- a temporary halt in promotions except in individual cases expressly approved by high authority; and
- a halt on the absorption of contractual and temporary employees into permanent positions.

Short-term measures would involve:

- a simple but complete census of all types of employees;
- the removal of ghost workers and other irregularities from the payroll;
- an improved personnel management information system; and
- the completion of studies on job classification, personnel procedures, and salary structure.

Medium-term measures would include:

- the implementation of the recommendations reached in the previous phase;
- the streamlining of personnel regulations;
- a review of the functions, organization, and operational effectiveness of government, starting with the key ministries;
- a mechanism for re-certifying government employees in order to screen out those without adequate qualifications; and
- implementation of a program for redeploying other employees.

As part of the *long-term measures*, each ministry could be required to submit a concrete restructuring plan consisting of a statement of objectives, strategies for achieving these objectives, a staffing program, a timetable, simple indices of administrative performance, training needs, and financial requirements. Once the plan is approved at the highest level, and irreversible initial steps have been taken, the ministry in question can freely recruit *from other ministries*; resume normal wage increases and promotions; have its reasonable financial needs met; and move up to the new salary scale established in the meantime. Such a process would create incentives for all government entities to improve their organization and operations in order to be allowed to move up to the new flexible structure, and for individual employees to move to the more dynamic government entities. In time, all

government entities would operate in accordance with the new system, and the coherent vision formulated to begin the process would be fulfilled. (This process, naturally, is an ideal, and carries heavy requirements in terms of consistency, persistence, and political determination and continuity.)

Managing government personnel

In many developing countries and transition economies, government personnel management systems are in a state of disrepair—politicized, riddled with patronage, lacking relevant information, and neither rewarding good performance nor disciplining underperformance or misbehavior. Often, weak personnel management is associated with inefficient policies for government employment and compensation. In these cases, it is difficult to change personnel management substantially, but some improvements are nevertheless possible. In countries where personnel management practices are unsound but personnel policies are broadly adequate, major improvements are both possible and of great benefit to the effectiveness of the public administration. In both types of countries, the role of the principles of merit, nondiscrimination, and openness in government personnel recruitment and promotion should be strengthened at every opportunity.

Concerning personnel planning, staff levels in many developing countries are based both on ceilings imposed by the ministry of finance and on the annual estimates of recruitment needs that are prepared by the various ministries for budgetary negotiations. Better planning of staff requirements, based on well-defined functions and priorities, and the maintenance of a simple personnel database would permit a gradual move away from this mechanical practice.

The lack of reliable data also affects the grading of different government jobs, and allows the system to be manipulated. In many countries, the opaque nature of job grading is often complicated by an excessive number of wage brackets. Efforts at improvement should concentrate on remedying these basic problems, by reducing the number of brackets and conducting a basic survey of who works where and on what—rather than going through complex job classification exercises and adopting the graded classification systems of developed countries.

On the question of central versus decentralized personnel management, most developing countries face the difficult challenge of reducing the overall size of the government workforce while still providing

for priority recruitment needs and making their recruitment process more equitable and merit-based at the same time. This complex challenge requires building a strong and accountable centralized recruitment system, rather than imitating the decentralized recruitment practices of a few developed countries, which presuppose a robust personnel system and have inequity and corruption risks particularly high in developing countries.

A senior executive service could risk fostering greater dependence on politicians' personal agendas and develop an elite mentality, which runs counter to the principle of government responsiveness to the citizen. In addition, Asian SES systems have often been hampered in their functioning by hostility among the various senior services and by politically motivated transfers at short notice. In other countries, e.g., the US, the logic of an SES system has been negated by legislated salary caps. Nevertheless, when circumstances permit, developing countries could explore the possibility of establishing a small SES—merit-based, apolitical and accountable, with compensation commensurate to responsibilities and comparable to salaries in the private sector. Countries where such a system already exists should review its functioning and take steps to reduce the internal or external constraints on its effectiveness, such as arbitrary transfers at short notice.

A robust and agile public service commission of unquestioned integrity and independence is a must for improving government personnel management in developing countries. Countries that do not have such a commission or equivalent body should consider establishing one. Countries that do have such a commission could usefully review its capacity and functioning, to make sure that it has not only the requisite independence and resources but also the flexibility to command respect for national personnel goals and procedures without becoming a bottleneck in recruitment, promotion, and discipline.

Concerning performance and discipline, cultural factors and social values influence performance appraisal as well as the setting of sanctions and the granting of rewards. While Western cultures emphasize individual achievement and risk taking, many Asian systems stress rule-based compliance and group cohesion. In some Latin American countries regional ties are important, and African countries put a premium on ethnic loyalty. Propitiating superiors with gifts and introducing personal factors into advancement decisions are often not seen as violating public ethics in many non-Western countries. Therefore, in improving personnel evaluation the practical challenge is how to adapt good management principles to the

reality of informal practices and cultural influences. In particular, the comparative merits of group versus individual appraisal need careful consideration, as the individual's performance may be stimulated more by sanctions or rewards affecting his group than by the probability of short-term personal gain or loss. However, the evaluation system should identify nonperformers individually and handle them as such, rather than relying entirely on the group to discipline its own members. Finally, it is useful to explore practical ways to expose the front-line staff to clients and public expectations.

Investing in government personnel

In many developing countries, the time is ripe for a comprehensive review of the training system for government personnel. Training for public administration requires rethinking and reflection on both the demand and the supply side.

On the *demand* side, the foundation for such a review must be a revision of the roles of the state, because the government's skill requirements depend necessarily on the tasks it is intended to perform. As in all other aspects of government personnel policy, from retrenchment to compensation and to basic procedures, training cannot be targeted effectively in the absence of a clear idea of the functions of government. It is possible, however, to define skill requirements and hence training needs progressively for individual sectors or levels of government-provided that there is a clear link between training and staff career development.

On the *supply* side, many countries have an unnecessarily large number of institutions for training of government workers. Partly as a result, the availability of resources and quality of training are weak. Major improvements can be expected from a rationalization of the system, eliminating overlapping, duplication, and waste of resources. In particular, specialized training institutions associated with specific sector ministries require careful scrutiny, as they are often the source of unnecessary training justified only by the need for their survival. For this rationalization, greater reliance on the actual needs of government agencies and individual civil servants is important, and is possibly the only way to combat the supply-driven mentality of most training programs. Informal and on-the-job training should be systematically encouraged, as well.

External assistance can provide a useful role in these improvements, especially through the permanent commitment entailed by twinning arrangements between local training institutions and public administration institutes in certain developed countries. But external aid has often been a major part of the problem, too, supporting vast training programs without clear aims, lacking the essential institutional and organizational prerequisites, and in some cases inadvertently weakening the capacity of local training institutions. It is therefore important for developing countries' governments to re-assert ownership of external aid programs for public administration training. In turn, this requires a simple but clear and sound national policy for training of civil servants.

The Interaction Between the People and Their Government

“Voice” and “exit”

In developing countries and transition economies, “exit” possibilities (in the form of alternative modalities of public service provision) are generally more limited than in developed countries. Correspondingly, “voice” mechanisms of consultation and public feedback are more important to foster government performance and accountability in service provision in developing countries. In addition, fostering citizens’ voice also has a beneficial impact on the quality of governance as a whole.

Concerning exit, not only are choices of alternative suppliers of public services more limited in developing countries, but contracting out also presents special risks, especially in build-operate-transfer (BOT) arrangements. The weak administrative capacity in these countries entails weak government ability to supervise and monitor contract execution effectively. In some cases, contracting-out might be the only option to improve a service, or a BOT the only way to obtain the large-scale financing needed for large infrastructural investment needed. In those cases, in addition to scrutinizing the contract very closely, developing countries could consider obtaining specialized assistance from a third party during negotiations, and from yet another independent entity for contract supervision.

Contracting out the delivery of some public services to nonprofit voluntary agencies and community groups does not carry the risks mentioned above. This route also offers creative possibilities for expanding choice for the poor and most vulnerable, for whom “exit” is literally not an option.

However, one must first verify that the “community agency” is not merely a front for private business groups; prevent its capture by such groups; and assess carefully the long-term impact of the service contracting on the effectiveness of those agencies in terms of their primary function of serving as critics and watchmen of government activities.

Concerning voice, “citizens’ charters” stating the users’ rights to certain public service standards can be a strong adjunct of administrative reform, but only when designed well, in participatory ways, and efficiently implemented. This requires substantial administrative and monitoring capacity, as well as a major revision of procedures, delegation of powers, and adequate resources. Consequently, citizens’ charters are not a major direction of improvement for developing countries and transition economies, in many of which impressive charters have been promulgated without real ownership by the government agency or the employees, and thus not implemented.

Aside from the specific device of citizens’ charters, a much stronger client orientation is essential in public administration of developing countries, where citizens are too often viewed as passive beneficiaries of public services granted by the government. To produce lasting improvement, however, government initiatives in that direction should keep in mind that the interest of specific client groups may differ from those of the taxpayers and the public at large. Also, initiatives should be selective, and focus on the more critical areas of customer dissatisfaction—normally in locally-provided services. Moreover, such initiatives can interact positively with decentralization moves and with participatory approaches to improve the overall quality of governance.

Among the myriad possible mechanisms of public consultation and feedback, particularly effective has been the device of issuing public “report cards” on the performance and integrity of different government agencies. The lack of profit motive notwithstanding, the desire to stay at the top or to improve a low standing is proving to be a powerful motivator for government agencies in developing countries with representative governance.

The high cost of sophisticated client surveys has sometimes discouraged its use in poor countries. However, since there is no substitute for direct feedback from service users, government agency employees or the citizenry at large, quick-and-simple surveys may still provide reliable

information at low cost, especially when conducted by local organizations—provided that basic standards of statistical representativeness are met.

The same is true of grievance redress mechanisms. In their ideal form, such mechanisms can be expensive, and highly burdensome on the limited administrative capacity of developing countries. However, simpler varieties can be explored, suitable to local conditions.

When considering introducing any improvement along the above lines, one should recall that both exit possibilities and voice are especially limited for the poor and more vulnerable groups. Therefore, special measures to address the situation of those groups are a must. In the absence of special measures, improving voice channels will typically entail greater voice for the better-off and the more vocal and, assuming a limited stock of administrative attention, may even reduce service access for the poor.

Similarly, because the potential for voice is stronger in services that are more visible and locally provided, the natural inclination to focus on those services may inadvertently produce neglect of services that are less visible and those with a regional or national impact. Thus, for example, an increase in users' voice might lead to improving (visible) garbage collection, while (less visible) garbage disposal worsens—producing environmental damage and a probable adverse impact on poor communities less able to keep from becoming the unwilling host of garbage disposal sites. Once again, greater client-orientation must be in the context of stronger *citizen*-orientation, and improvements in service efficiency matched by greater effectiveness of the national public administration apparatus as a whole.

Social capital and participation

Because social capital, building reciprocal trust from voluntary association, is important for economic development and effective public administration, governments in developing countries should encourage voluntary networks of cooperation in all areas. This need not require vast resources. Sometimes, a public signal of encouragement from the government may be enough. Or, government may make simple facilities available to local communities and provide some access to information of common interest—the community groups will do the rest. (This approach resembles the site and services projects, which provide land clearing, road access, and utility connections for industrial zones.) Among the poor, however, voluntary cooperation requires more active government support to become sustainable.

Not all forms of social capital deserve support. Networks of cooperation founded on a principle of exclusion, or even of active hostility toward other groups in society, must be guarded against, particularly in ethnically and religiously diverse societies. Also, to avoid eventual divergence between different groups, the spontaneous development of social capital within certain groups should be complemented by deliberate government encouragement and assistance to create linkages and positive interaction between groups.

Developing countries should similarly foster participation by citizens' groups in government programs. Reliable feedback on program implementation from the intended beneficiaries is needed. For this, it is important to provide adequate channels of communication and give sufficient encouragement and protection to "whistleblowers." At the same time, it is necessary to ensure that the sample is representative of the beneficiary population and does not consist merely of those who respond first or loudest. Affirmative action to elicit feedback from the poor and marginalized groups is also important.

Governments also need to assess carefully the legitimacy of groups claiming rights of participation and make sure they are grassroots-based rather than being creations of special interests, mainly by canvassing local opinion on those groups.

Beyond feedback on program implementation, upstream participation in the selection and design of projects is important. Country circumstances will determine which of a variety of possible approaches is realistic and effective for this purpose. Concerning project and program selection, the first prerequisite for effective participation is a representative and responsive local government, prodded by an active local community. Concerning project and program design, a low-risk, low-cost variant of participation found useful in many countries is the formation of a beneficiary review group, with the mandate to do its best to find fault with the proposed design and send the project back to the drawing board for improvement.

Participation fatigue is often a problem. When participation is undertaken for purely cosmetic reasons or in mechanical ways, or when the feedback is not seriously considered, participation fatigue is a rational response and a visible symptom that the participation approach was insincere or badly conceived. But even with the best intentions, initial

enthusiasm in participation may wane if the foundation—social capital—is weak. Hence, social capital formation and participation should be conceived as complementary.

Mainstreaming participation is a long-term affair, which calls among other things for careful piloting. Because of the positive impact of one good participatory activity on others, governments should consult the local communities on the types of low-cost activities for which participatory approaches can be tested. For such sequencing, and in general, governments should follow four principles in their approaches to participation:

- *effective outreach* (tailoring the approach to the target population and the problem at hand);
- *equal access* (making it realistic and equally probable for large numbers of the target population to participate);
- *impact* (linking participation to significant policy decisions); and
- *actionability* (promoting the incorporation of the outcome of participation into actual government programs).

Donor agencies should work together with governments to:

- identify pockets of social capital and support them, or at least take care not to destroy them through ill-considered assistance programs;
- avoid creating patron-client relationships of dependence;
- create an environment that enables social capital to thrive, by providing simple facilities, channels of communication, and the lessons of good and bad experience in participation; and
- invest in social capital formation, directly and indirectly, through participatory project design and implementation and the facilitation of positive interaction between groups.

Nevertheless, active stakeholders' participation should not cause governments to lose sight of their primary responsibility to provide public services, or lead society to loosen up on its task of holding the government accountable for doing so.

Civil society and nongovernment organizations (NGOs)

Active civil society organizations strengthen the interface between the citizens and their government and are thus important both for the

quality of governance and for improvements in public services. General directions of reform especially relevant for public administration include:

- Strengthening the roles of formal civil society organizations, e.g., by involving educational institutions in retraining and other implications of administrative change, or by attempting to relate to public employee unions as a constructive agent of change rather than an adversary;
- Supporting grass-roots organizations, e.g., farmers' groups and neighborhood groups, by strengthening their management capacity and protecting them from capture by local vested interests;
- Encouraging the growth and efforts of informal voluntary groups, which are particularly important for the poor and disadvantaged;
- Recognizing the roles of traditional customary institutions; and
- Facilitating the emergence of public interest citizens' groups to counterbalance organized business lobbies.

In particular, governments in most developing countries should improve their relations with NGOs, which are not only voluntary and independent like other civil society organizations, but also nonprofit and public-interest oriented. Most developing countries have not yet realized the potential of NGOs to prod public administration effectiveness, mobilize local resources, provide checks and balances on the use of government power, and give the poor and disadvantaged the special advocacy they need.

The generic requirements for improved relations with advocacy NGOs are open channels of communications and the willingness to listen to diverse points of view. And service NGOs can help considerably in the design of government programs and the delivery of public services. It is especially important in this context to encourage and be responsive to whistleblower NGOs, which investigate the efficiency and integrity of local services and investment projects.

NGOs, for their part, also need improvement in certain respects. They should be:

- accountable for the use of funds and the effectiveness of their operations;
- more flexible and cost-conscious in their procedures;
- more willing to recognize a wider range of viewpoints;
- more participatory and bottom-up in their management style; and
- more willing to network with other NGOs.

NGOs can be excellent partners for government, particularly vis-à-vis the poorer and marginal groups, mainly by:

- mobilizing the community and introducing participatory approaches;
- facilitating large government programs;
- running alternative service delivery systems;
- contributing to government program and project formulation; and
- participating in dialogues on policy issues.

Financial support from government and, equally significant, assistance in building up the NGO's management and operational capacity are important, but the organization must be careful not to allow such support to weaken its independence, critical attitude, or capacity to exert pressure on the government. Similarly, donor support should not distort the mission and mandate of the NGO, and partnership with a large international NGO should always leave the local NGO stronger rather than more dependent. Developing countries should therefore explore neutral funding mechanisms such as those developed in Denmark and the Netherlands, whereby NGOs gain access to unconditional government grants on the basis of transparent criteria, without having to bid for contracts. (Donors should consider providing external assistance for such funding.)

On the other hand, government and donors, too, should be careful in their dealings with NGOs, and not inadvertently support NGOs created solely to benefit from public funds or to provide a cover for vested interests. External donors should, in addition, be mindful of the possibility that an NGO may in fact be a proxy for the host government or public agency. For this purpose, it is advisable to conduct and keep up to date a survey of NGOs, to identify those with:

- transparent governance;
- prudent financial management;
- audited and published accounts; and especially
- established reputation among grass-roots organizations and peer agencies.

Transparency, information, and the role of the media

Along with weak governance comes opaqueness in government decision making and information, and a restricted or timid public media.

The directions of improvement in transparency in most developing countries should include efforts on both fronts.

The prerequisite for both is improved government recordkeeping. If the information cannot be found, it cannot be communicated; if it is not organized, it cannot be found; and if either too little or too much information is retained, it cannot be organized.

At one extreme are countries where recordkeeping is scattered and documents are nonexistent, as in many African countries. At the other extreme are countries where too much information is kept, notably in South Asia. The result, however, is the same: the inability to access quickly relevant government information when it is needed. In the former situation, the direction of improvement is obvious (although not easy), and consists of enforcing official rules concerning the keeping of government information. In the latter case, the habit of keeping unnecessary records, including those on the smallest transactions, must be broken. This, in turn, requires simplifying administrative rules, since excessive red tape is both a major source of corruption and a key impediment to accessing information. A change in attitude is also required: the need to retain each document (and why in so many copies) must be justified, and measures must be devised to penalize unnecessary record holding and to reward civil servants who free up communications. Incentives and disincentives in this direction should be made part of the personnel management policies of the government.

Similarly, the role of a ministry of information needs to change from the traditional role of disseminating propaganda and protecting the government from embarrassing disclosures, to channeling communication and building trust between the government and the citizens. This role shift will require, among other things, choosing ministers of information and senior ministry staff for their credibility with the public.

In all countries, citizens must not be restricted in their right to access government information about themselves. However, the exercise of the citizens' right to other government information should focus on the areas most important for governance—i.e., budget, electoral processes, procurement, land use, and basic service delivery. Ways should also be found to improve information access for all citizens and not only for the richer or the better organized. Hence, when information access rights are nominally equal but *de facto* inoperative for poorer people and groups, proactive communication efforts by government are needed.

In most developing countries and transition economies, the significant costs of enforcing freedom of information (FOI) legislation are not warranted by the benefits, partly because inadequate recordkeeping raises the costs of information retrieval and partly because of the high demands of FOI mechanisms on scarce administrative capacity. It is all the more important, therefore, to put in place a variety of other innovative mechanisms to channel relevant government information to the public. The cooperation of local voluntary organizations can be very useful in this respect.

To protect and strengthen the essential role of the media in good governance, developing countries and transition economies should take a two-pronged approach: reduce official restrictions on media access and activity, and help build media capacity and professionalism. Inadequate media capacity should never be used to justify media controls by government; but neither can it be accepted as the normal state of affairs. Certain restrictions on media activities are needed to combat libel and defamation, and are indispensable in multi-ethnic countries to prevent or manage conflict. Clear legislation to that effect, however, is preferable to administrative discretion, except in rare emergencies.

Media accountability is a critical issue in all countries. Moreover, in developing countries, weak and noncompetitive media can easily become the instrument of particularistic vested interests and fail to perform their essential role of informing the public and exposing government mistakes and corruption. (In these circumstances, the media themselves can be a source of active or passive corruption.) External entities—both official donors and specialized international foundations—must help developing countries build up the capacity and standards of their media, partly through journalists' internships and twinning with established media organizations in developed countries.

Improving Administrative Integrity, Responsiveness, and Service

Fostering public integrity and preventing corruption

Efforts to foster ethics and prevent corruption are two sides of the same coin and must be combined. As a 1999 OECD survey of corruption prevention showed, many of the measures taken by countries have contributed to both build a sound ethics framework and combat corruption. One of the most effective preventive measures is the internalization of integrity standards into personal behavior. However, an incentive framework that raises the

costs and risks of corrupt behavior above its potential benefit is essential as well. These two aspects are closely linked. In time, the internalization of integrity standards reduces the incidence of corruption and thus makes enforcement of anticorruption regulations all the more effective; conversely, the existence of high cost/risk for corrupt behavior is a powerful inducement for maintaining high personal standards. Thus, in addition to criminalizing corruption, governments need to elaborate and communicate the standards of appropriate behavior, e.g., the difference between a harmless gesture of appreciation for good service, an inappropriate gift, and an outright bribe.

Anticorruption is part and parcel of the good governance agenda and, as such, needs to be addressed in the context of the specific public management improvements outlined elsewhere in this book. Accordingly, the only general direction of improvement that can be recommended is to strengthen accountability, transparency, the rule of law, and participation in each individual area of public administration—focusing where corruption problems are greatest. In particular, stronger accountability assures the independent review of individual administrative actions; and transparency of decision-making criteria and prompt communication of administrative decisions exposes wrongdoing. Certain broad considerations, however, are relevant to efforts at improving the ethical climate and reducing corruption. In no particular order of importance:

- Make sure to expose and penalize misbehavior at the top of an organization or of the political system, rather than just catching a few small fish for public relations purposes.
- Asset disclosure and public exposure can be powerful means of disciplining corrupt behavior, even without criminal prosecutions, and at the same time they provide important information to the public in the exercise of its political choices.
- Good management is key. While ethical behavior is the responsibility of each individual civil servant, a climate of trust combined with effective oversight by the responsible manager provide the essential enabling environment. In the words of a Russian proverb: “Trust but verify.”
- Preventing corruption is far more effective, and cheaper, than punishing corruption after it occurs. Although prevention is automatically weakened if enforcement is known to be lax, restricting the opportunities for corruption is not only more effective, but also reduces the risk of creating a witch-hunt climate. Because the largest single source of corruption is an overcomplex and opaque regulatory

framework, streamlining and clarifying the regulatory framework is the single best anticorruption measure, and in addition contributes to reducing transaction costs and improving economic efficiency.

- A distinction is needed between grease money (sometimes called speed money), i.e., gifts or favors given to induce the civil servant to do his job, and outright bribes to induce him to violate the rules, give preferential treatment, or not enforce the laws. Both forms are harmful, and both must be discouraged, but in a deeply corrupt system priority should first be given to forceful action against outright bribery. The practice of grease money can only be eradicated in the context of comprehensive civil service reform.
- Especially in developing countries, anticorruption efforts should focus at least as much on the private corruptor as on the government corrupted, including the pervasive bribe-giving from external agencies and companies.
- International aid organizations have an essential role to play, at a minimum in preventing corruption in their aid-financed projects, but more broadly in cooperating actively with each other and with the recipient country's efforts.
- As true in other areas, the swiftness and certainty of punishment are more effective than severe punishments with an extremely low probability of being imposed. In some developing countries, less than one percent of those indicted on corruption charges are eventually convicted *and* serve their sentence. As a general rule, attention should focus on the expected loss, i.e., the severity of the punishment for a certain action multiplied by the probability of being caught and actually receive that punishment.
- In personnel procedures, ethics criteria should be introduced in the recruitment and advancement process. Although it is impossible to guarantee that only ethical persons will enter the public service, explicit consideration of this dimension will lead to winnowing out some high-risk candidates. It is also important to assure that whistleblowers are not only protected, but actually rewarded, while building in safeguards to punish destructive gossip and prevent the creation of a witch-hunt climate.
- Specialized anticorruption agencies can perform an important role. However, they should be genuinely independent—especially from the regular police—and accompanied by complementary measures on regulatory simplification, legislation, personnel procedures, judiciary efficiency, etc. In the absence of such complementary measures, anticorruption agencies have shown a record of ineptness and futility.

Performance in public administration

Injecting formal performance-related elements into public management requires extreme care, both because better performance orientation is critical for improving public administration and because there are many wrong ways of pushing it and only a few ways of doing it right. The suitability of performance measurement and the specific indicators themselves depend among other things on the sector in question. Concerning the overall approach to fostering better administrative performance, the lessons of international experience are the following:

- Never confuse the end of better performance orientation with any one of the specific means for achieving it. There are many ways to foster performance. Depending on circumstances, performance improvements may justify the use of quantitative indicators; or call for qualitative indicators; or rely on dialogue, moral suasion, peer pressure, and other means that do not entail overt performance indicators of any sort. When performance indicators are appropriate, they should normally be introduced without wholesale changes in administrative or budgetary systems.
- Consider the probable impact of introducing performance indicators on individuals' behavior, especially in multi-ethnic societies and very small economies, and take compensatory or insurance measures.
- Understand the different uses and limitations of input, output, outcome and process indicators of performance, and tailor the use of each to the specific sector and issue in question. Whenever possible, use a combination of indicators to assess performance, rather than any single one.
- Assure robust monitoring of performance, with swift and predictable consequences.
- Performance indicators can be used in the dialogue between the line ministries and the central ministries (or the public), but direct and mechanical links to procedures, personnel, or budgetary appropriations should generally be avoided in developing countries.
- Build-in provisions for the systematic assessment of *performance of the performance system itself*. It is inherent in the logic of any performance management system that it, too, must be subject to a reality check, and to periodic proof that its concrete benefits outweigh the cost.

Beyond the above caveats, it is important to constantly be on the lookout for any possibility to expand the service awareness of government administration; raise the rewards (not necessarily monetary) for good performance and the sanctions for unsatisfactory performance; and keep under constant review the possibility of introducing the various tools for measuring and monitoring performance. In all these tasks, systematic feedback from the employees, the service users, and the public at large is invaluable, and so is an informed and aggressive free media.

The actual process of introducing performance indicators into the public administration can consist of the following stages:

- pick one or two government departments that provide services directly to the public;
- introduce simple performance measures at an acceptable cost (including transactions cost);
- monitor closely the functioning and impact of the measures;
- debug the measures and adjust as needed;
- gradually expand the application of performance measures to other governmental areas as and when appropriate; and, most importantly,
- stop when reaching the point of diminishing returns.

The role of information and communication technology for improving public administration

Developing countries' governments are only in the initial phases of adopting ICT to improve financial management, streamline the delivery of government services, enhance communication with the citizenry, and serve as a catalyst for empowering citizens to interact with the government. Specific initiatives must fit the country's context and priorities, but certain principles are important to avoid waste and mistakes while seizing on opportunities.

First, *ICT is a tool*, immensely powerful yet essentially no different from a photocopier or a car, in the sense that user needs and requirements must come first and dictate whether and how the ICT tool should be used. For certain functions, pencil and paper, or a telephone, or a face-to-face meeting, or a visit to the library is far more effective than computers or the Internet. This obvious point must be stressed because governments, consultants, or donor agencies often encourage computerizing anything in sight. Indeed, it could be argued that ICT innovation is now largely supply-

and marketing-driven rather than dictated by the needs and requirements of the users. Thus, as for any tool, it is essential to assess realistically and compare the costs of a given ITC change with the actual benefits expected from it.

Second, *the ICT “techie” and the “public manager” should not work in isolation from one another.* Improvements in public-sector effectiveness stem largely from better rules and procedures in the sector concerned. To apply advanced ICT to obsolete or inefficient rules and processes means in effect to computerize inefficiency. Doing the wrong thing faster is not progress. On the other hand, the absence of relevant ITC knowledge risks either costly mistakes or missed opportunities for dramatic service improvements.

Third, *ICT cannot substitute for good public management and internal controls.* Indeed, the introduction of computers can give a false illusion of tighter expenditure control in cases where a large part of the expenditure cycle occurs in parallel and in “black boxes” outside the computerized system.

Fourth, faster and integrated public information systems carry correspondingly *greater risks* for the integrity of the data, and can even jeopardize the entire information database if developed carelessly and without sufficient checks, controls, security, and virus protection. Governments moving from a manual public accounting and recording system to a computerized one, or from paper personnel files to e-files, should keep the manual accounts going alongside the new system until the new system is working well and is secure and free of risk.

Fifth, it is often argued that the introduction of ICT reduces corruption. Unfortunately, this is not true. Computer technology eliminates many opportunities for corruption for those who do not understand fully the new technology, but opens up new corruption vistas for those who understand the new systems well enough to manipulate them. In a sense, ICT permits an intergenerational shift in corruption and rent seeking.

That said, ICT’s wonderful potential has been hardly used in most developing countries to increase government accountability, transparency, and participation; improve the efficiency and effectiveness of public-sector operations; widen access to public services; and disseminate information to the public and get feedback from relevant stakeholders and service users. Among other things, information and communication technology can help solve the centralization/decentralization dilemma by making relevant data easily available at all government levels.

SOME CONCLUDING MESSAGES

We hope to have shown in this book that the mere facts of public administration say nothing in and of themselves about the need for or direction of administrative reform, and that mechanical imitation of “models” developed elsewhere is highly inadvisable. Recommendations for improvements in public management must rest on a solid basis of country-specific analysis, as well as on a good understanding of international experience and the mistakes made by other countries.

We trust, too, that this volume has provided a clear sense of the benefits and costs of embarking on major changes in this complex, delicate, and important area. The eventual benefit of comprehensive reform is a government administration that can systematically provide quality public services, improve access for marginal groups, reduce transaction costs for the private sector, and implement economic policy and other government activities. Clearly, the potential impact of administrative reform on development and poverty reduction can be massive. Of course, one must keep in mind the risk of change as well. Particularly if the public management is performing reasonably well, “innovations” may actually make the situation worse. Symmetrically, if the administration is extremely weak and corrupt, radical changes may be the only way to improve it.

It is true that in the absence of genuine ownership by government and major stakeholders, realistic support by external actors, and willingness by all sides to stay the course, it is better to stop at preparatory and consensus-building activities until the climate for administrative change becomes more favorable. However, it is always advisable to keep a close watch on administrative integrity and effectiveness—recalling that the slide of many “failed states” began in part with the degradation of their public administration; that administrative ills are relatively easy to cure only in their early stages; and that the public sector in every country faces today a far more competitive and fluid environment than in centuries past.

Finally, the international experience with administrative reform throughout the world, but particularly in developing countries and transition economies, yields a number of general “messages”, with which we conclude this book:

- *Get the basics right.* Complex management tools should not be considered unless and until the basic machinery functions reasonably

well. This is not a prescription for standing pat, but a condition for progress itself—as the premature introduction of these tools dooms them to failure.

- *Look at what is done, not just what is written.* Rules unenforced are no rules at all. It is important to examine the reality of organizational and human behavior in public administration rather than only the formal appearance and regulations.
- *Adaptability is not imitation.* As Mahatma Ghandi's lead quote to this volume implies, practices and reforms introduced elsewhere should always be considered with an open mind and, if appropriate, adapted to the local circumstances and objectives, but never simply transposed onto a different social and economic context.
- *Don't make the same mistakes.* It is essential to be familiar with both good and bad international practice—and not only that of countries in a specific administrative tradition. Often, it is by contrasting the different ways of doing things in different administrative cultures that the solution appropriate to the local circumstances can be found.
- *Don't look for quick fixes.* Reforms in public administration have a heavy institutional content, and there is no such thing as instant institutional change. Also, the area is by definition influenced by political considerations—which are rarely amenable to “technical” solutions and often require a period of gestation and acclimatization.
- *Put the right driver in the driver's seat.* Central leadership is needed, but a rigid top-down approach is unlikely to produce lasting change. An administrative improvement should be designed and implemented with the active participation of the key stakeholders. A variant of this criterion in aid-dependent developing countries entails that external donors should contribute to a reform agenda set by the local government, and not be allowed to drive the administrative reform process.
- *Question, question, question..* Diversifying the sources of advice can help. Competition can help screen out bad ideas as it helps screen out bad products. But it is only by challenging the specifics of the reforms being recommended that a government can reasonably assure itself that the recommendation is worth taking.

NOTES

¹ This section is based on Schiavo-Campo (1994).