

X. Toolkit Conditions and their Background

The toolkit is a form of checklist that also has guidance on what is the significance of the condition being tested and insights into the consequences of 'No' answers.

For ease of use, the toolkit is divided into major conditions within each are set out a number of sub-conditions. The sub-condition statement is designed to be answered "Yes' or "No' where a "Yes' means the condition is sufficiently met, there is little if any reason to seek to improve upon it and it should not constitute a problem in designing a project. Most circumstances will warrant a "No" but there is provision to add in comments that qualify that response if in fact there is partial achievement of a sub-condition and could and possibly should be improved to increase the probability of project success.

"Yes' and "No' responses do not reflect upon the ADB or DMC staffer completing the assessment but instead are only intended to provide a factual basis for considering program priorities and finalising project design. The toolkit major conditions are:

- Section 1 – Quality of Regulatory Framework
- Section 2 – Coherent Planning
- Section 3 - Adequacy of Financial and Other Resources
- Section 4 - An Appropriate Policy Framework
- Section 5 – Effective Organisational Structure
- Section 6 – Effective Management Reporting Systems
- Section 7 – Effective Processes
- Section 8 – Quality of Management/Leadership
- Section 9 – Quality and Quantity of Infrastructure
- Section 10 – Quality and Quantity of Staff
- Section 11 – Intergovernmental Relations
- Section 12– Access and Reliability of Services
- Section 13 - Sector Specific – Services and Technical Capacity

1 Condition: Quality of Regulatory Framework

1.1 *The date of the primary legislation is over 10 years' old.*

Legislation sets out who does what in a sector and who regulates what. It obviously needs to be accessed to be sure that projects and other loans are being located where they can be implemented effectively especially in circumstances when, in the recent past, there has been considerable machinery of government change like a decentralisation program. Donors ought also to be careful to locate projects in the agencies which statutorily have prime carriage for certain activities. A word of caution, however, is that legislation is often difficult to change unless reform is a major part of a government's legislative program.

1.2 *The purpose of all agencies in the sector is clearly established in legislation.*

The reason for assessing a body of legislation is that it or its equivalent, should determine who (in the sense of agency or agencies) manages a sector, what the purpose, role and functions of the agencies are and the powers given to each agency, the latter being particularly important in the case of regulation. There are occasions when projects are implemented in the wrong agency or in an agency which only has partial powers to implement the components of a project. Knowing where an agency's powers might conflict with another agency's is very important in the design of an effective project. Ensuring that where the input of other agencies is important to the success of a project, those agencies are directly involved in the management of the implementation of a project is important.

Pakistan

There is no provincial Education Act in the Punjab. As a result, a proliferation of government departments decided to establish technical schools including the Ministries of Education, Industry and Labour. This was eventually addressed by the establishment of a statutory authority to become responsible for technical education. While the establishment of the authority made clear where accountability for technical education lay, it made a coherent articulation of education policy more difficult as the authority was placed in the portfolio of the Department of Industry; not the Department of Education. The Department of Education's overall responsibilities for education policy, in the absence of an Education Act, are not clear.

Bangladesh

The ADB located an irrigation project in the Bangladesh Local Government Engineering Department and not in the Bangladesh Water Development Board which was the agency traditionally responsible for irrigation. The ADB's strategy was not to place a project in an agency which had been found wanting in terms of capacity. The decision, however, to do so raises a number of questions:

- How would accountability be allocated for irrigation?
- Which agency would be responsible for future maintenance and support?
- If Bangladesh moved to a program budgeting system, how would it deal with duplicated responsibilities?
- Could the government afford two agencies supporting rural people in the irrigation sector at local levels?

1.3 The relative responsibilities of Minister and agency heads are clearly laid out (either in this legislation or in some other Act like a Public Service Act). The primary legislation or the subsidiary legislation and regulations should determine the respective powers and responsibilities of the various agency heads in the sector and their relationship to their Minister or ministers. Knowing who is responsible for what is important in terms of understanding what an agency is as opposed to what it has the appearance of being. For example, many statutory authorities are really departments of state despite the fact that they have the appearance of being a corporation for the simple reason that the Minister remains in control. Knowing who is responsible for what is also important to ensure that a project is in the right location and has the right level of access to the level of government which needs to make all the material decisions affecting the effective implementation of a project.

1.4 There is a clear division of responsibility between agencies charged with delivering a service e.g. education]. Which agency is responsible for what is important to ensure that there are no serious overlaps in responsibility. A common area of overlap is in decentralized systems where powers are supposedly devolved, but the national agencies devolving those powers are unwilling to release total authority or, alternatively, the devolved powers are not associated with control over the resources necessary to exercise those powers. While in most cases, agencies are able to work out satisfactory ways of resolving overlapping responsibilities, this does not always happen and, in some cases, strategies are needed if they are not to be a serious risk to a project.

Pakistan

Members of the National Assembly and of Provincial Assemblies are authorised, as representatives of their voting constituencies and as legislators of numerous laws governing education, to involve themselves in the affairs of the Department of Education, especially in the districts from which they are elected to office. The application of this policy effectively removes power of the Department of Education over appointments and a number of other kinds of decision like the precise location of a school. Any attempt at capacity building is compromised.

Nepal

The Minister of Water Resources is Chairman of the National Energy Authority, making it in practice a government department under the direct control of the Minister. Consequently, the ability of the authority to make commercial decisions and implement them is heavily constrained and accountabilities are unclear.

Indonesia

Technical assistance was provided to the Ministry of Agriculture to evolve a responsive system of policy measures to cover the pricing and marketing of vegetable oils. Only, the agencies responsible for taxation and trade policies and regulations were not included as partners in the study with the result that a responsive system could not be implemented.

Nepal

The electricity sector has an Authority [NEA], a Ministry [MOWR], an Electricity Development Department and a Water and Energy Commission Secretariat [WECS]. These organisational units have the potential to overlap or at least involve multiple contact points for a supplier and investor. Recent statements of policy have added to the likelihood of duplicated responsibilities that will also result in unclear accountabilities.

PNG

The National Government determines policy. Provincial Governments implement policies. National Ministries have no jurisdiction over Provincial Governments nor their counterpart line departments so that a lack of service delivery can be attributable to poor policy and/or to poor implementation. The position is further complicated by the fact that the National Government controls employee establishments and budgets. The potential for blaming the other is great.

1.5 The authority of each agency vis a vis subsidiary agencies is clearly established. Confused or confusing levels of authority can also lead to difficulties. Most common is the power of a Minister to involve himself or herself in the operations of a statutory agency which is supposed to have been set up to operate on commercial principles. The legislation should clearly state what the powers of the Minister are. Ideally, they should be limited to issuing directives which, for transparency purposes, should be required to be tabled in the relevant assembly no less frequently than annually.

1.6 There is no conflict/competition between agencies delivering a service [e.g education]. In almost all bureaucratic situations there is conflict between rival agencies. Common areas are often where development projects are most likely to occur. For example, environment conservation agencies are often in conflict with infrastructure agencies. Within agencies forest conservators are in conflict with the forest production officers. Where such competition is likely to affect the implementation of a project, it is important that the project reports to the right level of the government or agency – and that level is at the point in the hierarchy where the contention situations can be resolved which is usually at the agency head level. It is unwise to assume that competition will be resolved on the basis of a rational model and always sensible to have strategies to address the possibility that there will be intransigence on the part of somebody.

Kyrgyz Republic

National level decrees are issued by ministers, the Prime Minister, the President and the National Assembly without any coordination between any of them. There is no reference to whether a decree from a superior authority is intended to replace one from a lower authority. Administrators in the line departments are often unaware of what decrees are issued. Trawling through the sum of decrees issued in a sector or ministry is not recommended, but identification of the critical ones determining authorities and sets or responsibility is important in determining the appropriate management for a proposed project

Indonesia

Technical assistance was provided to the Ministry of Forestry at the Directorate level to “strengthen the institutional capability of the Ministry of Forestry through planning system formulation for sustained production development, manpower training and implementation of an effective reforestation program”. The consultants reported that they failed in areas over which the Directorate had no control including:

- Ministerial decrees concerning the application process for concessions, in particular the sequence of events;

1.7 There are clear reporting requirements specified in the legislation or somewhere else. How the agency or agencies are to be accountable is usually clearly set out in the legislation. At this level, the legislation would refer to the accountability of the Minister and the agency heads. The equivalent of a Finance Act would refer to the accountability of the agency head as a Chief Accounting Officer or such like. The reporting requirements should specify what is to be reported to a National Assembly and by when. Such reports should be public documents with simple access by the public. Somewhere in the legislation, there should also be reference to the kind of audit an agency should be subjected to. Where there are no such requirements, there should be serious concerns about the quality of governance.

1.8 The reporting requirement addresses both the effectiveness and the efficiency of each agency. Requirements for efficiency and effectiveness reports concern the requirement to spend a budget as intended and that the expenditure produces the results – the outcomes – that were desired. The question of effectiveness is only now being addressed in modern bureaucracies and, therefore, it is probably too early to expect it to be addressed in a comprehensive way in less well developed bureaucracies. But it is important to begin to introduce public servants to performance expectations and the fact that their salaries are expected to produce outputs which lead to the improvement of the people they serve. Absence of such reporting requirements presents little serious risk to a project (other than that project management is likely to be deficient to some extent), but their absence does suggest that the environment might be conducive to corruption and that any capacity building changes attempted are unlikely to enjoy sustainable success.

Pakistan

There is no Education Act in the Punjab. The Ministry of Education does not appear to have to present an annual report to the provincial assembly. Consequently, there is no accountability of how effectively the Ministry of Education has applied its budget to the achievement of the provincial government's objectives in education.

Papua New Guinea

The statutory reporting of the government's record to parliament [appears to have](#) ceased to be an important concern of parliament:

- the Public Accounts Committee has not sat for a number of years. It also lacks any research or administrative support;
- the internal auditing function is virtually defunct across the service;
- only 177 of the 330 financial statements required under the law were prepared and submitted in 1997. Some authorities have not prepared a statement for several years;
- only 60 of the 484 audits programmed in provincial and local-level governments and their various organizations have been completed. The main reason for this was the failure of the audited organizations to maintain and furnish timely and accurate financial statements and to respond to or cooperate on matters contained in the Auditor General's Management Letters.

As a consequence, there is little formal accountability in PNG. Parliament itself has lost sight of its responsibilities. Without a Public Accounts Committee meeting, the most important mechanism to ensure that agencies are accountable has ceased to operate.

Nepal

The National Electricity Authority produces an annual review shortly after the close of the fiscal year. Although this provides insight into its operations, it does not include audited accounts for the most recent years as they have been delayed. Furthermore, the document fails to include performance information that would allow the reader to judge how the entity is performing compared to its contracted or expected standards.

1.9 If user pays services are provided to the public by a monopolistic sector agency, then there is an independent regulatory agency to approve prices.

In the case of utilities controlled by the Government, there is a need for an independent regulator. Such entities have a tendency to become inefficient and incur greater costs than are necessary to provide services, including 'gold plating' major projects. External scrutiny ensures that some brake is placed on the entity and that they will have to demonstrate the efficiencies made that should offset other factors that justify a tariff increase.

1.10 If there is a regulatory agency, there is a general perception that it is independent.

Although a regulatory agency may exist it can be compromised if it is weak or heavily influenced by the body it is regulating. Should that happen then it may merely rubber stamp whatever proposals are put before it. The consequences would be that no effective review is in place and the utility would tend to become less efficient as it can pass its costs onto consumers without significant challenge.

1.11 If there is a regulatory agency, it is adequately staffed and funded.

Having independence is not sufficient, there must also be adequate and professional resources. If tariff reviews only occur at long intervals, then it is doubtful if the Tariff Review body will be able to retain qualified personnel. In such instances, professionals can be brought in from outside, such as a professional accounting firm that has the skills and keeps them up to date.

2 Condition: Coherent Planning

2.1 *There is a realistic medium term (5 years) plan to achieve all the service policy objectives (related to budget affordability).*

Planning systems in DMCs at government, sector and agency levels are often weak. Often there is a separation of a recurrent budget from a non-recurrent one and little dialogue between the two with the result that capital expansion of an agency's responsibilities does not result in an equivalent increase in the recurrent budget to operate and maintain the new responsibilities. Knowing where one is going is a key aspect of any management planning. Most governments have sector policy objectives. Often such objectives are optimistic. Realistic "master" plans develop strategies to achieve the sector objectives set for a period within a set of priorities which convert objectives to the attainable in a time period. The plan should show the costs and identify where those costs are to be sourced. Part of the "master" plan should address any institutional weaknesses which might conspire against the plan being achieved. Projects and other capital injections should fit into such "master" plans, usually addressing capital development and institutional weaknesses through technical assistance. The plan needs to ensure that there are continuing resources to manage and operate any new installations and other interventions, not to mention the capacity of the agency to absorb any new technical and other requirements consequent on the expansion. In the absence of such a plan, there are a number of potential risks for donors including that proposed projects might overlap with other projects, that a proposed project might not be a priority for the government in terms of a sector's development and, most importantly, that a proposed project might not be affordable in terms of the priorities of the sector for recurrent budgets. The absence of such a plan strongly suggests that initiatives should be taken to assist an agency to develop one. If an agency does not know where it is going then there is every likelihood that it will waste resources on non core activities, allow duplication of effort and frustrate co-ordination between its units. Furthermore, a

Kyrgyz

Technical assistance to the Ministry of Agriculture, which had a well deserved reputation of low capacity and poor performance, lubricated a future pipeline of 57 agricultural and rural development projects to an estimated value of \$597 million. There was no completed agriculture sector investment plan. There was no agriculture master plan. The Kyrgyz budget could only afford to pay for salaries – the remainder of the Ministry budget was paid for out of European Union funds. There was no plan to show how the Ministry of Agriculture would cope with this massive expansion in activity through all these projects.

Micronesia

An Economic Management Policy Advisory Team was established to advise National and State Governments on how to drive a public sector reform program funded by the ADB. The EMPAT team produced work plans, but they consisted of items like "advisory and technical support for improved personnel management" which would not normally be included in an action plan. In four years of work, the EMPAT team did not produce a timetabled action plan to assist the governments implement their reforms despite a key requirement for the team being to support the National and four State Governments in their detailed plans for public sector reform. The team did not keep information on program performance. The consequence has been a poorly articulated and co-ordinated reform program with different levels of government having different priorities and sending different signals about the reform to the public service and to their constituents at large.

Nepal

The Government prepares a five year plan and the electricity authority [NEA] prepares a corporate capital development plan that extends over a five to seven year period. This plan is, however, not updated in the light of actual achievements. It fails to address institutional capacity weaknesses and it contains unrealistic assumptions about income, demand for services and sources of finance. Consequently, its usefulness is diminished as a unifying guide to the goals, targeted performance measures and major strategies of the agency.

government change or a change at the top of the agency will result in the agency taking a completely different direction.

2.2 If there is a plan, it addresses all key organisational weaknesses. Very often plans, when they have been made, set out an agency's or a sector's goals and objectives for the medium term without examining the constraints that will be encountered to achieve those goals and objectives. In DMCs, one critical constraint is likely to be agency capacity. And yet plans are made both by agencies and by the ADB which fail to include a diagnostic analysis of agency weaknesses. The objectives of any plan can only be achieved by the work force and other resources available to an agency. Weaknesses, especially relating to staff capacities, systems problems and funding difficulties should also be addressed in the master plan and resources set aside to address those weaknesses. Some of the organisational weaknesses might be sufficiently serious to indicate that an agency is suffering from overload – that it cannot cope adequately with its current responsibilities and adding to those responsibilities through a project would only exacerbate the problem of overload.

2.3 The plan is updated each year as a result of funding levels and performance. Plans should be based on available finance. The annual budget should be a management tool to drive the performance levels planned. There should be a direct planning relationship between the desired outputs and the costs to produce them. The feedback loop of reporting activities against the plan is a very important attribute of good management. Its absence strongly suggests there are serious management deficiencies. Where targets are not met, management needs to determine the reasons why which could be that the targets were unrealistic in the first place, through circumstances beyond the control of the agency to reasons associated with internal inefficiencies or inappropriate strategies on the part of the organisation. The last mentioned need to be addressed by

Samoa

Technical assistance to the Housing Corporation was provided to develop a business plan. The resulting business plan was 67 pages long supported by an 8 page action plan. Poorly educated management and staff with no real experience of management were required to do things like:

Review and codify operational and administrative systems and procedures such as lending rules and procedures; appraisal and security evaluation and documentation; collection and foreclosure procedures; personnel job descriptions and specification.

The consultants, clearly, did not assess the Corporation's capacity before starting work on the plan. The not surprising result was that the business plan was never used.

Bangladesh

20 of 24 PPTA's in the agriculture and irrigation subsector in the period 1975-1993 paid no attention to the capacity of the implementing agency to operate and maintain the additional facilities provided by the proposed projects. Because it pays little attention to agency capacity, the ADB, in Bangladesh, puts no pressure on an agency to improve its forward operational planning and address its own internal weaknesses.

Nepal

The National Electricity Authority has a corporate plan that is built around trying to meet two conditions – a rate of return and a self financing ratio. The model meets these criteria by either assuming a tariff change and/or accessing local borrowing. Neither of the assumptions appears realistic yet the document is tabled including the assumed values. The point is that the corporate plan must be updated in the light of actual events and secondly, should be progressively refined until the assumptions and embedded actions meet a reasonability test.

management and the plan revised either to enable the agency to catch up in the time period available or to revise the objectives to a more realistic level. The annual plans of agencies should be driven by the budget cycle. When a rolling medium term and next year's plans are required by a Department of Finance, each agency should review its own and, if necessary, revise them. The absence of an annual review of plans (and, indeed, a requirement for one) sounds a warning about the quality of management and management systems operating in a DMC and at agency level.

2.4 Accurate, objective information is produced to determine how well the plan is implemented. Plans cannot be updated in the absence of accurate information. "How are we going" is a key question all managers should constantly be asking. The absence of accurate information is another indicator of less than satisfactory management (good management would ensure its availability) and poor systems. An environment of poor information management is an environment that is also conducive to corruption. Much ADB technical assistance has been directed at improving information production. Often it has concentrated on collecting broad items of data like, for example in education, school enrolments, pass rates and the like which are important for planning but less useful for day-to-day management. What managers require is another but related kind of information like, on a daily basis, the number and location of schools closed through teacher absenteeism, schools which still have not received the planned textbooks and the like. Much of the work on better information systems has produced little in the way of sustainable improvements. Where the utilisation of the information systems is poor, questions should be asked about the commitment of management to the task of management and to the more specific task of making an investment in information systems effective.

The production of accurate information is also associated with question 1.8 addressing reporting requirements regarding the effectiveness and efficiency of an agency. A mechanism for imposing requirements on agencies to produce better information

Pakistan

There is a national policy objective of having universal education by the year 2002. The recurrent budget is not linked to any plan, being applied to inputs (96% salary and 4% operations). Consequently, the budget does not identify the total expenditure (this year + additional) needed to provide the schools and the necessary resourcing to achieve the policy objective. In the Punjab, under the current circumstances, nobody was able to answer when the policy objective would be achieved and what additional funds are required to achieve the objective.

Samoa

Technical assistance was provided to the Electric Power Corporation, to improve its financial systems. Five years after the technical assistance, the accounts were three years overdue. Manuals were not in use – in fact none could be found. No one in the Corporation knew how the computerised accounting system worked and no one had been trained to operate the system installed. The experience casts doubts on management's interest in the project and its desire to manage more effectively. It also casts doubt on the original problem analysis conducted by the ADB.

which is a precursor to improved management is an effective institution of public auditing. Other mechanisms include active and diligent committees in the National Assembly, a free press examining the performance of public institutions and civil society demanding better information and performance. Any overall strategy to improve public administration needs to work on these areas of activity.

2.5 Management delegates responsibility for implementing discrete sections of the annual plan to subsidiary levels of management. Who is really responsible for what is of key concern to where a project is positioned in an organisation. Ideally, an organisational hierarchy delegates responsibilities from one level to the next for those activities it will not deal with itself. For civil society and mechanisms of good governance, such delegations establish a chain of accountability so that success and failure can be located to their source. Delegated responsibilities should include responsibility for a budget sufficient to provide the resources to achieve the budgeted targets and for employing the personnel equipped with the skills to produce the targeted outputs. Rarely are such “delegation matrixes” found in practice. In DMCs, more usual is a tendency to concentrate power in the hands of senior bureaucrats so that most decisions are referred up a hierarchy to senior managers. The results are inefficiencies, an unresponsive organisation and junior management engaged not in management tasks, but in information gathering for more senior managers. The absence of such delegation matrices should not affect a project other than to slow down decision making and increase transaction costs. The existence of such a matrix, on the other hand, would clearly indicate to which level project management should report to if it is to get the necessary decisions it requires to advance.

2.6 There are verifiable performance indicators or key result areas for each level of management. Delegation matrices, in the sense of delegating responsibility for producing given targeted outputs which contribute to some part of a corporate plan, can

Kyrgyz

There is an elected President and an elected Kenesh. The President appoints the Prime Minister and the latter appoints Ministers (none of whom have to be elected). Ministers, consequently, appear to be responsible to the Prime Minister and not, individually, accountable for the performance of their Ministries to the Kenesh. Their responsibilities are constrained by the fact that most service delivery is performed at the regional (oblast) level. Members of their Ministries posted to the region have a line responsibility to the regional Governor and only a functional responsibility back to the Ministry. The governors are appointed by the President and owe their allegiance to him. Their budgets are sourced from funds internally generated and from Republican budget appropriations to line Ministries. Their accountability to the Kenesh is unclear.

Indonesia

Technical assistance was provided to present options and strategies to foster sound development of private post-secondary institutions in the Directorate General of Higher Education. Recommendations were made to alter the responsibilities for supervision between two directorates in the Directorate-General. The directorate losing responsibilities went round the back of the Director General and lobbied the Minister directly. The Minister supported this directorate, adopting the strategy of rejecting the whole report to ensure no further discussion of the offending recommendation.

only exist where there is a plan with targeted outputs. Parts of the plan are delegated to a managed entity. Before an organisation can do this, it needs to know what its objectives are and to be able to determine what it can deliver towards those objectives in a planned period. What it targets to deliver are the performance targets set for it for the year. In turn, the achievement of such targets is usually attached to appropriate incentives or sanctions, though in most DMC public services, official performance incentives are lacking. In their place are unofficial ones which are frequently illicit and indicators of poor governance. Performance planning is usually introduced government wide as part of two concurrent actions:

- an overall change is made to the way in which a central budget is produced;
- associated incentives for good performance are introduced by a central personnel unit.

Such changes are outside the powers of a sector-based project to influence and, for the ADB, can only be addressed in the overall planning of a country program. That is not to say that an individual agency cannot introduce its own performance planning, but that would not likely to be integrated with the reporting requirements of the central agencies.

2.7 Information is produced regularly for senior management consideration. Management effectiveness is critically dependent on accurate and regular information about results. Management needs expeditious information, ideally of an exception kind, so that it can attend to problems as they first come to light and before they become very serious. The same comments apply to this question as to 2.4 Reports on critical areas of performance should be produced expeditiously for management to attend to. Key performance indicators need to be identified for every operational unit of an agency and be linked, through a corporate plan, to key success factors. If the key success factors and the consequent key performance indicators for each unit have been identified appropriately and the targets are met through a period,

Nepal

Management financial information is provided every four months and it takes a number of months to complete the reports. Consequently, it is almost six months into the plan period before a manager is given information that will show problems in the management of resources. Problems can become magnified greatly in such a period.

Pakistan

The Secretary of Education in the Punjab has decreed that not more than 2% of sanctioned elementary teaching posts should be left unfilled at any one time. There are a reported 34,000 teaching positions vacant and at least 100,000 unemployed people with the requisite qualifications to be employed.

38% of elementary teachers failed a Grade IV test (significantly better than the pupils they taught, where 58% failed). A 1994 study of primary teachers and trainers assessed teachers on a profile of 33 teacher competencies and found that they were generally good in 5, acceptable but in need of training in 13 and poor in 20 competencies. The trainers had a slightly better profile.

then management can be confident that the agency is operating effectively and efficiently. Management, however, needs to know what is going well and what is not. It does not need to concern itself unduly with what is going well as those responsible for those areas are most likely doing their jobs effectively. What is not going well, however, should be of major interest to management. These areas need to be brought to management's attention on an exception basis. Then, depending on how important it is for an agency's overall performance, decisions will be made as to how to address the problems and management will determine how frequently it will need to monitor the effectiveness of the action taken.

2.8 Senior management formally (i.e. minutes of meetings are taken with decisions) develops action plans to address problems in implementation of annual plans. Knowing how well one is going and being able to identify what is not going well is another key aspect of any management planning system. Senior managers should meet regularly and frequently to review performance. The absence of such meetings should constitute a warning about management style. It suggests a singular approach to decision making and the probability of decision bottlenecks as decisions are referred up through a hierarchy. The absence of minutes would strongly suggest a poor performance orientation and poor co-ordination of activities on the part of an agency as it is rare for some problems not to require concerted management action often requiring the inputs of more than one manager. Management teams are unusual in the organisational arrangements of agencies in DMCs. Often a senior manager takes responsibility for everything. In contrast, the presence of such meetings suggests senior managers are operating as a team, reviewing progress and, where there are shortcomings, deciding upon strategies to address these shortcomings and then allocating responsibility for addressing them to one of their number. This is rarely found in practice in DMCs. To promote better management, projects should require project managers to perform in this way so that good practices are introduced into organisations; if only initially at the project level.

Nepal

Over a 16 month period, there were 33 board meetings of the National Electricity Authority. In the same period, there were no formal management committee meetings. Board meetings are scheduled when business matters require resolution indicating that the Board has become deeply involved in operational matters rather than what it should be responsible for – strategic and policy issues. An informal senior staff meeting occurs weekly and minutes are not circulated.

3 Condition: Adequacy of Financial and Other Resources

3.1 Programs are prioritised for budget purposes. The budget is a key test of a government's commitment to meeting its policy program and the policy mandate for which it was elected. The budget, in one sense, is the way in which the government rations scarce resources to policy priorities. The problem in many DMCs is that the budget, while it might be transparent in the sense of appropriating funds to government agencies, provides little guidance as to how a government is determining its priorities because the budget is based on the historical fact of a public sector of a certain size, a public sector enjoying tenure of office and a public sector in which each agency is accustomed to enjoying a historical claim on a given proportion of the budget based on its relative weighting of previous years. The budget is appropriated to salaries and the other heads of expenditure a department has experienced in the past. A reading of such a budget, will not enable a person to determine what funds are to be used for what policy objectives of a government. A change in government policies and priorities might result in additional funds being appropriated to a particular agency, but, from the budget documents, it is rarely possible to determine the impact the increase is likely to have on the delivery of services. Where funds are scarce, the way in which the public sector is managed can become a millstone for a government, with permanent public servants requiring to be funded despite the fact that they are in functions which are no longer a priority and probably in units which are no longer productive. Their very existence acts as a constraint on a government shifting funds to a higher priority area. For the ADB, national budgets provide very important information for project management. ADB loans for projects act as capital injections into a government's ongoing programs. What those capital injections provide usually require recurrent funds to enable them to continue to operate effectively. That means that there should be relative reallocations of existing resources and/or increases in annual operating expenditure to enable the new apparatus to be operated effectively.

Kyrgyz

Technical assistance was provided which focused on the development of investment projects and an overall investment program in the Ministry of Agriculture and Water Resources. After 3 years it was able to report the development of a pipeline of 57 agricultural and rural development projects to an estimated value of US\$597 million, one of which was the ADB's Chui Agriculture Area Development Project. This injection of capital was into a Ministry in which the budget of the Department of Water Resources, the major spender, was a total of US\$4.2 million, of which US\$2.2 million was sourced from European CVF funds. The CVF funds were promised only for a further two years. There is a reasonable question about whether or not the Ministry would have the resources adequately to support such a program of investment, even after taking into account the fact that Water User Associations will become responsible for O&M of the tertiary systems

PNG

As a result of a succession of fiscal crises, budget constraints led to curtailing total expenditures. However, the budget continued to fund the salaries and wages of permanent civil servants. What was curtailed was the budget for operating costs. Consequently, the salaried staff had insufficient means to carry out a specific work programme [lacking petrol for vehicles, workshop materials, etc]. The outcome was expenditures but neither outputs nor policy outcomes. No one was prepared to rebalance available funds to ensure that priorities were altered and that fewer civil servants were funded but provided with adequate supporting facilities to achieve the policy objectives of the priorities.

In the road sector, proposals are in place to quarantine road user charges into a road fund for maintenance of the infrastructure, rather than rely upon obtaining enough funds from a central budgeting process.

Australia

An analysis of budget practices of the city corporation of Melbourne revealed that about 2-3% of the budgeted income was available for new initiatives and that the balance was consumed by ongoing services. New policies therefore competed for the 3% while ongoing programs remained largely unchallenged – which suited the administration and staff as a large portion of these costs were for their salaries and wages.

3.2 The budget is appropriated to discrete programs.

Budgets are closely associated with accountability. Traditionally accountability largely was concerned with the question of the degree to which the expenditure conformed with what it had been appropriated to and to the laid down procedures governing the conditions under which expenditure could be made (efficiency). Currently the concept has been extended to concern the question of the degree to which the expenditure has achieved the outcomes targeted for the expenditure (effectiveness). For a department to be able to answer the latter question, it needs to produce information about the outcomes that are planned to be produced from a government investment. Usually this is done through the device of articulating the desired outcomes into a funded program. So a primary education program would produce a targeted level of educational outcomes in terms of literacy and other measurable objectives, a primary health program a measurable improvement in morbidity rates, a road program a measurable improvement in local markets and local household incomes and so on. The first step in terms of the annual budget is to apportion a budget to different programs an agency is responsible for. In this way, the electorate will know what funding has been allocated to different government programs and, assuming that there is an annual report to the relevant assembly, what that budget has produced in a given period. In this way, the budget becomes more transparent because there is some information about how a government is dealing with its priorities and accountability is enhanced because at the year end, some assessment can be made about what the allocated funds have produced.

3.3 Revenue is integrated into the budget at the key service point [ie school level]. There is usually a tension in the way revenue is treated between the requirements of central management of a national or provincial budget and the need to provide incentives to agencies to optimize their revenue collections. Ministries of Finance like to manage expenditure levels by providing a budget for expenditure and then requiring all revenue to be paid into a central government fund (consolidated

Pakistan

The government has a policy to provide universal elementary education by 2002. The annual budget, however, is appropriated to education ministries; not to programs like an elementary education program. Consequently, from an examination of the budget documents, it is not possible to determine the funds dedicated to elementary education and to assess their adequacy to achieve the policy objective. From an accountability perspective, it would prevent a provincial assembly from questioning the sufficiency of the funds appropriated to education to produce the policy objectives of the national government.

PNG

The Government has stated it is concerned to lift its service. However, budgets are based on historical expenditure patterns and not on the outputs that can be achieved for a certain amount of funds. At a macro level, the Government articulates goals in terms of health outcomes, educational outcomes, crop yields etc but these objectives are not locked into the budgets appropriated to Departments and provinces. Consequently, there is no effective driver for performance as monies can be and are spent unrelated to the overall goals of the Government.

Australia

The state of Victoria switched the focus of the budget from inputs to outputs to achieve greater accountability and enable better resource allocation decisions to be made. The budget document tables the various outputs and subsequent reports reveal the extent of achievement. The budget cycle requires agencies to inform Treasury each year of what they will apply their budgets to and what outputs will be produced.

revenue). Under these circumstances, there is little incentive for agencies to develop revenue streams as such streams do not directly benefit them. There is also little incentive to improve the efficiency of areas which do charge fees for services as the accounting system reports revenue quite separately from the cost of producing it. Consequently, to determine the adequacy of the fees and the “profitability” of the operation requires a completely separate accounting operation which is not likely to be performed.

As the well off are often the biggest users of public services, the question of fees for services is an important budget issue because, if they are levied, expenditure budgets can be driven further and targeted more emphatically at the poor. At a local level, where revenue can be employed as discretionary funds, it can provide operational flexibility by being applied to local priorities rather than priorities determined at some distant central level. For example, a school could use fees it collects to buy books for a library rather than sending the small amount collected back to the central treasury (the costs of remitting the funds are likely to consume the total funds generated and consequently be used to keep bureaucrats in employment rather than being applied to providing a better education to a poor child). However, independent revenues can stimulate unnecessary expenditures with institutions spending up to their available revenues to avoid any requirement to pay unneeded funds into consolidated revenues or attract unwelcome inquiries about their financial status. The treatment of revenue and the opportunity for generating it are important questions and questions which need to be addressed at a policy dialogue level.

3.4 The budget specifies expected performance levels. The outputs and outcomes that budgeted expenditure produces are an important accountability issue. The discussion in paragraph 3.2 about inputs budgets has already indicated limitations in such a budget mechanism. In some DMCs in which budgets are produced on an inputs basis, performance indicators are required to be stated as part of the budget documents. The indicators, however, are stated separately from the appropriations of expenditure. Consequently, it is difficult to calculate the cost of

Pakistan

The education budget is appropriated to salaries, operating expenses and the like. The expenditure is linked to educational programs like elementary, secondary through the separation of a Social Action Plan component which corresponds with elementary. There are difficulties with some schools crossing the categories but being funded out of one of the programs. Performance indicators are required to be stated in the budget documents. For education, they include enrolment, participation, literacy, drop outs. The relationship, however, between a budget increase and a planned enrolment improvement cannot be calculated.

producing a given level of performance and judge how efficiently that level of performance is produced because there is no relationship between the expenditure and the expected outputs and outcomes. It is a simple accounting fact that wherever the cost of inputs cannot be linked directly to the cost of the output they are expected to produce, inefficiencies are more difficult to quantify and, in the case of the public sector, corruption enjoys a supportive environment.

3.5 The budget is based on a realistic funding of the agency's programs. In DMCs budgets are routinely not based on a realistic funding of an agency's programs. The unrealistic funding occurs in three contexts. Governments develop policies, often with clearly stated timelines for producing the policy goals, but might not assess and do not provide the funding to achieve those policy goals. Many such policies relate to the alleviation of poverty. The second context is where governments embark on capital expenditure programs but do not provide the ongoing funds for operation and maintenance. The ADB is actively involved in this context. Often when it is evident that a DMC is not prepared to advance the funds to operate and maintain its present infrastructure effectively, projects are prepared to produce even more infrastructure with an even greater probability that funds won't be found to operate and maintain it. The governance issue at stake in this context is the government's responsibility, as trustee of a national estate, for maintaining the value of that estate. The third context is where an agency is a government monopoly producing something like electricity, gas or water for sale. The agency's costs are partly operating and partly the cost of capital to purchase the plant and equipment to produce and distribute the product for sale. Tariffs, which should be set on a commercial basis so that the agency can make a reasonable return on the capital employed and provide for expansion and replacement, are set at unrealistically low levels for political reasons. The bleeding of the agency through artificially reducing its capacity to earn revenue has the same impact on its capacity to provide adequately for operating and maintenance costs as an unrealistically low budget to operate and maintain infrastructure.

Nepal

The National Electricity Authority has to cover its operating costs and provide a proportion of the monies required to fund projected infrastructure. It has tended to delay making tariff changes until a crisis has occurred requiring a large tariff increase. This in turn has led to adverse political and consumer reaction and increased the reluctance of the NEA to effect tariff changes. One consequence of this is insufficient funds available to spend on preventive maintenance or programs to cut the amount of non-technical losses.

Kyrgyz

The national assembly (the Kenesh) sets a water tariff which is insufficient to cover the cost of operation and maintenance needs of the irrigation infrastructure. The setting of the water tariff is a political decision and it is kept artificially low out of fear of the response of farmers to a decision to make one based on commercial considerations. The situation is made worse by the fact that the greater portion of the DWR's revenue is sourced out of a European Union grant which is expected to be withdrawn in two years' time. One impact of the artificially low tariff is profligate use of water on the part of many irrigators and serious problems with waterlogged land and salination, both conditions being accelerated by the inability of the DWR to maintain drainage systems because of inadequacy of funds. Notwithstanding these facts, both the World Bank and the ADB have authorised irrigation rehabilitation projects to be implemented with a requirement for Water User Associations to take responsibility for O&M of the tertiary levels.

Indicative Income and Expenditure Account - DWR		
	Som (millions)	Som (millions)
Net revenue		32.3
Estimated Operating Expenditure		549.1
Operating Deficit		<u>516.8</u>
Funded by:		
Republican Budget Contribution	48.3	
EC CVF Contribution	<u>88.8</u>	<u>137.1</u>
Annual shortfall in funding for operations and maintenance		379.7

3.6 Budget transfers are made public down to the individual service point [ie a school]. The transparency of the transfer of budget allocations is very important in an accountability context. It relates to the question of whether or not intended recipients receive what is their due. If, for example, there is a primary health program at village level, villagers should be made aware of their entitlements and should know what entitlements have been transferred to the outlet. Too often, budget allocations are made, but various layers of the public service take out some kind of “commission” with the result that the intended recipients only receive a small proportion of their entitlements. Similarly with public utilities, often there are provisions for the poor to be connected on a no charge basis. Yet the reality is that the poor still have to pay, sometimes in ignorance of their entitlements.

3.7 There are effective systems for ensuring that service points [e.g. schools, health centres etc] get all the resources they require to operate effectively.

In many areas of government activity, services depend on the provision of central supplies. For example, textbooks need to be supplied to schools, vaccines to health and agriculture outlets, cement and bitumen to roads maintenance units, funds for old age and other pensions and so on. Often, such supplies need to be kept in controlled conditions. For example, many vaccines need to be kept refrigerated. Where such supplies do not reach their destinations in time, it is the poor who normally suffer. The further the poor live away from a centre, the more likely they are to suffer from such lack of provisions. The well off can afford to seek out private suppliers to meet their needs. There are consequently two questions that need to be addressed to ensure that the systems are operating effectively. Firstly, are there formulae in place to ensure that the needs of each area are identified so that required supplies can be procured and despatched. Secondly, if such formulae are in place, do the supplies actually reach their destination? If they do not, there might be systems failures, but there might also be misappropriation of funds or other illicit activities that conspire to divert the funds from their intended beneficiaries. Where there is a culture of corruption, there is also

Indonesia

The government has embarked on a program of providing a block grant to public and private schools. The amount of an individual school's entitlement is published on a school notice board so that the local community knows what funds they can expect. A monitoring program has reported that 95.2% of block grants have been applied for purposes specified in the guidelines.

PNG

The National Government allocated funds to Provincial Governments for various programs. It was widely believed that the funds were then 'reallocated' by the Provinces and possibly the districts so that the end beneficiary did not receive what was intended by the National policy.

Pakistan

In the Punjab, there is a formula based on covered area which produces an annual maintenance requirement for each elementary school. The problem is that the annual budget only funds 20% of that requirement. Consequently, schools are run down and the formula is no longer effective because it is based on an assumption that all schools will be maintained to a certain standard, an assumption which no longer applies.

a general rule that the more hands a funding allocation passes through, the less emerges at the final destination, a rule which prejudices the rural poor.

3.8. Service points [such as schools] get their budget allocations on time. Delays in passing on appropriations can have a devastating effect upon the level of service that is provided. Staff perform fitfully because they are not paid, preventive maintenance is not performed because there are no funds to purchase spare parts for equipment, supplies cannot be purchased to enable clinics to be run properly and so on. The situation is not infrequent in DMCs, particularly those which are suffering fiscal and cash crises. The situation can easily be checked by comparing actual cash releases with submitted cash flow budgets, usually split into calendar months

3.9 If the institution is a Government owned enterprise, there is a policy of self financing. Government entities set up as enterprises either as corporatised bodies under corporate law or under their own Act, need to have clear financial obligations. This is to avoid situations where the enterprises feel unable or are unwilling to raise revenues for their services but instead prefer to rely upon continuous Government funding for either recurrent or capital expenditures. If they know they have to be self sufficient then they will take seriously the challenge of achieving productivity gains and being able to justify prices.

3.10 Prices to achieve self financing are cost based. Prices need to be justified to the public or an independent regulatory authority who may open public hearing sessions. When prices are politically influenced it is inevitable that they will tend to create cross subsidies where often significant voters bear less than cost while others with little influence bear an undue burden of costs. Alternatively, tariffs or prices may be altered by merely adding a percentage to prior year's levels. This can mean prices are not cost reflective and may in fact, be lower than necessary to cover all costs. Costs, in this usage, includes the cost of capital.

Pakistan

Reports indicate that since 1983 no more than 50% of total funds appropriated to primary education have actually been expended. Procurement is made difficult by the procedures that have to be followed which has resulted in 42% of schools reporting serious delays in being able to disburse because of lack of permission to spend and 16% because of procedural difficulties.

PNG

An analysis of funds received by the provincial governments revealed that the actual cash releases bore little resemblance to the approved budget and cash flow pattern. Central Government was releasing funds in a manner that completely negated the Province ability to plan its services and work and consequently staff was left idle awaiting funds release for their consumables, travel and supplies. Accountability for no service delivery should have been laid with a Central Government clerk and not the Provincial Head

3.11 There is a regular scheduled timely and robust process for reviewing and approving prices. Frequent small adjustments to prices to recoup inflation or increased services are preferable to large adjustments at longer intervals. Consumers can adjust to small incremental changes easier while there is less political heat with frequent small changes. It also ensures that the price review body are using their skills more regularly and therefore can maintain their skill base whereas longer duration reviews can result in a reduction of the robustness of the price setting and review process.

3.12 The poor are assisted to obtain service access and supply through subsidised prices. If the enterprise is to act like a commercial body, it will set its prices to recoup costs and provide a profit. This often means that prices for the poor, whether it be for connection or for electricity consumption may be unaffordable. The enterprise can be directed to provide a subsidised tariff and either transparently report the consequences of it on its other consumers [by recouping such cost of the subsidy from other consumers] or preferably seeking reimbursement from Government.

3.13 The enterprise is explicitly compensated by Government for any subsidised prices. This is preferable as it makes transparent, the cost of implementing a government policy. In some cases, corporations are reluctant to seek compensation just as much as Governments prefer to hide the costs of its decisions and in doing so, merely let other users of the same service pay for a subsidy that should be paid for by all taxpayers.

3.14 Enterprise revenues are sufficient to cover its operating costs. The continuity of the enterprise depends upon it being able to cover all its costs and be able to maintain and expand its assets base needed in turn to provide its services. In many Government enterprises losses are incurred and the entity is not self-sufficient. If costs are not being recouped, remedial action usually is to revise prices and it may be found that price changes have been infrequent. A more difficult task is to address the matter of cutting costs.

Nepal

The National Electricity Authority is a commercial operation. It is expected to levy tariffs that recoup its costs of providing services. However, Government policy is to help the poor and it does that by requiring NEA to offer a lifeline tariff that is a 'below cost' tariff. The explicit cost of this policy is not made apparent in the budget or accounts of NEA. Although NEA are empowered to recoup the subsidy from the Government it appears reluctant to do so, perhaps because NEA is chaired by the Minister who would be aware of the political unpopularity of tariff increases. The budget, however, makes no provision for the lost revenue or the costs of providing this subsidy and, while the NEA Act states that the Authority will be compensated for the subsidies, no such compensation is made. Consequently, the subsidy, cost wise, is not transparent.

3.15 The enterprise has been rated by a rating agency.

Some government owned utility enterprises may seek to borrow domestically or overseas. If so, the findings of a rating agency will provide insight into the entity's financial status as explored in the conditions listed above.

3.16 The enterprise can maintain an adequate debt rating.

Should a government owned utility have a major capital expenditure program associated with extending services to the poor, it is possible that the incremental revenues may be insufficient to service the borrowings needed for the expansion program. If such circumstances prevail, interventions to address improving the financial strength of the entity and the capacity of its financial administration should be on the agenda.

4 Condition: An Appropriate Policy Framework

4.1. ***There is a clear policy framework to govern bureaucratic actions.*** A good policy framework states what a government's objectives are in a sector and, broadly, how it intends to achieve those objectives. Policies quite obviously have a cost and one way of determining how realistic a policy framework is, is to cost it and compare it with what a budget can afford. A policy framework needs to be internally consistent. It also needs to be consistent with policies in other sectors which are affected by its activities. For example, there is almost always a tension in any country between development and environmental protection, between planning and conservation. Consistency is important because bureaucrats need to base decisions on policy guidelines. Where there is inconsistency in policies, there will be inconsistency in bureaucratic decisions and the situation then is open to abuse by providing opportunities for corruption and confused bases for accountability.

Policies should be developed into programs which are then funded and, if the programs are effective, should achieve the policy objectives. For accountability, programs have two impacts, one relating to effectiveness and the other relating to efficiency. If programs produce the outputs required, they should achieve the policy objectives. If they do not, then there should be questions about a policy's effectiveness. And effectiveness is an area that national assemblies and the national media should scrutinise. If the programs do not produce the required outputs, then there should be questions asked about the efficiency of the agency responsible and these questions should first be asked by the auditor general and subsequently by something like a Public Accounts committee in the national assembly. If the budget, however, is not appropriated to programs, it is difficult to determine either effectiveness or efficiency; only that money has been spent in compliance with the inputs it was appropriated to.

For the ADB, an examination of sector policy frameworks and their funding is very important, particularly now that it has targeted the alleviation of poverty as its major goal. In some DMCs like the

Malaysia

All cabinet submissions have to be signed off by all departments which might be affected by a proposed policy. Only when there is reasonable consensus about a proposed change will a submission be accepted. Decisions are formally recorded and department heads are informed. There is also a computerised tracking system to ensure that all policy decisions are implemented with Cabinet being informed regularly of progress.

Pakistan

There is no single central source of information about education policies. They are issued through executive orders, directives and notifications in accordance with the Business Rules. According to one report, the most important policies are set by precedent and tradition. Consequently, there is no basis for ranking policies for priority in a funding environment which is desperately short of funds.

Micronesia

The public sector reform program loan required targeted reductions in public service costs in each of the States. In the state of Pohnpei, teacher's hours were reduced to produce a 12½% savings to the salary bill. Contact hours with students were reduced correspondingly without any reference to educational outcomes. In the first year of experience of the reduced contact hours, the annual pass rate for the annual PICS Entrance Test reduced from 46.5% of candidates to 26.8%.

Nepal

The National Electricity Authority has been established as a corporation to manage the provision of electricity on a commercial basis. The Chairman of the Authority is the Minister for Water and Power, making the Authority little different from a normal department of state. There are no policies relating tariffs to producing reasonable returns on the capital invested in the Authority, making a commercial approach to the business impossible.

Central Asian Republics, the sector policy framework is simply not known because the decrees and other documents simply have not been translated into a language the ADB can understand. Elsewhere the policy framework is weak, strongly indicating that assistance is required to improve the development of policies on the part of bureaucracies. Often, the procedures for approving policies are also weak, with poor co-ordination from the responsible central agency and poor systems to ensure that policy decisions are referred to the government, assessed for consistency with the government's overall program, reviewed in terms of budget implications and then that the decisions are in fact carried out.

4.2. **All policies are made public.** A central tenet of good governance is that policies are made public. The public needs to know the policies which are being pursued by a government, especially those which affect their daily lives. They need to be made public so that the media and political assemblies can review the policies and hold a government to account. They also need to be made public so that the public knows and can lay claim to its entitlements. When entitlements are public, there is less opportunity for corrupt officials to demand payments for services.

4.3. **There is an equitable policy about access.** Policies should be non-discriminatory. This is particularly important in the context of poverty. Very often, poverty is experienced by ethnic and caste minorities and reinforced by such minorities being excluded from access to the general range of public services. Discriminatory policies can also affect genders, particularly in the provision of educational services to girls and health services to women.

4.4. **There is a clear policy relating location of services to demographic factors.** Whilst policies might appear non-discriminatory, in practice they can be discriminatory through the simple expedient of not providing certain public services in certain areas. Again, the poor are usually the losers as access to public services favours the rich through their being located within easy access to the well off and not for the poor. To combat such

situations, policies are required which directly relate the provision of public services and the location of amenities to a balance of demographic factors and population density.

4.5. **Clear professional standards are established for key service workers [e.g. teachers] at entry.** In sectors like health and education, it is important that the public has access to appropriately skilled people. The standards, therefore, have to be established at a sufficiently high level to ensure an appropriate service. Where they do not, the services are likely to be deficient, discriminating against those who receive services from the poorly qualified (and they are more likely to be the poor than the well off). It is also important that where there are such standards, entrants actually do meet the standards. This is a governance issue as, where they do not, there is a high probability that influence is being peddled and unsatisfactory candidates are being admitted through patronage.

4.6. **If there are clear standards, they are adequate for attaining planned outcomes.** Governments increasingly find it difficult to fund services. As a consequence, there has been a movement to charge users for government services. Such charges have a long history with utilities. Now the charges are being extended to services in the social sectors including health and education. As with policies, transparency about charges for services is important so that users know what they are entitled to and what they have to pay for. Lack of transparency presents opportunities for abuse and corruption with public officials charging for services that are a person's entitlement. Common examples are illicit connection fees for utility services and payments for goods passing through customs which carry no duty.

4.7. **Government policy is to introduce competition into the provision of services.** It is current fashion to seek competition in services so that costs will be driven down and service levels up as entities compete for market share. Though the policy may be rational, often the implementation is poorly executed and competition does not eventuate. This situation can stem from an oversimplification in believing the ideology will automatically

Pakistan

A 1998 Auditor-General's report of Punjab recruitment practices in elementary education found that 31% of selected candidates did not meet the qualification criteria and 10% did not fulfil the age criteria.

confer the benefits when in practice, there may be many other factors that will impinge on whether the policy can be effectively implemented. Badly implemented situations will hurt the poor as they may lose their voice in influencing the service provider and the service provider[s] may collude to operate as if they were a monopoly.

4.8. ***It is policy to provide services within a corporatised entity to achieve greater transparency autonomy and accountability.*** This policy seems very appropriate to situations in which the service entity should operate within their own funding capacity, where there is a need to borrow or apply conditions [financial, operational and personnel] that could not be done effectively within a Government Department framework. However, it is preferable to see the corporatised entity obliged to operate within existing laws [companies, taxation, trade, etc] rather than see the creation of separate legislation specifically for that entity. Separate legislation inevitably is deficient in some important aspects like the application of reporting standards, disclosures, financial powers etc. Using existing legislation places the entity with the same corporate obligations of all other private enterprises especially in terms of disclosure, directors responsibilities and liabilities and prudential rules.

4.9. ***It is Government policy to have the sector service providers privatised.*** See earlier comments 4.7

4.10. ***If the policy is to privatise or corporatise, the key institutions have been readied for that step.*** There are many matters that require attention to move what may have been a Government department or a Government division into a corporate or privatised enterprise. If the process is hurried there will be losses to the Government by not realising the full value of the enterprise [as productivity gains were not extracted before any sale] and poor consumers may be disadvantaged as processes for defining them and providing affordable services to them, may be overlooked. If this policy is on the agenda, evidence should be sighted that it is being implemented with careful planning and in full knowledge of the consequent impacts upon stakeholders such

as the poor, employees, prospective customers in unserved regions and Government.

5 Condition: Effective Organisational Structure

5.1. *The organisation delegates discrete levels of responsibilities to each level of management/supervision.*

Accountability exists where there is a direct authority relationship within which one party accounts to a person or body for the performance of tasks or functions conferred, or able to be conferred, by that person or body. Where this does not occur, accountability is confused. Consequently, ministers are accountable to a national assembly for the effectiveness of their policies, department heads for the performance of their agency. Within an agency, there should be a chain of accountability down through the agency so that each manager has a discrete set of responsibilities for which he or she is responsible. Responsibilities should formally be delegated to each level of management and to each manager. The responsibilities should be focused on the achievement of targets based on the objectives of the agency and would include the reporting on results and the visible consequences of getting things right or wrong. The result is what is called a chain of accountability which should link the lowest level of an agency to the top.

The effectiveness and efficiency of an agency is affected markedly by how well responsibilities and commensurate authorities are delegated through an agency. Responsibilities are usually linked to the achievement of policy objectives (others include the internal administrative services like finance and human resource management which support an agency in its work). They are therefore most appropriately linked to programs which are funded by the budget. Most DMCs have budgets based on inputs which enables any delegation of responsibilities to be, at best, poorly articulated. One consequence is a reluctance of all but the top levels of management to act with the result that serious decision bottlenecks occur as most decisions are referred up a hierarchy.

There is another important reason why the delegation of responsibilities is important to the ADB and that is to ensure that a project is located at the appropriate level in an organisation for

effective decisions to be made. This issue has been discussed in paragraph 2.5.

5.2. ***There are not more than five levels from the top to the bottom of the organisation.*** The number of levels from the top of an agency to the bottom reflects on the decision making efficiency of an organisation. More than five levels from top to bottom suggests cumbersome decision making and a high probability that there will be levels of management which do not have a job to do. Under such circumstances, these levels often operate to justify their existence which they do by slowing down decision making.

5.3. ***Operational decisions are delegated to and taken by the manager in charge of the operation.*** Organisational effectiveness is enhanced where operational managers are given discrete areas of responsibility to manage and allowed to make all decisions affecting those operations. It enhances effectiveness by accelerating the decision making process and enabling the person who is closest to the issues affecting the operations to exercise his or her judgement as to the most effective path to take. There is an important downside, however. The more persons making operational decisions, the greater the likelihood that some decisions will not be consistent with policies or not consistent across all the operations of an agency. For example, confronted with the same issue in different parts of a country, it is quite likely that two different managers will come up with quite different solutions. Unless there are good reasons for treating the same situation differently in different parts of a country, decision making should be made consistent, which requires periodic reviews of operational decisions.

5.4. ***Full financial delegations are given to the agency head.*** An agency head is usually called the Chief Financial or Chief Accounting Officer and consequently is ultimately responsible for ensuring that budget appropriations are spent according to what they have been appropriated for. The Finance or Treasury Departments in some DMCs do not accord agency heads full financial delegations and perform pre-audits of all or some expenditure. The existence of pre-audits delays payment of suppliers and can result in suppliers withdrawing services thus

compromising agency effectiveness. It also reduces financial accountability of agencies and their managers and financial units as well as burdening the Finance Department with an audit function which should not be its responsibility.

5.5. The agency head delegates financial budgets.

Delegation of responsibilities should be accompanied by the requisite financial delegations to carry out those responsibilities. Consequently, every manager should be responsible for a budget and should have the appropriate financial delegations to incur the expenditure which will enable them to fulfil their responsibilities. Quite clearly, an inability to incur expenditure when it is needed, especially where there is an urgent problem to be resolved, is a perfectly reasonable excuse for absolving oneself from accountability.

5.6. Full personnel delegations are given to the agency head (e.g. hire and fire of staff, classification of levels, promotion).

Rarely are complete personnel delegations given to an agency head. Usually, the central personnel agency retains responsibility for determining the organisation structure of an agency (and often structures show little variation between agencies despite the quite different activities of the agencies), classification levels of established positions, salary and wage structures and whether or not an agency head can fire individual members of staff. When an agency head cannot decide the optimal structure to achieve the objectives set for an agency, cannot choose his or her own staff, cannot fire poor performers and cannot pay their staff an appropriate reward for their work, accountability is compromised. But where there is little accountability in the system, freedom to exercise full personnel delegations is likely to lead to increased cronyism and patronage as poor performance does not elicit any sanctions. Consequently the system of accountability needs to operate fairly robustly before full personnel delegations can be given to agency heads without there being concerns about abuse. Nevertheless, most public service personnel systems make it very difficult to remove poorly performing staff, which inevitably affects negatively the effectiveness and efficiency of an agency.

Pakistan

The Secretary of Education in the Punjab has decreed that not more than 2% of sanctioned elementary teaching posts should be left unfilled at any one time. There are a reported 34,000 teaching positions vacant and at least 100,000 unemployed people with the requisite qualifications to be employed.

38% of elementary teachers failed a Grade IV test (significantly better than the pupils they taught, where 58% failed). A 1994 study of primary teachers and trainers assessed teachers on a profile of 33 teacher competencies and found that they were generally good in 5, acceptable but in need of training in 13 and poor in 20 competencies. The trainers had a slightly better profile.

5.7. The agency head delegates personnel delegations to personnel/human resource management division. In a well run organisation, the human resource management unit runs the personnel function. It would recommend HRM policy to the chief executive and would organise its operations within that policy structure. In public services, HRM policy is set centrally. Ideally, it should provide agencies with the ability to manage their own human resources flexibly and effectively. That would mean that there will be a capacity to determine job classifications (subject to audits from the central agency) and, consequently set reward levels, to set establishment levels, organisation structures, procedures for hiring and firing staff and a program of staff development and, in large agencies, a career planning program. The authority to run a broadly based human resource management capacity would be delegated from the central personnel agency to the chief executive officer and thence to the human resource management unit. Once an agency has full financial and personnel delegations, it has full control over its operations and, consequently, no excuses for poor performance. Agencies without personnel delegations and therefore no flexibility to choose their own staff can always blame the staff they have inherited and cannot remove for poor performance.

5.8. If the institution is a business enterprise that has been corporatised, it has an independent Board reporting to the Minister. One benefit of corporatising is to move the enterprise away from sources of political influence and to ensure the Minister cannot directly interfere or use the entity to extend patronage. However, this benefit may not be realised if all appointees on a Board are approved by the Minister and their continuance is based upon their relationship with the Minister. Further, if the corporate is not operating under the same corporate legislation as the private sector then its directors escape the significant obligations upon and penalties that would apply to corporate directors. A Board is not independent if it has the Minister as its chairperson. Early action is justified to resolve the Board composition where they are not independent.

6 Condition: Effective Management Reporting Systems

6.1 ***Accurate monthly financial management statements comparing actual expenditure with budgeted are presented to all managers in control of budgets.*** Financial regulations in most public services require monthly financial statements to be submitted to a Ministry of Finance. In the Ministry of Finance, Office of the Controller or Accountant General reconciles these statements with the Ministry of Finance's own accounts. This requirement then is linked to the reporting requirements discussed in 1.5.

Regular financial reports are a central plank of accountability within an agency and enables the Chief Accounting Officer to fulfil his or her responsibilities. Each manager in charge of a budget needs this information so that he or she can plan future expenditure based on knowledge of their current budget situation. More senior managers need to reassure themselves that all units under their responsibility are operating within their budgets. Where the budget is used as a management tool and is linked on producing outputs within a program, managers need to assure themselves that the expenditure is producing the required outputs and that the outputs are producing what they are designed to produce in terms of the policy objectives set for the program. In many DMC situations where budget appropriations are insufficient to meet required expenditures, reports showing the cost of the lack of expenditure in the sense of reduced capacity or performance of systems would be useful management information and of some interest to a national assembly when it reviews the priorities set by a government in its budget.

Where budgets are related to programs with targeted objectives, presenting budget information is really only helpful if managers have a meaningful role in constructing the budget and the budget is built on a sound basis of what resources are needed to achieve the planned outputs and outcomes. If budgets at manager level are merely an arbitrary allocation which bear little relationship to

Kyrgyz Republic

A prudent preventive maintenance regime for the irrigation system is not being operated. In one oblast, the government has purchased no new equipment or machinery for ten years. With each passing year, each rayon irrigation unit operates with fewer machines without funds for replacements and few resources for spare parts other than cannibalised machines. Inadequate maintenance is apparent throughout irrigation schemes as evidenced by cracked linings, degraded seals, clogged drains, scouring, sedimentation, and broken measurement and diversion structures. In 1999, the Department of Water Resources estimated that, since 1991, these losses have increased by about 30% of the water released into the system. Without regular financial reporting, there is no means for management to inform the government and the public of the increasing costs of the parsimonious budget resources for maintenance.

Papua New Guinea

In PNG, effective financial management and accountability have suffered primarily because poor budgetary and fiscal planning cause emergency inclusions for new expenditure items and shortages of cash during the fiscal year. This has resulted in constant interference and manipulation of the expenditure accounting process. Irregular financial reporting threw up a number of other weaknesses:

- A requirement to observe accounting standards is not articulated in Public Finances (Management) Act;
- Because the account classifications are more extensive than budget classifications, the Public Accounts and other reports used to assess the government's results are not clearly related to the budget and are less transparent;
- Accounting protocols are overridden or ignored by the actions of ministers and chief accounting officers with no penalty;
- Regular reports are submitted late or not at all;
- The internal audit function has all but foundered;
- The professional development of government accountants has been neglected;
- Financial management is used almost exclusively to control cash flows rather than as an important support to decision-making and management accountability;
- Annual reports are not prepared by a number of agencies, a problem which is exacerbated by a defunct Public Accounts Committee.

what the manager has to accomplish, then attention should be directed at the budgetary process.

Where there is no regular financial reporting at least on a monthly basis, it is certain that there are significant management problems in the agency concerned.

6.2 If yes, the reports are provided within three weeks or less of the end of the month. Management needs prompt reports so that it can take prompt action should problems be revealed. There should be no reason for financial reports not to be produced within three weeks of the end of a month. Any longer period suggests either serious system deficiencies or poor quality financial officers or both. Tardy reporting opens up more potential for corruption as the audit trail is colder and the recollections hazier. Typical world best practice in reporting within commercial entities, even those with many operating units throughout the world, is between one and five days after reporting period end. If any interventions are planned, it is better to lift the quality first, then move to tighten reporting deadlines.

6.3 There is an autonomous internal audit committee. An autonomous internal audit committee is essential for ensuring sound, ethical practices are applied and is an important aspect of internal control to discourage corruption. The audit committee should be off line and report directly to the Chief Executive Officer. In statutory authorities and other corporations, membership should be from the Board and it should report to the Board rather than the Chief Executive Officer. In departments of state, external membership of the committee strengthens its autonomy, especially where corrupt practices are rife. Appointments to an internal audit committee (usually 5 to 8 persons) should be made by the agency head possibly with advice from the Auditor-General, to achieve a balance of professional and technical skills. The committee should have a charter which addresses its scope, authorities and relationships to the Minister, Head of Department or Chairperson of the Board and the Auditor General. Examples of typical charters are available from public accounting firms.

Pakistan

The reporting system in the Punjab Department of Education only allows management to review new initiatives at periods of 6 months or more. By that time, a new initiative could be completely off the rails.

One of the key success factors for any education system, assessing student performance, is not performed at the primary level. A national assessment system is planned to start with a class IV assessment in 2001. A recent random sample of primary teachers failed 38% of teachers on a test class IV assessment.

6.4 ***There is an effective internal audit capacity.*** Internal Audit is a powerful tool but will be unable to fulfil its charter unless it has the skills, the seniority and authority to probe transactions and review the efficiency and effectiveness of the sector and its institutions. Consequently, it should not be used as a dumping ground for ineffective officers nor treated as a function that does not call for professional skills. Its work should be built around a risk assessment of the organisation and a manageable program endorsed by the audit committee. It has the potential of being a very powerful tool in helping to stamp out corruption and ensure due processes are applied to achieve equity and predictability of services to the public. It should also reduce the amount of checking the Auditor-General has to do and enable reports to be made more expeditiously to the national assembly about agency performance.

6.5 ***Annual audited financial statements are submitted to Parliament within 6 months of the end of the financial year.*** The requirement to submit annual audited statements to a national assembly within a reasonable time after the end of a financial year is a crucial plank in the chain of accountability. The audited reports should be examined by a committee like a Public Accounts Committee which should report back to the national assembly on a prescribed basis. Where any of these requirements are not being met, there is a serious problem with governance and the way in which a government is allowed to act by a national assembly.

Nepal

The electricity authority has an internal function reporting to its Chief Executive. The unit's establishment is adequate but it has significant unfilled vacancies of key positions. Consequently, it is unable to provide scrutiny of key aspects of the corporation. The reports it does produce are ignored and seldom does the CEO meet with the internal audit chief. The signals to the rest of the organisation are that internal audit findings can be safely ignored thereby lessening governance. Meantime, external audit reports are heavily qualified and concerning to the various development donors.

Papua New Guinea

There are serious deficiencies in the existing financial management systems and controls throughout government. From the Auditor General's point of view they include:

- an apparent disinterest on the part of Parliament in some central tenets of good governance and its responsibility to superintend the observance of the basic rules of good governance;
- the Public Accounts Committee has not sat for a number of years. It also lacks any research or administrative support;
- a virtually defunct internal auditing function throughout the service;
- only 177 of the 330 financial statements required under the law were prepared and submitted in 1997. Some authorities have not prepared a statement for several years;
- only 60 of the 484 audits programmed in provincial and local-level governments and their various organizations. The main reason for this was the failure of the auditee organizations to maintain and furnish timely and accurate financial statements and to respond to or cooperate on matters contained in the AGO's Management Letters;
- management and, possibly, resource difficulties within the Office resulting in, for example, only 125 of the 330 financial statements of statutory authorities being audited in 1997;
- While the 1998 Audit Act provides authority to do value-for-money audits, the AGO states that it has not been able to do much of this kind of auditing because of staffing constraints. It is also doubtful that it possesses sufficient staff with the skills to perform such audits to start such a program;
- The AGO is also poorly equipped and resourced to perform computer systems audits;
- The AGO lacks auditors qualified in forensic accounting in a system in which it is believed there is corruption at all levels of government.

Pakistan

In the Punjab, annual audited financial statements are submitted to the Public Accounts Committee of Parliament. In 2000, the Committee was examining the 1996/1997 statements a fact which was a function of the Committee's disinterest in this work.

6.6 Quarterly reports are made to each level of management quantifying performance against targeted outputs, key result areas or performance indicators. The financial information reported in 6.1 above would be expected in all government agencies regardless of the budgeting system being used. Where budgets are based on programs and those programs have quantifiable targets, the financial information should be related to the outputs that the expenditure has produced. Normally, such reports would be produced monthly and would integrate the financial information with the physical outputs produced. Normally a given level of expenditure would be expected to produce a given level of outputs and the reports would produce information and analyses on variances so that management could concentrate on exceptions. Where such information is not available and only financial reports are made, attention should be given to get 'standards' (i.e. a standard cost for a defined output) in place and have them related to key performance indicators.

6.7 Action is taken in response to internal and external audit reports. If Internal Audit reports are adequately addressed then this aspect of governance is ineffective. Some administrations seek to demonstrate they are 'good governance' institutions but in practice deliberately weaken internal audit or ignore its reports. Remedial action would then be justified in any project design

6.8 External Audit reports have not been qualified If qualifications are made, they are worth examining to determine whether they confirm impressions of reliability of reports and records and the capacity of the organisation to implement

remedial action. There are many instances of repeated qualifications with little action being taken by administrations or Boards in the case of enterprises. The presence of qualified reports reflects poorly on the quality of governance.

7 Condition: Effective Processes

7.1. **All administrative processes are mapped.** The service delivery performance of any agency is important. In the context of ADB programs, where poverty is serious and there is a government and senior bureaucracy disinterested in delivering an effective public service, concentrating at the service delivery end of the service pipeline is one of the few viable alternatives to try to enhance so that improved services can be delivered to target groups. Often, one finds committed and less corrupted personnel at the service delivery level who would like to do more but are prevented from so doing by poor procedures and processes. There is also the potential to train a low level workforce into improved work practices leading to higher productivity and junior levels of management taking their first steps towards performance management. In one sense this also helps to push operational management decision making as close to the customer base as is possible. It also is a useful step to take when devolution of responsibilities to regions or districts is being considered.

It is highly desirable to have key [not all] processes documented. Documented processes allow agency personnel to know what is the sequence of tasks that should be performed to provide a defined result and usually who is expected to do what in that sequence of tasks. If processes are not documented in writing or mapped in a flow chart format, it is highly likely that a number of problems and inefficiencies will occur. There will be no consistency in how the process is carried out leading to errors, omissions, delays, higher costs, poor quality and dissatisfaction by the persons/groups who are intended to benefit from the process. In circumstances where the Institution incurs considerable staff turnover, documented processes provide a means of achieving continuity in service delivery.

7.2. **Administrative processes are benchmarked.** Benchmarking at the service delivery level enables the performance of unit to be compared with unit and, eventually, the

Solomon Islands

In the Solomon Islands it was taking between a few weeks and several months to obtain a work permit from the Department of Labour. This resulted in numerous complaints from the private sector who were being hindered in starting employees by the poor service. Complaints were also received because the process required people to pay a fee three separate times at a location some distance from the Labour Office itself. A team of Labour Office staff mapped the process and analysed each of the 31 steps for redundant practices, excessive approval procedures, and inefficient process steps. They designed an improved process of 3 key activities which improved the time to obtain a permit from several months to less than a week.

Vanuatu

In Vanuatu the Central Medical Stores was not getting drugs and medical supplies to aid posts, medical centres and hospitals in a timely and effective manner. Orders were often late and not in full. A team from the CMS mapped the process and analysed each of the key activities. They identified over 40 problems that were affecting service performance, most of them simple to fix. An improvement plan addressed the key issues and improved service delivery performance.

performance of units in one DMC to be compared with units in another DMC. There are two advantages in even a simple level of benchmarking. The element of competition often provides a sufficient incentive to get performance improved. Secondly, one unit experiencing difficulties improving its performance can find out from other units how they have improved and, when confronting a particular problem, learn from other units how they overcame that problem.

7.3. A system operates to review processes on a regular basis. In more progressive departments and government enterprises, they implement what is called 'continuous improvement' which is evidenced by way of task forces or teams studying existing processes and identifying improvements. In many bureaucracies processes become outdated and cumbersome and fail to take advantage of available methods or facilities. If a department has no regular means of reviewing its processes and policies, then its capacity to initiate and manage change or major change projects may be in doubt.

Municipal Cities in Asia

Ten cities participated in examining selected processes and then comparing them in terms of agreed performance indicators, to detect potential for improvement. As a consequence, cities improved their processes concerned with solid waste education and enforcement, revenue assessment and collection, parking and handling resident complaints. The benefits were seen in shorter times to have complaints dealt with, cleaner streets, more parking available and more revenue collected on an equitable basis. The comparison of performance was the driver for seeking to change the way services were performed.

8 Condition: Quality of Management/Leadership

8.1 **Leadership is generally conspicuous.** Leadership is always important where change is required. Leadership is required to champion change. Where leadership is poor, and significant changes are sought, very careful consideration should be given to any proposals to gift technical assistance. This is particularly true in the case of changes that are likely to improve governance or management practices. Capacity building and institutional strengthening has been an area where technical assistance has enjoyed little sustainable success. One of the major constraints has been a lack of interest in the proposed strengthening of leadership.

A major weakness in many DMCs is that agency heads and their senior management teams are not always chosen on merit. Often, senior positions are a reward for having stayed the course over a long public service career and might almost be considered a pre-retirement reward. Where such conditions prevail, there is often a fairly quick turnover of agency heads and other senior managers. Elsewhere, where a political regime experiences frequent change in terms of reshuffles of ministers as different coalitions are formed, ministers are quick to change incumbents so that they have senior management teams which owe allegiance to them. Such organisational environments are unlikely to provide the conditions in which a strong leader will emerge who has the confidence to promote and drive change in an agency.

Given such turnover in senior ranks, in many public services, leadership tends to be defensive. It tries to eliminate all risk so that it cannot be blamed for mistakes. It also tends to try to take most decisions itself. In corrupt agencies, taking significant decisions also ensures that the agency head is able to benefit from decisions which produce opportunities for suppliers or other rich beneficiaries. Organisational cultures which avoid risk are less likely to be able to deal effectively with change because change usually present unexpected problems and requires

Pakistan

In the Punjab, in the period 1993-2000, on average the secretary of the Department of Education was changed every year. In the same period there have been 10 additional secretaries responsible for elementary education.

Bangladesh

Chairmen of the Bangladesh Water Development Board on average serve 9 months before they reach retirement age and retire. Over a 15 year period to 1996, very little change was introduced to the operations and performance of the agency despite the fact that it was responsible for major programs and projects in irrigation and flood mitigation.

Nepal

The electricity authority had an unstable Board and senior management such that there was a new chairman and a new chief executive in each of the past four years. It is little wonder that the organisation had a poor track record of achieving change.

management to be quick on its feet to enable it to address emerging problems promptly and effectively.

8.2 The sector has a good record of change and continuous improvement. Good leadership produces improved performance. A sector which has little history of improvement is likely to have been devoid of good leadership. Consequently, whether or not there have been significant performance improvements in a sector or an agency is a good indicator of the quality of leadership in an agency or in a part of an agency. Where there is little history of change, there probably needs to be an outside driver from something like a central agency, often through the budget process, before significant changes can reasonably be contemplated.

8.3 Senior management are selected on merit. Many bureaucracies may advance their personnel based upon seniority however this approach does not yield the best management team because longevity in the organisation does not equate with abilities. As there is significant reliance upon the senior management to determine strategy and direct implementation of policies and plans then the calibre of management is a major factor in an organisation's performance. Some Ministries may profess to apply merit based appraisal systems but this is often in theory rather than practice.

8.4 Chief officer and senior management are engaged under a performance contract. When performance measures are introduced into employment engagement terms it usually has a major impact upon behaviour, with consequent improvements in productivity and service levels. More recent government practice has seen senior bureaucrats placed on performance contracts with bonus payments tied to agreed performance measures. However this practice can lead to undesirable outcomes if the incorrect performance measures are chosen or if the performance measures are not robust.

8.5 The present chief officer has a record of change. Leadership by the chief officer sets the expectations and

Pakistan

An instructive case of lack of poor planning and lack of leadership occurred in the Punjab when it was decided to establish school management committees. In the first two years after the decision had been taken, the committees were dissolved twice, the first time because they were said to be non-representative and the second because community members challenged the constitution of the committees. Teachers resisted the introduction of the committees because they regarded them as an additional layer of superintendence and strike action was pursued. The first cheques sent out to the committees so they could fulfil their maintenance responsibilities were required to be returned by the Department.

behaviour of their reporting officers and the staff that report to them. Executives that have a history of change are naturally going to continue that behaviour and will be receptive to change projects. Placing reliance upon executives with little track record of change is likely to lead to delays in implementation and possibly areluctance to take ownership of change.

8.6 The chief officer has fostered a strong group of senior managers. If this condition is met it indicates that the entity can cope with change proposals and that the officer concerned has focussed on a key aspect of successful management. It also should show up in prompt and robust decision making. With weak senior management, it is possible that the future leadership if drawn from the present executives, is questionable. If a successor is drawn from outside, there will be some discontinuity in the leadership of the entity.

8.7 If there is a Board it has part time independent members. If the entity is a government business enterprise like utilities, it is usually governed by a Board. If the Board comprises full time executives employed in the enterprise then it is little more than the management committee in another guise. Part time independent members bring an external viewpoint to the table and help revent the entity from being more concerned about itself than the community it serves. Furthermore, such independent members will favour governance aspects like audit committees and disclosure through annual reporting.

8.8 If performance has been poor, there is evidence that the Board members direct management to take action. If a Board is strong then it will provide directions to the senior management but if it is captured by senior management [sometimes because a number of senior management are also appointed as Board members] then the rationale for having a Board is in doubt. Action to strengthen Boards would be a key factor in strengthening a government enterprise.

8.9 Leadership of the Chief Officer and /or Board has ensured there are documented plans, policies, procedures,

personnel and systems to achieve sector outputs and services. If there is evidence that much of what is required to achieve sector or institutional outputs is not happening, it may be traceable to inadequate leadership. Addressing the strengthening of leadership would then be a priority. Heads of departments or enterprises are not there as caretakers but to ensure the expected results from their administration is achieved. However, it is important also to realise that whole of government matters may hamper their performance. This could include budgetary allocations, personnel policies and allocation of authority between Ministries.

8.10 Leadership hastaken action to ensure the continuity of the entity to provide sector services. This is a condition that should reveal if sufficient attention is being given to the longer term perspective of the sector or institution. It should be evident in the availability of corporate plans and management succession plans as well as infrastructure planning.

8.11 Board membership is stable. In some instances, Board membership has been so changeable that the members are not as effective as they should be and can offer little longer term guidance to management or adequately monitor their performance. Resolving the stability issue will strengthen governance and will flow through to better organisational performance.

8.12 Management team is reasonably stable. Similar to the position of Boards, management need to be stable in order to provide sufficient continuity and consistency in decision making and policy. Changes in this management level is unsettling to the remainder of the organisation and leaves the way open for diversion of resources to low priority activities, a loss of performance and no adherence to rules. Some change in management is required but wholesale change is undesirable and would affect the capacity of the agency to take on projects.

8.13 Other sectors of government are not hanpering the performance of the sector. Self explanatory.

9 Condition: Quality and Quantity of Infrastructure

9.1 ***There is an assets register that enables an assessment to be made of maintenance and renewals.*** Although the need for good asset registers is often recognised, in practice, they are deficient, either through poor recording, containing inadequate descriptions, unclear procedures for capitalisation, persistent differences between financial asset registers and maintenance asset registers and problems with confirming the location of assets, especially those like computers that are attractive to steal. Maintaining asset registers is also frustrated in situations where the Government accounts write off all expenditures whether for asset purchases or recurrent costs. Assets registers should be part of the management information system of an agency. They should record the state of the asset, how long its useful life is likely to be and its maintenance requirements and history. It should be used to plan and budget for the replacement of old and obsolescent assets. A check of such assets registers will enable a person to determine if assets and, particularly expensive infrastructure, is being run down.

9.2 ***There is an adequately funded preventive maintenance program in operation.*** In most sectors, infrastructure needs regular maintenance. In many DMCs, infrastructure and plant and equipment receive little if any preventive maintenance. Usually the problem is not one of competent maintenance engineers but one of lack of funding. Infrastructure is rehabilitated when it reaches a serious state of ill repair. Plant is repaired when it breaks down and, where budgets are insufficient to purchase spare parts, one item is cannibalised to keep similar items working. Such approaches to operations and maintenance are very inefficient. Where a preventive maintenance program is already underfunded, there should be serious concerns about the advisability of developing rehabilitation projects or projects which add to the demand for maintenance.

Nepal

Electricity requires a substantial investment in assets. Although an asset register is maintained there are problems with mobile assets being requisitioned by politicians for their private use. There are also difficulties with asset valuations that impinge on the setting of tariffs.

Pakistan

Elementary schools receive only 20% of their maintenance entitlements. A 1999 SAPP random survey of elementary schools found that 67% were in need of maintenance and repairs to buildings and furniture. What this meant in reality was that when it rained, schools could not function because of leaking roofs. Schoolchildren had to sit on crumbling concrete floors because there was no furniture in commission. Teachers had no boards to work on to demonstrate things to children.

PNG

It appears that PNG culture does not encompass the concepts of maintenance but instead prefer to build new assets like their bush huts when they collapse. This carries over into the public sector where there is a combination of lack of maintenance because of inadequate funding but also compounded by an attitude that considers maintenance unnecessary. Project designers should recognise that if ongoing maintenance is critical for successful outcomes then they should develop ways and means of ensuring maintenance will occur.

9.3 Procurement practices for capital works and other significant purchases comply with good governance practices. Appropriate procurement practices are laid down in ADB's procedures. Essentially, for large capital items, there should be independent and qualified tender boards which are able to advertise tenders and then evaluate them. Tenders should be awarded either to the lowest bidder or to the bidder which provides the best value, depending on the complexity of the work being tendered for. Once a tender has been awarded, it is important that the contractor does not cheat by substituting inferior materials to those specified, a question which has been discussed in 6.10 above under technical superintendence and technical audits.

9.4 Minimum standards of service infrastructure are satisfactory. The standard of infrastructure needs to meet minimum standards. There are numerous examples of poorly executed projects like one irrigation one in Bangladesh where the canal required the water to flow upwards along certain sections. There are some sectors where minimum standards are crucial for life, like, for example, flood prevention walls. In other sectors, roads need to be of a sufficient standard for traffic to be able to move freely, schools for children to be able to enjoy a reasonable environment in which to learn, hospitals to enable medical work to be carried out effectively and patients have a good chance of recovery and so on. Normally visual random inspections will determine the state of the infrastructure in a given sector.

9.5 There is a documented policy on acquisition and renewal of infrastructure related to demands for the sector or institution's services. This condition is to ensure that decisions on capital expenditure are not driven by political factors but instead there is a robust transparent framework for making such decisions.

9.6 There is a clear process for developing and approving new capacity infrastructure. This refers to the need for transparency and consistency in moving from identification of needs to the point of approval for acquisition.

Pakistan

For capital works, a committee is established in the Department of Communications and Works to assess tenders rather than having an independent tender board. The committee consists of the nominee of the Secretary of the Department, a representative from Finance and usually the project director and one of his staff. The project director and member of staff both are in a reporting relationship with the Secretary of the Department. The committee then makes a recommendation to the Secretary (as approving authority), who has the delegated authority to alter that recommendation and appoint any of the bidders.

9.7 There is a transparent priority setting process for determining the infrastructure acquisition sequence. It is possible that political interference occurs to advance some projects earlier than others so the condition should be tested as to whether there is a well defined priority setting process.

9.8 Infrastructure matches demand satisfaction objectives within the medium term plan period [5 to 10 years]. It is possible that even with current and projected capital expenditures, the demand for services are not met. This is typical in aiming to supply the population with access to electricity. However, there is little point of having a specific service goal if the infrastructure to meet such a goal has not been included in the plans of the organisation. A change of goal may be required.

9.9 Contributory factors to infrastructure breakdowns are determined on a regular basis. While some administrations prefer to concentrate upon acquiring new infrastructure, often they overlook the performance of the current in-place infrastructure. Rigorous analysis of present performance should be a feature of a good administration.

9.10 Remedial action is taken to address identified problems of infrastructure being unavailable for use. Analysing causes of infrastructure performance is insufficient unless action is taken.

10 Condition: Quality and Quantity of Staff

10.1 ***There is an effective human resource management plan in place.*** Good human resource management (HRM) is critical to the long term effectiveness of a public service and each agency in it. Human resource management addresses all issues concerning employment including:

- employment policies;
- conditions of employment;
- recruitment, promotion, retention and removal of staff;
- human resource development;
- career planning.

The human resource plan of an agency would normally be part of the agency's forward or corporate plan. The purpose of a human resource management plan is to ensure that staff of the requisite competencies are employed in all the established positions in an agency. A crucial concern of a human resource management plan is to ensure that there is always a pool of competent and experienced staff ready to fill management positions at any level of an agency as they fall vacant. A second key concern of such a plan is to ensure that the right kind of staff are employed and retained for the benefit of the public service or agency concerned.

Such plans are rarely found in public services in DMCs. In many, public servants do not appear to be regarded as important. In some, they often appear to be the playthings of politicians to be patronized or dismissed depending on the whims of a particular politician with transient influence in a particular agency. Until there is an orderly approach to the management of human resources in a public service in which public servants are given the respect that the responsibilities of their work warrants and are rewarded appropriately for their work, there is not likely to be the effective and efficient agencies that accountability demands.

Pakistan

In the Department of Education in the Punjab, the Secretary of the Department is changed, on average every year. In 2000, the Special Secretary, Elementary Education had been in his job for 3 days, the Additional Secretary, Elementary Education Planning for 5 months, the Deputy Secretary Planning for 3 months and the Director, Finance for 11 months. With such short periods of tenure, manoeuvring for one's next job becomes more important than doing one's current job effectively. Under such circumstances, there can be little accountability because no senior officer is in his or her job long enough to become accountable for any significant activity carried out to completion.

Nepal

The Electricity Authority has a manpower planning section but admits it does not do any manpower planning. There appears to be no recognised linkage between capital works development plans, extension of services and personnel.

10.2 **Professional personnel recruited always meet the entry requirements.** Where professional personnel are recruited who do not meet the basic entry requirements, one usually finds that political or some other influence is being exercised to repay favours or benefit relatives. It is particularly serious where low competence pilots are recruited to fly commercial aircraft. It can affect a lot of areas like poorly qualified teachers who cannot teach effectively (and where it occurs, it usually discriminates against the poor), poorly qualified paramedics not treating the sick appropriately. The situation becomes worse where promotion is based on seniority as the poorly qualified, incompetent performer has an equal opportunity to progress a certain way up the hierarchy as the well qualified good performer. Consequently, in the context of a well performing agency, where entry requirement criteria are evaded, problems of ineffectiveness throughout the agency are being built up from such practices.

10.3 **Promotion in the public service and other professional services is based on merit.** A merit public service should ensure that only the best public servants progress up the promotion tree. In some public services, there were good reasons for introducing a policy of promotion on seniority as such an approach ensured that there was less discrimination against members of racial minorities working in public services. While the reasons for such a policy might have had the best of intentions, the result is that where promotion is based on seniority, there is little incentive for staff to do little more than the minimum required as good performance does not result in rewards in the sense of quicker promotion. Another result is that it enables political influence to be exercised to enable certain individuals to get the appointments they desire to the detriment of a good career planning system. Consequently, the well connected get a good range of experience while the poorly connected but able personnel have to make do with the crumbs.

10.4 **The principles of equal employment opportunity are an integral part of the merit system.** Most public services in DMCs are critically short of excellent performers. Consequently, apart from equity, there are strong performance related reasons

Pakistan

In the Department of Education in the Punjab in 1988, 24% of teachers recruited did not meet the entry standards. In 2000, in a test randomly applied to teachers and students, 38% of teachers failed a Grade IV test. A 1994 study of primary teachers assessed teachers against a profile of 38 competencies and found that they were generally acceptable but in need of training in 13 and poor in 20 competencies.

Nepal

The senior executive at the Electricity Authority responsible for finance and planning had no formal training in finance. A suitable person was recruited and reported to the senior executive but in all major meetings the subordinate had to be in attendance because his superior could not address the issues. The qualified person was not considered for promotion as he did not have the requisite seniority although he was recognised to have the appropriate competencies.

Pakistan

In the Department of Education in the Punjab, promotion is officially based on seniority plus written tests and an interview. Despite the appearance of some competition for promotion, it is estimated that about 25% of appointments at the primary level are a result of political influence. The fact that there are 205,000 sanctioned civil service positions gives an idea of the numbers involved.

Nepal

There are approximately three women executives in the Electricity Authority management grades 6 to 12 that altogether comprise about one thousand officers. There is no woman above the grade of 9

not to exclude any part of a population from enjoying equal rights to entering into a public service and advancing to the most senior ranks. A system based on seniority, even one that operates fairly, will tend to discriminate against women as many will take leave from their departments to start families. All public services in DMCs have male dominated cultures which discriminate against women, particularly against them advancing to the most senior positions in the public service. Consequently, women are often steered into what are regarded as less important areas where they might rise to a relatively senior rank but have little influence in the major activities of an agency.

Some DMCs address the question of equal opportunity by imposing quotas to ensure that there is a reasonable representation of minority groups and women. Such quotas are often misleading with the positions reserved for such groups are in areas like primary school teachers and secretarial assistants and are not in the mainstream of the public service management stream.

10.5 ***There are appropriate policies regarding the poor performer leading to the sacking of the consistently unsatisfactory performer.*** A convention of most public services is that appointment includes tenure. The reason is that public servants should be able to give their ministers honest advice without fear of a minister “killing the messenger” by sacking him. The pernicious side of this convention is that it is very difficult, if not impossible, to remove poor performers. Where recruitment into a public service can be influenced by politicians and other people outside the public service, the number of people recruited who will never be able to perform up to the demands of the job that have been appointed to increases. Often poor performers are at the very top of an agency, having been brought in by a patron politician. Despite their agencies performing poorly, adverse audit reports and often, failing to meet the statutory reporting requirements to parliament, these persons remain in their jobs. It also has adverse effects on the performance of everyone. A problem in any team where at least one person is not pulling their weight is that the performance of other team members, eventually,

Nepal

A recent politically appointed managing director of the Electricity Authority initiated a move to streamline senior management by sacking a number of deputy managing directors and other senior executives. The sacked executives took the matter to court and were given a favorable judgement. They were duly reinstated which satisfied the court decision but not given worthwhile management tasks to perform. Then a reorganisation was announced that did have them placed back into appropriate positions followed shortly after by a Board policy decision that all senior management who have been in grade 12 [highest grade] for five years or more should be compulsory retired. This effectively removed the reinstated senior executives as well as some other managers who had not been subject to the original sacking.

is dragged down. They are very clear signals that the public service is no longer independent. Changing the convention of not being able to dismiss a public servant requires a change to the legislation governing employment in a public service and, consequently, is difficult. Given that few public services now are free from political influence and interference, there should be sufficient provision in any legislation against unfair dismissal.

10.6 *If there are such policies, they are applied in practice throughout the system.* It is one thing to have policies about dismissing the poor performer. It is another thing to have them carried out in action. Often the poor performers are protected by their patrons and, consequently, are not removed. Furthermore, dismissal processes are cumbersome, require documented evidence and employee counselling and warnings, will most likely be subject to challenge and therefore dissuade managers from embarking on such a course. The difficulty in getting rid of non performers is why outsourcing and privatisation became popular as this passes the problem either to the private sector or clearly made a position redundant and redundancy provisions rather than performance criteria could be invoked.

10.7 *An effective professional development regime is in place.* Professional development is what ensures that the recruited staff are able to deal effectively with all the challenges confronting an agency and achieve the goals set for an agency. Professional development is more than training. It ensures that staff are able to do their present job effectively and prepares them for their next job so that a pool of competent personnel always exists which can be promoted and immediately be effective in their new position. Without professional development, staff skills and efficiencies tend to decline, staff become set in their ways which makes the introduction of change more difficult and staff find it very difficult to cope with the introduction of new technologies.

10.8 *There is an effective management development program.* Management development is extremely important for any organisation and is often ignored in capacity building technical assistance. It is essentially a continuation of staff development. A

Pakistan

In the Department of Education disciplinary action should be initiated after complaints are lodged about teacher absenteeism. After 3 warnings, a teacher who is persistently absent is dismissed. A 1998 Third Party Validation Report found that the Department of Education did not initiate action against persistent offenders.

Pakistan

In elementary education in Pakistan, surveys found that:

- 30.8% of teachers would not reach the minimum standard in mathematics, 34% in science and 39.2% in pedagogical;
- 38% of teachers failed a Grade IV test applied to Grade IV students;
- on a profile of 38 competencies, teachers were generally good in 5, acceptable but in need of training in 13 and poor in 20 competencies. The teachers trainers had a slightly better profile.

A 1995 study found that children tend to do well in areas in which their teachers do well and perform poorly in areas in which teachers perform poorly, indicating that teacher competence is a very significant determinant of student achievement.

key for any agency is to ensure that there is always available a pool of competent individuals ready to take up each level of management positions.

10.9 **Conditions of employment are competitive with the market place.** Public services are competing with the private sector and other sectors to employ a reasonable proportion of the best people available. Conditions of employment which include salaries and other rewards, therefore, need to be competitive in the marketplace and they also need to produce sufficient incentives for each employee to work as effectively as possible.

10.10 **Salary packages are sufficient for an average family to live comfortably.** Rates of pay in many DMC public services are unrealistically low. For a person supporting a household, often they are so low that the person has to seek other employment to supplement his or her meagre public service income. Such low rewards have governance implications in the sense that they provide an environment in which corruption becomes more easily rationalised in that a person can argue that he or she is not be able to survive without boosting salary returns through making his or her own unauthorised withdrawals from the public purse. A second effect of low salaries is that public servants supplement their salaries by having a number of jobs, some of which conflict with the requirements of their daily work in the public service. The result is low public service productivity and a reduction in the number of jobs available to the public at large. A third effect is the creating of many salary levels with small differentials to provide a means of promoting people and with that also comes the constant movement of staff as they chase any

Pakistan

There is no career structure for elementary teachers. They either leave teaching or remain at the level they were appointed to when they first entered the service. There are annual increments but no other incentives for exceptional performance.

Nepal

The Electricity Authority was the only employer of certain types of skills – like electrical engineering – but also had to employ skills like finance for which there was also a demand in the private sector. Prima facie comparisons of salaries between the public and private sector for such skills reveal that public levels were about a third of those in the private sector. When allowances are added in like vehicles, pension plans etc there is still a differential of about 30%. This means the public sector will attract those who are not offered jobs in the private sector and those who seek job characteristics like security and seniority over development and merit based promotion.

position that can offer them even small increments of pay. Staff movement statistics will evidence this situation. Furthermore, when salaries are low there can also be a tendency to add persons to the payroll through patronage [or an act of social service] because the cost is small. This bloats personnel numbers and further reduces the productivity of units. Recently, a correction was made to public sector salaries in Nepal which resulted in increases of between 50 and 90% of the prevailing levels. The failure to make progressive adjustments meant a large adjustment was necessary and that created adverse reaction by the public who interpreted it as overpaying non productive civil servants.

10.11 Unions are advocates of the professional development of the service. Unions are often ignored in the assessment of a particular public service. In some countries, they can play a very important role, often negative. They can be a major obstacle to reform. On the other hand, progressive unions could be a significant player in driving reforms so as to improve the conditions of their members. In any reform program, if an agency or sector is unionised to any significant extent, consideration should be given to programs which would improve the quality of union executives so that they could become assets to a proposed change program.

10.12 There is sufficient number of personnel to fulfil all designated functions. Significant understaffing occurs in some administrations and that frustrates the achievement of reasonable service levels. This fact should be established along with identifying the reasons why.

10.13 The organisation is not overstaffed. Many administrations are overstaffed and this detracts from the effective working of the organisation. It is also a factor that may cause user pay prices to be higher than they should be. In over staffed situations, there is usually great reluctance to support any change initiatives.

10.14 The workforce turnover is at a level that does not pose difficulties to effective operations. If significant turnover

occurs then there is a loss of skill and often a waste of training carried out under technical assistance projects. This movement may not be under the control of the agency but occurs through personnel seeking promotion within the system due to inflexible salary systems. However, equally little turnover can mean stagnation. Project design needs to determine characteristics of the workforce before finalising components that need staff stability.

11 Condition: Intergovernmental Relations

11.1 ***There is a clear demarcation of responsibilities between each level of Government.*** All DMCs have at least two tiers of government – a national government and a local municipal government. Many have three with a provincial level of government operating at a regional level. Normally, the national government is responsible for certain national activities like defense, taxation and foreign affairs and for developing broad sectoral policies. The provincial levels then are responsible for the implementation of the broad policies, but with a capacity to amend the policies to fit the local provincial situations. So you find the provincial services running schools, hospitals, agricultural services and other services like welfare programs. Local governments usually deliver local services like solid waste disposal, local road maintenance, local traffic management and the like. As with organisation structures discussed in 5.1, clear demarcations of responsibility need to exist between each tier of government if there are to be clear lines of accountability. Where there are not, and there are failures, the usual recourse of those responsible is to blame the other tier of government for the failure and deny any responsibility themselves. That is most likely to happen where neither tier performs something which it should have done. A second problem occurs where two tiers perform the same function and start competing with each other for funds. Generally such duplication of responsibilities produces inefficiencies. It often also produces confusion in the minds of customers and the electorate at large.

11.2 ***Each level of government is accountable for discharging its obligations effectively.*** Accountability is the other side of a clear demarcation of responsibilities discussed above. Only in the case of accountability, it is important that each tier of government is accountable to a discrete representative body and that representative body is served by appropriate agencies like auditors and has the capacity to review the performance of all agencies accountable to the body.

Pakistan

In the Punjab, both the provincial government and local municipalities run education services. The municipalities can ill afford to run and maintain schools from their own revenue base and are ill equipped to support an educational system effectively. The result is that children in municipalities, particularly those living in poor areas, are likely to enjoy even lower standards of education compared with those who have access to the provincial system.

Kyrgyz

Kyrgyz has a national government and two other tiers of government at the oblast and rayon levels. The national line departments are ultimately responsible to the President through a Prime Minister appointed by him and thence to the National Assembly. The President appoints the oblast governors and they are responsible to him. Line departments operate at the oblast level, but their personnel are responsible to the oblast governor, not back to the Deputy Minister of the line department. There are no elected oblast level assemblies. Consequently, quite who is responsible for the delivery of, for example, the quality of agricultural support services, is not at all clear.

11.3 *There is a satisfactory formula for assuring adequate funds are transferred from higher levels of government.*

Taxation and its collection are universally a national government responsibility. Where a federal system of some kind of decentralised system exist and the next tier of government is responsible for service delivery, it is very important that sufficient funds are transferred from the national level to enable the subsidiary levels of government to carry out their responsibilities effectively. Usually, it is advisable for an independent forum to devise a satisfactory formula, because it usually has to take into account the differential capacities of regions to raise their own revenue, the demographic profile of a region, problems of geography and the like.

11.4 *The formula operates satisfactorily in practice.*

Having a satisfactory formula does not guarantee that the system will work effectively in practice. It is important that the funds appropriated in a budget are transferred at the prescribed time to enable the subsidiary tiers of government to carry out their responsibilities effectively. It is not uncommon for governments experiencing fiscal difficulties to delay payments of appropriations to line departments and to subsidiary tiers of government. It is also important that the funds appropriated do actually reach the intended destinations. Consequently, the way in which funds are transferred is important and needs to be secure to avoid funds being transferred to other priorities or being sequestered for activities which bear no relation to the intended use of the funds.

11.5 *Problems between government levels are resolved quickly so that the system is able to continue working in practice.*

In democracies where subsidiary levels of government might be of a different political persuasion from the national government, tensions can occur between the different levels of government. Even where subsidiary levels and the national level are of the same political persuasion, tensions can occur. Usually,

Indonesia

Peraturan Pemerintah Nomor 8 Tahun 1995 enacted decentralisation of the implementation of primary education to the district level. Responsibility for all primary education implementation was delegated to 26 pilot districts. Their responsibilities were set out by the Biro Organisasi of MOEC in the document "Petunjuk Pelaksanaan Urusan Pendidikan dan Kebudayaan yang Diserahkan kepada Daerah Tingkat II Percontohan" of 1996. After the pilot period, responsibilities were delegated to district levels, but while personnel were transferred from Kanwil offices, operational funds were not which resulted in provincial governments not having the funds to carry out all the transferred responsibilities effectively.

Papua New Guinea

In PNG funds should be released on a regular basis to provincial agencies such as Agriculture Extension. In many cases the funds are released late or not at all. The effect is that Extension Officers do not have the cash to buy petrol or maintain their vehicles. This in turn results in them not travelling around the province delivering their service, or they start their round late and have to make up the time by spending less time with their clients.

the tensions have to do with the allocation of funds and the demarcation lines of the division of responsibilities. For effective government, it is important that tensions are dealt with sufficiently well to enable each tier of government to continue to perform its responsibilities effectively. At the municipal level, often the tensions are resolved simply by sacking the town council and appointing an administrator and managing the municipality directly from the centre. Where such action is taken, it is important that the higher level of government is very clear that it is assuming the responsibilities and remains accountable to the electorate for the actions it has taken.

12 Condition: Access and Reliability of Services

13.1 **Service standards are set for access [hours of opening, response times, proximity to users etc] and quality of service .** Access, particularly for the poor, is very important. If a service is provided, but the intended beneficiaries cannot access it, it cannot be effective. Access has a number of important attributes, many of them related to cultural values. For example, male doctors would not be allowed to examine women patients in many cultures. Being physically within range of the intended beneficiaries is crucial. But so also is an environment in which the beneficiaries feel sufficiently comfortable that they will seek out the service. There are many reports, for example, of the poor preferring private and, for them, expensive medical practitioners to the free government services in a local hospital because of the hostile, reluctant or disinterested attitude of the government medical staff. Access is also denied where there are facilities but they do not open for the prescribed periods. There are endless examples of offices not functioning fully because of large levels of absenteeism, often caused by the fact that public service salaries are so low that the bureaucratic culture has come to permit bureaucrats to absent themselves to pursue other incomes. In education, schools remain closed because teachers do not appear. Clinics do not operate because the paramedics do not open the clinics. Extension workers do not visit their customer base claiming they do not have the wherewithal to travel to rural areas. And so on. In all these cases, the budget itself provides very little return for its investment and the poor is the population that really suffers. Sometimes it is the services of the private sector that affect the public sector performance. In PNG, teachers are paid by cheque and must get to a Bank to cash their wages. They cannot do that at weekends and so absent themselves from school during its operating hours to do their banking. As this can involve a days travel there and another back, the impact on students is significant.

Australia

Ablution blocks were erected in poor Aboriginal communities where there was no housing and other amenities. Lavatories in many were not used and simply vandalised. The lockable doors to the lavatories had a large gap between their base and the floor. Aborigines recognize people by their feet. Consequently, local residents would not defecate there where they could be seen but could not see who had recognized them out of fear of black magic.

PNG

District administrations are responsible for locating services close to the villages they serve. In one instance, the district HQ was sited to suit the administrator and the local politician and represented a long walk for villagers. Paradoxically, the administration considered they were doing a good job as few villagers came to the HQ to complain about services. In a similar case, the Health person was relocating the health centre close to their new home [she was married to the District administrator] but away from the village that it was intended to serve. It suited the administration but not the population that needed the facilities.

13.2 Service or output standards are made public to consumers and NGOs. This condition is to ensure that those in receipt of services know what to expect and then can compare actual services with promised service standards. If service levels are not made known, the agency can always claim that they are performing satisfactorily and dismiss complaints.

13.3 The access and quality standards are achieved. This should be expected but in practice, often actual performance falls well short of what is the standard. The poor can suffer as a result. It is important to see if the organisation is trying to address lifting its service performance.

13.4 The services are available throughout the country, region or district. In a number of DMC, urban dwellers receive services but many rural dwellers do not. The institution should be recording its service coverage and addressing it in its plans. It may be that country wide coverage is not a goal as it is unaffordable but this should not apply to essential services like education, health, water and electricity.

13.5 Local consumers or communities have a sufficient voice in the standards and delivery of services In many sectors, if services are to be effective, they need to meet the needs of the people for whom the services are designed. In agriculture, irrigation systems, veterinary and extension services should meet the needs of local farmers. In education, schools should meet the needs of the parents and, in particular, should be relevant to the children. In health, local clinics should be able to treat the prevailing health problems of a local community. In the private sector, where a competitive product does not meet customer needs, it is not bought and the company marketing the product loses money. In the public sector, where there is a monopoly of service delivery and the services are required, it is incumbent on the relevant agencies to make sure that their services do meet local needs. In DMCs, this is rarely the case. The evidence is in unused or unmaintained systems, parents sending their children to private schools they can ill afford, people

Pakistan

School management committees were established in the Punjab to determine issues like where the maintenance budget should be spent. A 1999 Norwegian Government survey found that in its sample, parents were not represented on one committee. 90% of all management committee members in government schools were teachers.

Nepal

Although the Electricity Authority has 670,000 customers currently and aims to connect many more it does not conduct any consumer surveys or operate other consultative means of obtaining customer opinions. Type of services, costs and price options of providing different levels of service are decided upon by officials. They have a vested interest in choosing options that provide job security, technical satisfaction or even corruption opportunities through large procurements and may not have the same service expectations as present and potential consumers.

consulting private medical practitioners because the service they receive in the public sector is unsatisfactory.

13.6 There are mechanisms in place to deal satisfactorily with requests and complaints from consumers or local communities over a particular service Access also concerns what the response of an agency is likely to be if someone complains about the standard of a service. The cultures of many public services and their agencies do not value the customer. Customer service itself does not feature as a key performance indicator and, in many cases, little concern whatsoever is displayed to the customer or about the standard of service. There is no formal mechanism for a person to complain about a service. Where complaints are received, they are often dismissed without review or after only a cursory review. Where services are simply not provided, the poor have little opportunity of venting their grievances to distant district or regional offices and, where the cause is a Ministry of Finance not releasing budget appropriations, to the central agencies.

13.7 Local communities are generally satisfied with the performance of their services. The one question that few line agencies bother to pursue is how satisfied their customers are. In many cases, public service agencies are despised by their customers. Until rewards and incentives are linked to service standards and customer satisfaction, the situation is not likely to change. Finding out causes for dissatisfaction should all answer how well services and, equally importantly, policies meet customer needs. Without such surveys, the policy makers and planners are operating in the dark about the kinds of policies and programs which are likely to produce the improvements that are required to alleviate poverty and other problems experienced by the people in a DMC.

13.8 All persons seeking services are treated equitably [shanty dwellers, urban, rural, squatters,etc]. The poor are often disadvantaged as higher income groups are able to exert greater influence or afford facilitation payments to obtain the services.

13.9 If the service is charged for, customers are billed regularly. This condition aims to detect the possibility of poor customers being charged varying bills which contain overstatements but which are made harder to challenge by varying the billing periods.

13.10 If the service is charged for, customers are provided sufficient information on their bills to allow them to judge the reasonableness of charges. Transparency extends to user charges and more information in the public's hands will help keep corruption down and provide a stimulus to greater administrative efficiency.

13.11 If the service has safety of use aspects, then minimum safety standards are enforced. Self explanatory.

13.12 There is a system for monitoring interruptions of services. This is particularly applicable to enterprises providing utility services. They should be able to demonstrate their service performance.

13.13 Service interruptions are responded to within a set performance standard This follows from setting service standards.

13 Condition: Sector Specific – Services and Technical Capacity - Education

Each sector and agency usually has technical requirements. For example, in education the quality of the curriculum is important and where it is poor, it suggests that assistance is required to improve it. This section will be specific to each agency and would normally be completed by technical experts.

13.1 There is an effective system of auditing teaching standards and addressing problems Technical audits should be an important adjunct to the work of the Auditor General. Technical audits determine whether or not technical standards specified or required have been met. Technical audits address whether professionals are meeting the required standards in their job performance and whether finished products meet the technical standards specified. Corruption is able to flourish where technical standards can be evaded. Skimping on quality required is one way of reducing costs to the detriment of the quality and effectiveness of what is produced. A poorly finished product usually leads to higher maintenance costs which budgets cannot afford and a restricted useful life. Similarly, cronyism and patronage can produce suppliers or staff who are not able to meet the required standards. Again the result is a poor quality product, whether it is a condom that too frequently bursts and leads to users catching STDs or a teacher who has not the competence to teach to a certain standard. Technical audits should be performed by a unit which has no interest in the contract or decision to supply and might be part of an internal audit unit. Equally, the responsibility might be outsourced, particularly in the construction business.

13.2 There is an effective technical auditing system which ensures schools are built and maintained according to budget specifications and materials are provided according to budgets. This is dealt with in 13.1

13.3 The curriculum is the responsibility of professional educators and not career public servants

13.4 If there are clear standards set for the curriculum, are they met by the current curriculum?

13.5 The curriculum meets international standards

13.6 Current teaching method is in line with best international practice

13.7 There is an effective system to bring teachers up to date with changes in the curriculum

13.8 There is an effective system to bring teachers up to date with changes in the recommended teaching method

13.9 The curriculum is supported by appropriate textbooks

13.10 There is insignificant teacher absenteeism

13.11 The NGO sector is well organised to lobby for its poor constituency. Where public services are unsatisfactory, there is often very little opportunity to seek improvement or redress from government. The elected politicians are not concerned that the people they represent receive appropriate services from the government and the functions of the national and provincial assemblies, especially in terms of scrutiny, do not work well. Under such circumstances, there are few avenues for the people to pursue to obtain their rights. One potential area and one which does also offer an alternative to government in the delivery of public services, is the non-government sector. This sector is part of “civil society” and, when it is organised effectively, can and does represent the interests of the common people to the forums of power. In some DMCs like Bangladesh, the NGO sector is well organised and influential. In others, like Pakistan, it is still in a formative stage and lacks the peak organisations which would constitute a powerful lobby group in the seats of power. Depending on the maturity of its organisation will depend the most effective way the NGO sector might be brought into play to support the objectives of individual ADB programs.

13.12 Minimum standards of schools' amenities are satisfactory

13.13 ***Objective tests are run on outputs [such as children's educational performance] at all relevant levels.*** Public services are in the business of producing outputs which contribute to desired outcomes being achieved. If policies are effective, the delivery of the targeted outcomes would meet with the approval of the public at large. Outputs can be compared with products produced by the private sector. If a product does not meet with customer approval, it is not purchased and the company producing it makes a loss. Public service outputs are not subjected to such market forces. Consequently, it is important to monitor their relevance and their quality. In education, objective tests of student performance would give some indication of the effectiveness of teaching. In urban services like solid waste removal, visual inspections accompanied by customer services would give an indication of service quality.

13.14 14 Condition: Sector Specific – Services and Technical Capacity - Electricity

Each sector and agency usually has technical requirements. For example, in education the quality of the curriculum is important and where it is poor, it suggests that assistance is required to improve it. This section will be specific to each agency and would normally be completed by technical experts.

14.1 There are operating processes in place to provide continuity of supply, minimise electricity losses and maintain the integrity of the system

14.2 Criteria for load shedding are made public

14.3 Load shedding performance is made public

14.4 Failures in planned maintenance are cited as a contributory factor in distribution breakdowns

14.5 Maintenance stores is not cited as a contributing factor distribution breakdowns

14.6 Significant electricity losses are not attributed to plant condition.

14.7 Illegal connections are not a major contributor to reported electricity losses

14.8 Line losses compare favorably with other major distribution systems

14.9 Metering errors are surveyed and corrected

14.10 There is insurance cover for all equipment

14.11 There is an operational R& D department or function

14.12 Plant design and commissioning is carried out by both in-house and external contractors/consultants

14.13 The financial cost of electricity losses is computed and made publicly known

14.14 If electricity is imported, there are agreements in place between the Enterprise and providers to protect its financial exposure and guarantee supply

14.15 If electricity is supplied by private generators, there are service contracts in place with the Government Enterprise to protect their financial exposure and guarantee supply

14.16 If the electricity is supplied from government owned generators, there are service contracts in place with distributors to protect their financial exposure and guarantee supply